



SUNLEY HOLDINGS LIMITED 新利控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1240



Placing and Public Offer



Sponsor

AmCap
Ample Capital Limited
豐盛融資有限公司

IMPORTANT

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



SUNLEY HOLDINGS LIMITED

新利控股有限公司

(incorporated in the Cayman Islands with limited liability)

PLACING AND PUBLIC OFFER

Number of Offer Shares	: 75,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Public Offer Shares	: 7,500,000 Shares (subject to reallocation)
Number of Placing Shares	: 67,500,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Offer Price	: Not more than HK\$0.94 per Offer Share and expected to be not less than HK\$0.83 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 in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 1240

Sponsor

AmCap

Ample Capital Limited

豐盛融資有限公司

Joint Bookrunners and Joint Lead Managers



SBI E2-Capital Financial Services Limited



Astrum Capital Management Limited

Co-Lead Manager

AmCap

Ample Orient Capital Limited

Co-Managers

Cheong Lee

昌利證券
昌利期貨

Cheong Lee Securities Limited



太陽國際証券有限公司

Sun International Securities Limited

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

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "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 Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between us and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before 5:00 p.m. on Tuesday, 9 October 2012. The Offer Price will be not more than HK\$0.94 per Offer Share and is currently expected to be not less than HK\$0.83 per Offer Share, unless otherwise announced. Investors applying for the Public Offer Shares must pay, on application, the maximum Offer Price of HK\$0.94 per Offer Share, together with brokerage of 1%, 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\$0.94 per Offer Share.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with our consent, reduce the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the indicative Offer Price range will be published on the website of the Company (www.sunley-fdn.com.hk) and the Stock Exchange (www.hkexnews.hk), not later than the morning of the last day for lodging applications under the Public Offer. If applications for Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the Offer Price is so reduced, such applications cannot subsequently be withdrawn.

If, for any reason, the Offer Price is not agreed between us and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before 5:00 p.m. on Tuesday, 9 October 2012, the Share Offer will not proceed 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.

Pursuant to certain provisions contained in the Underwriting Agreements in respect of the Offer Shares, the Joint Lead Managers (for themselves and on behalf of the Underwriters) have the right in certain circumstances, in their absolute discretion, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the day on which dealings in the Shares first commence on the Stock Exchange. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

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.

27 September 2012

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Share Offer, we will issue an announcement on the respective websites of the Company at www.sunley-fdn.com.hk and the Stock Exchange at www.hkexnews.hk.

2012

Application lists open⁽²⁾ 11:45 a.m. on Thursday, 4 October

Latest time to lodge **WHITE** and
YELLOW Application Forms 12:00 noon on Thursday, 4 October

Application lists close 12:00 noon on Thursday, 4 October

Expected Price Determination Date⁽³⁾ Tuesday, 9 October

Announcement of the Offer Price, the level of indication of interest
in the Placing, the level of applications and the basis of allocations
of the Public Offer Shares to be published on the website of
the Company at www.sunley-fdn.com.hk and the website
of the Stock Exchange at www.hkexnews.hk on or before Wednesday, 17 October

Results of allocations in the Public Offer (with successful applicants’
identification document numbers, where applicable) to be available
through a variety of channels (see paragraph headed “Publication of results”
in the section headed “How to Apply for the Public Offer Shares”
in this prospectus) from. Wednesday, 17 October

Results of allocations in the Public Offer to available at
www.tricor.com.hk/ipo/result with a
“search by ID Number/Business Registration Number” function Wednesday, 17 October

Despatch/Collection of share certificates in respect of wholly or partially
successful applications pursuant to the Public Offer on or before ⁽⁴⁾⁽⁵⁾ Wednesday, 17 October

Despatch/Collection of 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 wholly or partially
unsuccessful applications pursuant to the Public Offer on or before Wednesday, 17 October

Dealings in the Shares on the Stock Exchange expected
to commence at 9:00 a.m. on Thursday, 18 October

Notes:

1. All times and dates refer to Hong Kong local times and dates unless otherwise stated.
2. If there is a “black” rainstorm warning signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 4 October 2012, the application lists will not open on that day. For further information please refer to the paragraph headed “Effect of bad weather on the opening of the application lists” in the section headed “How to Apply for the Public Offer Shares” in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

3. The Offer Price is expected to be determined by agreement between us and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before 5:00 p.m. on Tuesday, 9 October 2012. The Offer Price will be not more than HK\$0.94 per Offer Share and is currently expected to be not less than HK\$0.83 per Offer Share, unless otherwise announced. Investors applying for the Public Offer Shares must pay, on application, the maximum Offer Price of HK\$0.94 per Offer Share, together with brokerage of 1%, 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\$0.94 per Offer Share.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with our consent, reduce the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the indicative Offer Price range will be published on the website of the Company at www.sunley-fdn.com.hk and the website of the Stock Exchange at www.hkexnews.hk, not later than the morning of the last day for lodging applications under the Public Offer. If applications for Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the Offer Price is so reduced, such applications cannot subsequently be withdrawn.

If, for any reason, the Offer Price is not agreed between us and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before 5:00 p.m. on Tuesday, 9 October 2012, the Share Offer will not proceed and will lapse.

4. Applicants who apply with **WHITE** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer and have indicated in their Application Forms that they wish to collect any refund cheques and share certificates (as applicable) in person may do so from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Wednesday, 17 October 2012. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to our Hong Kong Branch Share Registrar.

Applicants who apply with **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer and have indicated in their Application Forms that they wish to collect their refund cheques (where relevant) in person may do so but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post and at the own risk of the applicants shortly after the expiry of the time for collection at the date of despatch of refund cheque as described in the paragraph headed "Despatch/Collection of share certificates and refund of application money" in the section headed "How to Apply for the Public Offer Shares" in this prospectus.

5. Share certificates for the Offer Shares are expected to be issued on Wednesday, 17 October 2012 but will only become valid certificates of title provided that the Share Offer becomes unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms before 8:00 a.m. on the Listing Date.

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.

Share certificates will only become valid certificates of title of the Shares to which they relate provided that the Share Offer has become unconditional in all respect and neither of the Underwriting Agreements has not been terminated in accordance with its terms at any time prior to 8:00 a.m. on the Listing Date. Investors who trade the Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus 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 and the Application Forms. Any information or representation not contained nor made in this prospectus or the Application Forms must not be relied on by you as having been authorised by us, the Sponsor, the Joint Lead Managers, the Underwriters, any of our/their respective directors, officers, employees, agents or representatives or any other person or party involved in the Share Offer.

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SUMMARY

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

OVERVIEW

We are a contractor in the Hong Kong foundation industry and are principally engaged in the foundation business and machinery leasing business in Hong Kong. As at the Latest Practicable Date, our Group has also been awarded a contract for one private construction project in Macau. We had completed 30 Major Projects during the Track Record Period and up to the Latest Practicable Date, have 16 Major Projects in progress as at the Latest Practicable Date and had been awarded 2 Major Projects, which are yet to commence as at the Latest Practicable Date. Based on certain industry statistics extracted from the Report on the Quarterly Survey of Construction Output (1st Quarter 2012) of the Census and Statistics Department and our Group’s construction contracts income for the year ended 31 March 2012, the construction contracts income of our Group for the year ended 31 March 2012 represented approximately 2.5% of the gross value of piling and related foundation works performed by main contractors at construction sites in Hong Kong. This business is generally undertaken by our principal operating subsidiaries, Sunley, Sunnic and Full Gain, as a main contractor or a subcontractor in various construction projects.

The construction works undertaken by us can be broadly divided into (i) foundation works (including bored piles, jacked piles, percussive piles, socketed H-piles, mini-piles, diaphragm wall, footings and pile caps); and (ii) ancillary services (including site formation, site investigation and drilling works), with particular specialisation in piling works. Occasionally, we may also take up projects involving demolition works, excavation and lateral support construction, basement excavation and construction of superstructure. We undertake foundation works related projects in both the public sector, including building and infrastructure related projects, and the private sector, which are mostly building related projects.

During the Track Record Period, income from construction works represented approximately 88.0%, 99.8% and 96.6% of our total revenue for each of the years ended 31 March 2010, 2011 and 2012, respectively. During the Track Record Period, all of our Group’s revenue was derived in Hong Kong.

In addition to undertaking construction works in Hong Kong and Macau, we also lease our unutilised machinery to third party machinery companies and contractors. During the Track Record Period, rental income from machinery leasing represented approximately 12.0%, 0.2% and 3.4% of our total revenue for each of the years ended 31 March 2010, 2011 and 2012, respectively.

SUMMARY

The following table sets forth a breakdown of our revenue by activities for the Track Record Period:

	Year ended 31 March					
	2010		2011		2012	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Revenue						
Construction contracts income						
from TRP Projects	45,148	88.0	250,605	97.3	302,571	96.6
Construction contracts income						
from the Second Project						
<i>(Note)</i>	—	—	6,398	2.5	—	—
Machinery leasing	<u>6,158</u>	<u>12.0</u>	<u>502</u>	<u>0.2</u>	<u>10,551</u>	<u>3.4</u>
 Total revenue	 <u>51,306</u>	 <u>100</u>	 <u>257,505</u>	 <u>100</u>	 <u>313,122</u>	 <u>100</u>

Note: Revenue from construction works includes the amount of HK\$6,398,000 for the year ended 31 March 2011 being the ultimate total revenues finally yielded by recovery measures from one prior year foundation construction contract which was completed prior to the Track Record Period.

COMPETITIVE STRENGTHS

We believe that our competitive strengths mainly lie in our (i) experienced and professional management team and engineering design team; (ii) possession of a range of updated machinery; (iii) diverse customer base comprising private developers together with their architectural or engineering consultants and main contractors; (iv) good reputation with a proven track record developed in the foundation industry; and (v) flexibility and capability to provide alternative design proposal.

BUSINESS STRATEGIES

We will continue to play an active role in seeking opportunities in foundation works from the private and public sectors in Hong Kong where Sunley will mainly focus on undertaking foundation works involving the construction of large diameter bored piles while Sunnic will mainly focus on foundation works involving the construction of socketed H-piles, mini-piles, ground investigation field works and building works. We plan to expand our scale by continuing to acquire more advanced machinery and hire more professional staff. In this regard, machinery and equipment such as crawler crane, oscillator and related accessory equipment for foundation works and building works will be acquired with an aim to increase our Group's capacity. Our Directors believe that by expanding our scale, we will be able to tender for larger scale foundation projects and broaden our customer base by meeting the pre-qualifications of tenderers set out by the potential customers.

CONSTRUCTION WORKS

During the Track Record Period, the construction works undertaken by us were mostly building related public or private sector foundation projects. The lengths of our foundation projects were usually less than 12 months, depending on the size of the contract and the complexity of the works undertaken. Our foundation projects sometimes involve a mixture of different foundation types.

SUMMARY

Projects completed

During the Track Record Period and up to the Latest Practicable Date, our Group, either as a main contractor or as a subcontractor, had completed 30 Major Projects. The total contract sum of these Major Projects amounted to approximately HK\$776.1 million. These construction works include both private and public projects in Hong Kong involving various foundation works such as bored piles, percussive piles, socketed H-piles, pile caps and site formation.

Projects in progress as at the Latest Practicable Date

As at the Latest Practicable Date, our Group, either as a main contractor or as a subcontractor, has been involved in 16 Major Projects for a total contract sum of approximately HK\$2,030.1 million (including the total contract sum of Kai Tak River Project which is under a joint venture agreement). These construction works include both private and public projects in Hong Kong involving various foundation works such as bored piles, percussive piles, socketed H-piles, pile caps and site formation.

Project awarded but not commenced as at the Latest Practicable Date

As at the Latest Practicable Date, our Group as a subcontractor had been awarded 2 Major Projects but the construction of which are yet to commence. The contract value of these projects amounted to approximately HK\$100.5 million. They are private construction projects with our Group acting as a subcontractor.

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FINANCIAL INFORMATION

The following tables regarding combined statements of comprehensive income and combined statements of financial position summarise the consolidated financial information of our Group during the Track Record Period, details of which are set out in the Accountant's Report in Appendix I to this prospectus.

Summary of Combined Statements of Comprehensive Income

	Year ended 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Revenue	51,306	257,505	313,122
Gross profit	18,790	70,845	59,670
Operating profit	13,234	43,446	33,979
Profit before income tax	13,182	43,020	31,882
Profit and total comprehensive income for the year attributable to equity holders of the Company	10,831	35,364	25,756

Note: The financial impact of the Second Project has been included in the results of our Group for the years ended 31 March 2010 and 31 March 2011. Please refer to the paragraph headed "First Project and Second Project" below for details.

Summary of Combined Statements of Financial Position

	As at 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	83,946	171,118	185,533
Current assets	24,249	126,083	137,405
Current liabilities	<u>35,720</u>	<u>70,094</u>	<u>59,840</u>
Net current (liabilities)/assets	<u>(11,471)</u>	<u>55,989</u>	<u>77,565</u>
Total assets less current liabilities	72,475	227,107	263,098
Non-current liabilities	<u>17,558</u>	<u>78,112</u>	<u>97,647</u>
Net assets	<u>54,917</u>	<u>148,995</u>	<u>165,451</u>
Total equity	<u>54,917</u>	<u>148,995</u>	<u>165,451</u>

SUMMARY

Margin analysis

The following table set forth our gross profit, gross profit margin and net profit margin during the Track Record Period:

	Year ended 31 March		
	2010	2011	2012
Gross profit (HK\$'000)	<u>18,790</u>	<u>70,845 (53,204)</u>	<u>59,670</u>
Gross profit margin	<u>36.6%</u>	<u>27.5% (21.2%)</u>	<u>19.1%</u>
Net profit margin	<u>21.1% (22.9%)</u>	<u>13.7% (12.1%)</u>	<u>8.2%</u>

Note: The figures in the brackets represent the relevant financial information assuming the financial impact of the Second Project has been excluded.

Gross Profit and Gross Profit Margin

Our Group's total gross profit dropped by 15.8% from approximately HK\$70.8 million for the year ended 31 March 2011 to approximately HK\$59.7 million for the year ended 31 March 2012. It was mainly attributable to the recognition of income from prior year project of approximately HK\$17.6 million for the year ended 31 March 2011 arising from the Second Project. Besides, the direct staff cost as a percentage of construction contracts income from TRP Projects inflated from 11.2% for the year ended 31 March 2011 to 17.9% for the year ended 31 March 2012, mainly caused by the wage increment during the year and the fact that our Group hired additional direct workers to cope with our project demands for the year ended 31 March 2012. For the reasons stated above, our overall gross profit margin dropped from 27.5% to 19.1% in the year ended 31 March 2012. Had the financial impact of the Second Project been excluded, the gross profit would have increased by approximately 12.2% for the year ended 31 March 2012 as compared with the previous year, while the gross profit margin would have dropped from 21.2% for the year ended 31 March 2011 to 19.1% for the year ended 31 March 2012. The improvement in gross profit for the year ended 31 March 2012 was due to the increase in our Group's construction activity in the year and the increase in rental income from lease of machinery generated for the year ended 31 March 2012. On the other hand, the gross profit margin deteriorated because of the increase in direct staff cost.

Our Group's total gross profit jumped by 277.0% from approximately HK\$18.8 million in the year ended 31 March 2010 to approximately HK\$70.8 million in the year ended 31 March 2011. The sharp increase was mainly attributable to (i) the increase in construction activities of Sunley and the acquisition of Sunnic and Full Gain during the year ended 31 March 2011 leading to the increase in gross profit attributed to construction contracts income from TRP Projects by approximately HK\$40.0 million; and (ii) the gross profit of approximately HK\$17.6 million arising from the Second Project which resulted in recording of additional revenue and reversal of the provision for claims previously recognised in the cost of sales. On the other hand, our Group's gross profit margin dropped from 36.6% in the year ended 31 March 2010 to 27.5% in the year ended 31 March 2011, mainly due to the acquisition of Sunnic and Full Gain which had a lower gross profit margin than Sunley in the year. Sunley generally had a higher gross profit margin than Sunnic and Full Gain, mainly due to the different

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foundation method focused by Sunley, compared with that of Sunnic and Full Gain. Sunley is specialised in bored-piles foundation works while Sunnic and Full Gain are specialised in other piling systems such as percussive piles and socketed H-piles. As compared with percussive piles and socketed H-piles, bored piling is more capital intensive and our Group generally set higher bidding price in the tender bidding process of bored piling works in order to recover the high plant cost. Please refer to the paragraph headed “Period to Period Comparison of Results of Operations” under the section headed “Financial information” for details. Had the financial impact of the Second Project been excluded, the gross profit would have increased by approximately 183.2% for the year ended 31 March 2011 as compared with the previous year, while the gross profit margin would have dropped from 36.6% for the year ended 31 March 2010 to 21.2% for the year ended 31 March 2011.

Net profit margin

Our Group had a net profit margin of 8.2% for the year ended 31 March 2012, representing a decline from 13.7% for the year ended 31 March 2011, or net profit margin of 12.1% for the year ended 31 March 2011 if the financial impact of the Second Project was excluded. The net profit margin dropped because (i) the decrease in gross profit margin of our Group from 27.5% for the year ended 31 March 2011 to 19.1% in the year ended 31 March 2012; (ii) our Group did not record any additional income arising from prior year projects in the year ended 31 March 2012; and (iii) the additional other professional fees of approximately HK\$5.0 million for our Company’s intended listing incurred for the year ended 31 March 2012. Our gross profit decreased as (a) our Group did not record any additional income arising from prior year projects in the year ended 31 March 2012; and (b) the gross profit margin attributed to TRP Projects and rental income on machinery also dropped by 2.1 percentage point to 19.1% mainly due to increase in staff cost during the year.

The net profit margin for the year ended 31 March 2011 was 13.7%, which was lower than the net profit margin of 21.1% in the previous year. If the financial impact of the Second Project was excluded, the net profit margin would have dropped from approximately 22.9% for the year ended 31 March 2010 to approximately 12.1% for the year ended 31 March 2011. Our gross profit margin declined from 36.6% in the year ended 31 March 2010 to 27.5% in the year ended 31 March 2011, mainly due to the acquisition of Sunnic and Full Gain which had a lower gross profit margin than Sunley in the year partially compensated by the positive financial impact of the Second Project. The acquisition of Sunnic and Full Gain and the increase in construction activities of Sunley led to significant increase in administrative expense of our Group in the year. Although our net profit margin dropped to 13.7% in the year ended 31 March 2011 or 12.1% if the financial impact of the Second Project was excluded, our Group recorded a net profit of HK\$35.4 million, or HK\$30.3 million if the financial impact of the Second Project was excluded, representing a significant improvement from the previous year.

We had a high net profit margin of 21.1% in the year ended 31 March 2010 since we achieved a gross profit margin of 36.6% in the year and kept administrative expenses at a low level at approximately HK\$6.2 million only.

First Project and Second Project

Our Group adopted Hong Kong Accounting Standard 11 “Construction Contracts” (“HKAS 11”) and recognises revenue and cost of construction in accordance with our accounting policies as set out in Note 2 (y) of the Accountant’s Report set out in Appendix I to this prospectus.

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The nature of our Group's business involves complex contractual terms, uncertainties in the underground situation of construction sites and environmental elements, such as bad weather, which may delay the progress of construction projects at which extension of time claims may be invoked by the contractors and variation of works may be subsequently requested by customers. Consequently, construction contracts typically provide for circumstances when (i) extra payments are to be made by the property developers to the contractors if certain variation work has been carried out by them; and (ii) liquidated damages are to be borne by the contractors if the project cannot be completed on schedule. Initial disagreements in the final contract sum between customers and contractors during the preparation of final accounts and negotiation on the final contract sum are common in the construction industry, and prolonged negotiation on the final contract sum are not uncommon for moderate and large scale construction contracts. Accordingly, our Directors consider, with which the Sponsor concurs, that in the event that our Group is indeed involved in a dispute with its customers, the ensuing negotiations, legal proceedings (if any), and dispute resolutions are considered to be activities conducted in the ordinary and usual course of business of our Group and the relevant profit arising from such construction contracts entered into by our Group as our core business would also be considered to be generated from our ordinary and usual course of business.

Our Group had certain disputes with a single customer in relation to the First Project and the Second Project which were completed in 2001 and 2003 respectively. The circumstances leading to such disputes are set out in the subsection headed "Litigation, arbitration and potential claims" under the section headed "Business" of this prospectus.

The disputes in relation to the First Project had financial impacts on our Group's results before the Track Record Period and the disputes in relation to the Second Project had financial impacts on our Group's result before and during the Track Record Period. Save for the disputes in relation to the First Project and Second Project, our Group has no other disputes with its customers which had a material financial impact during the Track Record Period and immediately before the Track Record Period.

For the First Project, prior to the Track Record Period, our Group had recognised the total revenue as agreed in the original contract amounted to approximately HK\$73.7 million and the relevant construction costs incurred for the project upon the completion of the construction work in 2001. However, our Group had certain disputes with the customer in relation to the First Project. Our Group claimed the customer mainly for extra/additional works in the sum of approximately HK\$59 million while the customer claimed us for liquidated damages in the sum of approximately HK\$94 million. The dispute was finally settled and the corresponding financial effect of such settlement had been recorded in our Group's financial statements prior to the Track Record Period. For the financial year ended 31 March 2009, as a result of the recovery measures, our Group reversed the claim provision of HK\$35 million made in prior years and recorded the amount of HK\$20 million finally yielded by our Group as revenue.

For the Second Project, prior to the Track Record Period, our Group had recognised the total revenue as agreed in the original contract amounted to approximately HK\$157.0 million and the relevant construction costs incurred for the project upon the completion of the construction work in 2003. However, our Group also had certain disputes with the customer in relation to the Second Project. Our Group claimed the customer mainly for extra/additional works and refund of liquidated damages in the sum of approximately HK\$49.8 million while the customer claimed us mainly for additional liquidated damages in the sum of approximately HK\$28.3 million. After taking into consideration the status of the

SUMMARY

disputes and the advice from our contract consultant, our management believed that there were significant uncertainties on the amounts of revenue and claims. Therefore the conditions stated in paragraph 23 of HKAS 11 were not met. Accordingly, no further revenue or cost was recognised.

During the financial year ended 31 March 2009, as the dispute and the recovery measures progressed, the management reassessed the possible outcome. After studying the basis of calculation of the variation works adopted by our Group and the basis of calculation of claims adopted by the customer, analysing the latest information collected and the arguments put forward by the customer and our Group, and taking the advice from our contract consultant, our Group recorded the net expense of HK\$11.2 million as provision for claims, as management considered that the conditions as stated in paragraphs 22 and 23 of HKAS 11 were met.

During the financial year ended 31 March 2010, no significant triggering event took place.

For the financial year ended 31 March 2011, as the dispute and the recovery measures progressed, and taking into account the advice from our legal counsel and contract consultant about the likelihood of success of the recovery measures, our Group reversed the provision for claims of HK\$11.2 million and recorded an estimated additional income of HK\$6.4 million as the management considered that the conditions as stated in paragraphs 22 and 23 of HKAS 11 were met for the year ended 31 March 2011. Legal expenses of approximately HK\$1.1 million and HK\$11.6 million were incurred by our Group for each of the years ended 31 March 2010 and 2011 respectively solely for the Second Project.

The Second Project had the following financial impact on our Group's combined statements of comprehensive income for each of the year ended 31 March 2010 and 2011:

	Year ended 31 March	
	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue — construction contracts income from the Second Project	—	6,398
Cost of sales — reversal of provision for claims in relation to the Second Project	—	11,243
Administrative expenses — legal expenses	<u>(1,122)</u>	<u>(11,608)</u>
Impact before taxation	(1,122)	6,033
Taxation	<u>185</u>	<u>(995)</u>
Impact after taxation	<u>(937)</u>	<u>5,038</u>
Profit and total comprehensive income for the year attributable to equity holders of the Company excluding the impact of the Second Project	<u>11,768</u>	<u>30,326</u>

Had the financial impact of the Second Project been excluded from our Group's combined statements of comprehensive income, our net profit would have been approximately HK\$11.8 million and HK\$30.3 million for the years ended 31 March 2010 and 2011 respectively.

SUMMARY

Set out below is the chronology of events leading to the settlement of the disputes in relation to the Second Project:

Month/Year	Event
July 2001	Commencement of the Second Project
October 2001	Our Group appointed external contract consultant for handling contract administration and contractual claims
July 2003	Certification of substantial completion
July 2003–July 2004	Preparation of the draft final account by the customer while our Group was actively involved in the provision of inputs and negotiations with the customer in the meantime
July 2004	The consultant quantity surveyor appointed by the customer issued the draft final account
July 2004–August 2006	Exchange/submission of reports/information by the parties, assessments of the claims by the customer, negotiations of the disputes between our Group and the customer
Late 2006	Commencement of the recovery measures initiated by our Group
Late 2006– August 2008	Exchange of documents in relation to the recovery measures
August 2008– March 2009	Negotiations of the disputes between our Group and the customer
Mid 2009–Mid 2011	Continuance of the recovery measures, exchange of documents in relation to the recovery measures and conclusion of the recovery measures
Mid 2011	Settlement of the recovery measures

The Sponsor is of the view that the time required for the negotiation and settlement of the Second Project is in line with the normal time frame of the industry.

Revenue

Our Group's revenue for the year ended 31 March 2012 increased by more than 20% to approximately HK\$313.1 million as compared to the year ended 31 March 2011. The surge of revenue was due to the growth of revenue arising from our TRP Projects. During the year ended 31 March 2012, our Group experienced an increase in construction activity. Our Group also leased certain idle machines to third parties to earn additional rental income, and our Group earned rental income from lease of machinery of approximately HK\$10.6 million in the year ended 31 March 2012.

SUMMARY

Our Group's revenue for the year ended 31 March 2011 increased around fourfold to approximately HK\$257.5 million in the year ended 31 March 2011 from approximately HK\$51.3 million in the year ended 31 March 2010. The surge in revenue was due to (i) the growth of revenue arising from Sunley's own TRP Projects ; and (ii) the acquisition of Sunnic and Full Gain during the year ended 31 March 2011. Our Group's subsidiary, Sunley, experienced an increase in construction activity in the year ended 31 March 2011. During the year ended 31 March 2011, Sunley worked on nine projects with total contract sum of approximately HK\$253.2 million. In comparison, during the year ended 31 March 2010 Sunley worked on six projects with total contract sum of approximately HK\$121.2 million only. Sunnic and Full Gain, which are principally engaged in the foundation business in Hong Kong and the provision of piling services respectively, were acquired by our Group in June 2010 and July 2010. Sunnic and Full Gain worked on 20 projects after they had been acquired by our Group during the year ended 31 March 2011.

Net current liabilities

We had net current liabilities of approximately HK\$11.5 million as at 31 March 2010. Our net current liabilities as at 31 March 2010 principally reflected trade and other payables (including provision for claims), an amount due to a shareholder and the current portion of finance lease liabilities. The composition and details of these items during the Track Record Period, are set out in the section headed "Financial Information" of this prospectus.

Our net current liabilities position in the past exposes us to liquidity risk set out in the risk factor "We had net current liabilities as at 31 March 2010" in the section headed "Risk Factors" in this prospectus. Our future liquidity and the repayment of our outstanding debt obligations when they become due will primarily depend on our ability to maintain adequate cash inflows from operating activities and our ability to obtain adequate external financing.

In light of our net current liabilities position as at 31 March 2010, our Group has raised external financing through finance leases and bank borrowings, part of which are non-current in nature, to ease our needs for working capital and our investment in fixed assets. With the increasing use of external financing in the Track Record Period, our liquidity position has improved, with net current assets of approximately HK\$56.0 million and HK\$77.6 million as at 31 March 2011 and 2012 respectively.

Our Directors also intend to apply part of the net proceeds from the Share Offer to repay some of our outstanding indebtedness. Assuming that the Offer Size Adjustment Option is not exercised at all and assuming an Offer Price of HK\$0.89, being the mid-point of the proposed Offer Price range, our Group currently intends to apply approximately HK\$5.1 million (equivalent to approximately 10% of the net proceeds) to repay bank borrowings and finance lease liabilities; and approximately HK\$5.1 million (equivalent to approximately 10% of the net proceeds) for general working capital. Our Group's future plans and use of proceeds are set out in the section headed "Future Plans and Use of Proceeds" in this prospectus.

SUMMARY

RECENT DEVELOPMENT OF OUR GROUP SUBSEQUENT TO THE TRACK RECORD PERIOD

Our Group showed steady development after the Track Record Period. The unaudited revenue for the four months ended 31 July 2012, was slightly higher than that for the four months ended 31 July 2011. During the four months period, additional machines and equipment of approximately HK\$29.2 million were acquired in order to cater for the business expansion of our Group. The newly acquired machines, which brought to our Group additional depreciation expenses included in cost of sales, have not been fully utilised to generate revenue up to 31 July 2012. Accordingly, our profit margin dropped during the four months ended 31 July 2012 compared with the profit margin for the year ended 31 March 2012.

After 1 April 2012 and up to the Latest Practicable Date, we have been awarded 12 Major Projects, details of which are set out in the paragraph headed “Projects in progress as at the Latest Practicable Date” under the section headed “Business” of this prospectus. In particular, the Yuen Long Town Lot Project has a contract sum of approximately HK\$661.0 million and the Tung Chau Street Project has a contract sum of approximately HK\$139.0 million. Taking into account the projects in progress and their construction schedules, our Directors expect that the revenue for the year ending 31 March 2013 may show an increase compared with the year ended 31 March 2012. With more projects in construction, the newly acquired machinery can have higher utilisation rate and accordingly, the profit margin for the remaining months of the year ending 31 March 2013 may increase slightly compared with the first 4 months. Our Group’s financial performance for the year ending 31 March 2013 will be affected by the expenses incurred in relation to the Listing, the nature of which is non-recurring. Our Group expects to record listing expenses amounting to HK\$6.1 million in the statement of comprehensive income for the year ending 31 March 2013. It is noted that the listing expenses above 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.

The collection of the trade receivables during the four months ended 31 July 2012 was satisfactory. All of the trade receivables (excluding retention receivables) as at 31 March 2012 have been subsequently settled up to 31 July 2012. There is no delay to projects after the Track Record Period that may result in liquidated damages claim or disputes. Save for the two summonses dated 30 August 2012 for respective charges laid by the Labour Department received by our Group as described in the paragraph below, after 1 April 2012 and up to the Latest Practicable Date, there was no material change in our raw material prices, the level of subcontracting charges and the status of outstanding litigations and claims. During these four months, new bank borrowings and new finance leases of approximately HK\$29.2 million were drawn down by us in order to finance the acquisition of machines and equipment. In May 2012, a member of our Group declared and paid dividends of HK\$20 million to its shareholders.

Our Group had received two summonses both dated 30 August 2012 for respective charges laid by the Labour Department alleging our Group’s failure (i) to provide such information and supervision as was necessary to ensure, so far as was reasonably practicable, the health and safety at work of the person(s) employed by us at the industrial undertaking; and (ii) to provide and maintain a system of work on supporting the reinforcement cage by wedges that were, so far as was reasonably practicable, safe and without risks to the health of the person(s) employed by us at the industrial undertaking, contrary to the Factories and Industrial Undertakings Ordinance (Cap. 59) of the laws of Hong Kong. Both charges relate to an accident occurred on 5 March 2012 concerning bored piles works that resulted in injuries to four of our Group’s employees. Please refer to the subsections headed “Compliance” and “Litigation, arbitration and potential claims” in the section headed “Business” in this prospectus for further details.

SUMMARY

SHARE OFFER STATISTICS

	Based on the minimum indicative Offer Price of HK\$0.83 per Share	Based on the maximum indicative Offer Price of HK\$0.94 per Share
Market capitalisation ⁽¹⁾	249,000,000	282,000,000
Unaudited pro forma adjusted net tangible assets value per Share ^{(2), (3)}	HK\$0.68	HK\$0.71

Notes:

- (1) The calculation of our market capitalisation is based on 300,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue but does not take into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme.
- (2) The unaudited pro forma net tangible assets value per Share has been arrived at after the adjustments referred to in the paragraph headed “Unaudited pro forma adjusted net tangible assets” in the section headed “Financial Information” in this prospectus and on the basis of 300,000,000 Shares in issue at the minimum and the maximum indicative Offer Price of HK\$0.83 and HK\$0.94 per Share, respectively, immediately following completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme.
- (3) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 March 2012, in particular, the unaudited pro forma adjusted net tangible asset value per Share has not been adjusted for the effect of a dividend of HK\$20.0 million declared and paid by our Group subsequent to 31 March 2012.

DIVIDEND

In the year ended 31 March 2012, members of our Group declared and paid dividends of HK\$9.3 million representing approximately 36.1% of the period’s net profit attributable to shareholders. In May 2012, a member of our Group declared and paid dividends of HK\$20 million from its working capital to shareholders. Our Directors consider that there is no material adverse impact on our Group’s financial and liquidity position arising out of the dividend payments. No dividend was declared by members of our Group in the years ended 31 March 2010 and 2011.

Dividends may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders’ approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us; and other factors the Board may deem relevant. There will be no assurance that the Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.

SUMMARY

USE OF PROCEEDS

Assuming that the Offer Size Adjustment Option is not exercised and an Offer Price of HK\$0.89 per Share (being the mid-point of the proposed price range), we estimate that our net proceeds from the Share Offer will be approximately HK\$50.7 million, after deducting the related underwriting fees and expenses payable by us in relation to the Share Offer. We intend to use the net proceeds from the Share Offer as follows:

Plan	Approximate % or amount of net proceeds
Acquisition of additional machinery and equipment	65% or HK\$33.0 million
Hiring of additional staff and staff training	15% or HK\$7.6 million
Partial repayment of finance lease liabilities	10% or HK\$5.1 million
General working capital	10% or HK\$5.1 million

The total budget for acquisition of additional machinery and equipment and hiring of additional staff and staff training is approximately HK\$33.0 million and HK\$9.6 million respectively. The outstanding finance lease with total amount of HK\$40 million will follow the repayment schedule as agreed with the bank after the partial repayment from the net proceeds of the Share Offer. For further details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. They can be broadly categorised into risks relating to our business, the industry, the Share Offer and our Shares and statements made in this prospectus, among which, the relatively material risks encompass the risks that (i) we had two pending criminal charges that were brought against us by the Labour Department as at the Latest Practicable Date; (ii) we estimate time and costs in order to determine the tender price, and the actual implementation of a project may not be in accordance with such estimation due to cost overruns and other construction risks related to the project; (iii) we are exposed to construction dispute or litigation; and (iv) our performance is dependent on market conditions and trends in the construction industry and in the overall economy which may change adversely. You should carefully consider the risk factors set out in this prospectus before you make a decision to invest in our Shares. Please refer to the section headed “Risk Factors” in this prospectus for further details.

DEFINITIONS

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

“Ample Capital” or “Sponsor”	Ample Capital Limited, a licensed corporation to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the sponsor to the Share Offer
“Application Form(s)”	WHITE and YELLOW application form(s) or, where the context so requires, any of them to be used in connection with the Public Offer
“Articles of Association” or “Articles”	the articles of association of the Company approved and adopted on 11 September 2012, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Best Fortune”	Best Fortune Holdings Inc., a company incorporated in the BVI with limited liability on 2 January 2001, and is owned as to 50% by Mr. Wong (a senior management of the Company) and 50% by Mrs. Wong as at the Latest Practicable Date
“Board”	the board of Directors
“Bright Future”	Bright Future Holdings Ltd., a company incorporated in the BVI with limited liability on 8 January 1996, and is owned as to 50% by Mr. Cheng (an executive Director and the chief executive of our Company) and 50% by Mrs. Cheng as at the Latest Practicable Date
“business day”	a day (excluding Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are open for general banking transactions to the public
“BVI”	the British Virgin Islands
“BVI Company”	One Million International Limited, a company incorporated in the BVI on 5 January 2010 with limited liability, a direct wholly-owned subsidiary of our Company
“BVI Holdco”	Leading Win Management Limited, a limited liability company incorporated under the laws of BVI on 11 January 2010 with limited liability and a Controlling Shareholder. It is owned as to 70% by Join Together, 10% by Mr. Cheng, 10% by Mr. Wong and 10% by Mr. Tsui

DEFINITIONS

“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time
“Capitalisation Issue”	the issue of 224,000,000 new Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account as referred to in the section headed “Further Information about our Company — Written resolutions of our sole Shareholder passed on 11 September 2012” in Appendix V 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
“Companies Law” or “Cayman Companies Law”	the Companies Law (2011 Revision) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Company” or “our Company”	Sunley Holdings Limited (新利控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 15 April 2011
“Connected Person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Mr. Leung, Dr. Ho, Join Together and the BVI Holdco. Immediately after the Share Offer and the Capitalisation Issue (assuming that the Offer Size Adjustment Option is not exercised), the issued share capital of our Company will be directly held as to 75% by the BVI Holdco and indirectly held as to 52.5% by Join Together (a company owned as to 70% by Mr. Leung and 30% by Dr. Ho) through the BVI Holdco.

DEFINITIONS

“Corporate Reorganisation”	the corporate reorganisation of Sunley, the acquisition of Sunnic and Full Gain and the disposal of Super Ease conducted in preparation for the Listing, details of which are set out in the paragraph headed “Corporate Reorganisation” under the section headed “Further Information about our Company” in Appendix V to this prospectus
“Director(s)”	the director(s) of our Company
“District Court”	District Court of Hong Kong
“Dr. Ho”	Mr. Ho Kar Chung, an executive Director, the chairman of the Board and a Controlling Shareholder
“Employees’ Compensation Ordinance”	Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented and modified from time to time
“Fenwood”	Fenwood International Corp., a company incorporated in the BVI with limited liability on 6 September 1996, and is owned as to 50% by Mr. Tsui (a senior management of our Company) and 50% by Mrs. Tsui as at the Latest Practicable Date
“First Project”	a foundation project that was carried out by our Group and was completed in 2001
“Freeman”	Freeman & Associates Ltd., a company incorporated in the BVI with limited liability on 20 November 1990, and is owned as to approximately 33.33% by each of Mr. Cheng, Mr. Tsui and Mr. Wong as at the Latest Practicable Date
“Full Gain”	Full Gain Engineering Limited (廣盈工程有限公司), a company incorporated in Hong Kong with limited liability on 1 December 2000, an indirect wholly-owned subsidiary of our Company
“Group” or “our Group” or “we” or “our” or “us”	our Company together with its subsidiaries and, in respect of the period before our Company became the holding company of its present subsidiaries, the companies that are the present subsidiaries of our Company
“HIBOR”	Hong Kong interbank offered rate
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	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
“Independent Third Party(ies)”	individual(s) or company(ies) who is/are not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders of our Company, its subsidiaries or any of their respective associates
“Join Together”	Join Together Management Limited, a company incorporated in the BVI with limited liability on 1 April 2011 and is owned as to 70% by Mr. Leung and 30% by Dr. Ho and is a 70% shareholder of the BVI Holdco
“Joint Lead Managers”	collectively SBI E2-Capital Financial Services Limited, a licensed corporation to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO, and Astrum Capital Management Limited, a licensed corporation to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the joint bookrunners and joint lead managers to the Share Offer
“Latest Practicable Date”	21 September 2012, being the latest practicable date for ascertaining certain information prior to the printing of this prospectus
“Listing”	listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about 18 October 2012, on which the Shares are listed and from which dealings in the Shares commence on the Main Board
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Macau Legal Adviser”	Chio Tak Wo, Advogado, legal adviser of our Company as to Macau laws in connection with the Listing

DEFINITIONS

“Main Board”	the stock market (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Major Project(s)”	construction project(s) with contract sum (for projects in progress, expected contract sum) of over HK\$5 million each
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company approved and adopted on 11 September 2012, as supplemented, amended or otherwise modified from time to time
“Mr. Cheng”	Mr. Cheng Wing On, Michael, an executive Director and the chief executive of our Company
“Mr. Ho”	Mr. Ho Chi Ling, an executive Director
“Mr. Leung”	Mr. Leung Chee Hon, a non-executive Director and a Controlling Shareholder
“Mr. Tsui”	Mr. Tsui Kwok Kin, a senior management of our Company
“Mr. Wong”	Mr. Wong Ling, Eddie, a senior management of our Company
“Mrs. Cheng”	Ms. Tso Kwok Lin, Rosalina, wife of Mr. Cheng
“Mrs. Tsui”	Ms. Tse Yuen Wai, wife of Mr. Tsui
“Mrs. Wong”	Ms. Cheung Sau Fong, wife of Mr. Wong
“New Shares”	the 75,000,000 new Shares initially to be issued at the Offer Price pursuant to the Share Offer, which expression shall, where the content permits, includes any part of such new Shares
“Offer Price”	the final offer price per Offer Share (exclusive of a brokerage fee of 1.0%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%) of not more than HK\$0.94 and is currently expected to be not less than HK\$0.83, to be agreed upon by us and the Joint Lead Managers (for themselves and on behalf of other Underwriters) on or before the Price Determination Date
“Offer Shares”	the Placing Shares and the Public Offer Shares (including any new Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option)

DEFINITIONS

“Offer Size Adjustment Option”	the option granted by the Company to the Placing Underwriters, exercisable by the Joint Lead Managers or their agent on behalf of the Placing Underwriters, at their sole and absolute discretion, whereby the Company may be required to allot and issue up to 11,250,000 additional Placing Shares representing up to 15% of the Offer Shares initially available under the Share Offer, at the Offer Price solely to cover over-allocations in the Placing, subject to the terms of the Placing Underwriting Agreement
“Placing”	the conditional placing of the Placing Shares at the Offer Price with institutional and professional investors, details of which are described in the section headed “Structure of the Share Offer” in this prospectus
“Placing Shares”	the 67,500,000 New Shares initially being offered by the Company for subscription at the Offer Price under the Placing, subject to reallocation as described in the section headed “Structure of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters in respect of the Placing named in the paragraph headed “Placing Underwriters” in the section headed “Underwriting” in this prospectus
“Placing Underwriting Agreement”	the conditional placing underwriting agreement in respect of the Placing expected to be entered into on or about the Price Determination Date by, among others, the Company, the Joint Lead Managers, the Placing Underwriters and the Controlling Shareholders, as further described in the section headed “Underwriting — Underwriting arrangements and expenses — Placing” in this prospectus
“PRC” or “China”	the People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excluding Hong Kong, Macau and Taiwan
“Price Determination Agreement”	the agreement expected to be entered into between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before the Price Determination Date to record the agreement on the Offer Price
“Price Determination Date”	the date, expected to be on or before 9 October 2012, which the Offer Price is fixed for the purposes of the Share Offer

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“Public Offer”	the offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, details of which are described in the section headed “Structure of the Share Offer” in this prospectus and the related Application Forms
“Public Offer Shares”	the 7,500,000 New Shares initially being offered by the Company for subscription at the Offer Price under the Public Offer, subject to re-allocation as mentioned in the section headed “Structure of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters in respect of the Public Offer named in the paragraph headed “Public Offer Underwriters” in the section headed “Underwriting” in this prospectus
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 26 September 2012 relating to the Public Offer and entered into by, among others, the Company, the Sponsor, the Joint Lead Managers, the Public Offer Underwriters and the Controlling Shareholders, as further described in the section headed “Underwriting — Underwriting arrangements and expenses — Public Offer” in this prospectus
“Second Project”	a foundation project that was carried out by our Group and was completed in 2003
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Share(s)”	share(s) of HK\$0.01 each in the capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Offer”	the Placing and the Public Offer
“Share Option Scheme”	the share option scheme conditionally adopted by our Company pursuant to a resolution passed by the sole Shareholder on 11 September 2012 as described in the paragraph headed “Share Option Scheme” in Appendix V to this prospectus
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in section 2 of the Companies Ordinance

DEFINITIONS

“Sunley”	Sunley Engineering & Construction Company Limited (新利地基工程有限公司) (formerly known as Sunley Miu’s Engineering & Construction Company Limited), a company incorporated in Hong Kong with limited liability on 27 July 1982 and an indirect wholly-owned subsidiary of our Company
“Sunley International”	Sunley International Constructions Holdings Limited (formerly known as Eastern Standard Limited), a company incorporated in the BVI on 27 January 1995 with limited liability, which is ultimately owned as to 80% by Mr. Leung and 20% by Dr. Ho as at the Latest Practicable Date and does not form part of our Group
“Sunnic”	Sunnic Engineering Limited (實力工程有限公司) (formerly known as Sunnic Engineering Limited (信光工程有限公司), a company incorporated in Hong Kong with limited liability on 27 May 1993 and an indirect wholly-owned subsidiary of our Company
“Sunnic Foundation”	Sunnic Foundation Limited (實力地基有限公司), a company incorporated in Hong Kong with limited liability on 25 January 1996 and a then non-wholly owned subsidiary of Sunnic before its deregistration on 14 January 2011
“Sunnic Holdings”	Sunnic Holdings Limited (實力集團有限公司), a company incorporated in Hong Kong with limited liability on 29 June 1993, which is owned by Mr. Cheng, Mr. Tsui and Mr. Wong in equal shares as at the Latest Practicable Date and does not form part of our Group
“Super Ease”	Super Ease Holdings Limited (超怡集團有限公司), a company incorporated in Hong Kong with limited liability on 31 December 1992 and a wholly-owned subsidiary of Sunnic Holdings as at the Latest Practicable Date
“Track Record Period”	the period comprising the financial years ended 31 March 2010, 2011 and 2012
“TRP Projects”	construction projects carried out by our Group in the Track Record Period
“Underwriters”	the Placing Underwriters and the Public Offer Underwriters
“Underwriting Agreements”	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
“HK\$” or “HK Dollar(s)” and “cent(s)”	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollar(s), the lawful currency of the United States of America
“sq.ft.” and “sq.m.”	square feet and square metres, respectively
“%”	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.

Unless otherwise specified, for the purpose of this Prospectus, amounts denominated in US\$ are translated into HK\$ at the rate of HK\$7.78 = US\$1.00.

GLOSSARY OF TECHNICAL TERMS

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

“ASD”	the Architectural Services Department of Hong Kong
“bell-out”	the enlarged base of a bored pile
“bored piling” or “bored pile”	a type of pile formed by excavating or boring a hole in the ground and subsequently filling it with plain or reinforced concrete
“Buildings Department”	the Buildings Department of Hong Kong
“Development Bureau”	the Development Bureau of the Government of Hong Kong
“GDP”	Gross Domestic Product
“HKCAS”	the Hong Kong Certification Body Accreditation Scheme
“Housing Authority”	the Hong Kong Housing Authority, a statutory body established by the Hong Kong government to take charge of developing and implementing a public housing programme in Hong Kong
“H-piling” or “H-pile”	a type of pile which consists of steel column with a cross section which resembles the letter “H”
“IMF”	the International Monetary Fund
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	quality management systems model published by ISO for quality assurance in design, development, production, installation and servicing
“ISO 14001”	Environmental management system requirements published by ISO
“large diameter bored piling” or “large diameter bored pile”	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

GLOSSARY OF TECHNICAL TERMS

“List of Approved Contractors”	the list of approved contractors for public works maintained by the Works Branch
“OHSAS 18001”	the requirements for occupational health and safety management system developed for managing health and safety risks associated with a business
“percussive piling” or “driven piling” or “steel H-pile”	a type of pile formed by driving
“pile cap”	a reinforced concrete structure constructed on top of the pile, which is used to transfer the superstructure load to the pile
“pre-bid”	an agreement, between the main contractor and a subcontractor before the main contractor submits its main tender to customer, in which a main contractor undertakes to subcontract and the subcontractor undertakes to execute certain works in the event the main contract is awarded to the main contractor
“socketed H-piles” or “rock-socketed steel H-pile in pre-bored hole”	a type of pile formed by installing a steel H-pile into a pre-bored hole in the bedrock
“Specialist List”	the List of Approved Suppliers of Materials and Specialist Contractors for Public Works maintained by the Works Branch which comprises suppliers or specialist contractors who are approved for carrying out works in one or more of the 49 categories of specialist works
“superstructures”	the structure which is above the ground
“Works Branch”	the Works Branch of the Development Bureau, or where the context refers to any time prior to its establishment, the relevant predeceasing secretariat or department or agent of the Hong Kong government which undertook such public function. The immediate preceding secretariat of the Works Branch is the Works Bureau

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 us. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would”, and the negative forms of these words and other similar expressions, as they relate to our business, are intended to identify forward-looking statements. Such statements reflect our current views 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 and plans to achieve these strategies;
- general economic conditions;
- changes to the 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 competitors; and
- the other factors that are described in the section headed “Risk Factors” in this prospectus.

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

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. The business, financial condition or results of operations of our Group could be materially adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We had two pending criminal charges that were brought against us by the Labour Department as at the Latest Practicable Date

Our Group had received two summonses both dated 30 August 2012 for respective charges laid by the Labour Department alleging our Group's failure (i) to provide such information and supervision as was necessary to ensure, so far as was reasonably practicable, the health and safety at work of the person(s) employed by us at the industrial undertaking; and (ii) to provide and maintain a system of work on supporting the reinforcement cage by wedges that were, so far as was reasonably practicable, safe and without risks to the health of the person(s) employed by us at the industrial undertaking, contrary to the Factories and Industrial Undertakings Ordinance (Cap. 59) of the laws of Hong Kong. Both charges relate to an accident occurred on 5 March 2012 concerning bored piles works that resulted in injuries to four of our Group's employees. The accident occurred when our Group's workers were placing a reinforced-bar cage into a borehole, during which the reinforced-bar cage suddenly fell down and one of the worker's hand was torn off, while the other three workers suffered from minor injuries. No pleas have been taken for both summonses as at the Latest Practicable Date as our Group's first appearance at the Magistrates' Court will be held on 27 September 2012. In case our Group is unsuccessful and convicted, the maximum criminal liability will be subject to an overall fine of HK\$1,000,000.

We estimate time and costs in order to determine the tender price. However, the actual implementation of a project may not be in accordance with such estimation due to cost overruns and other construction risks related to the project

Construction contracts are normally awarded through competitive tendering process. We need to estimate the construction time and costs in order to determine the tender price. There is no assurance that the actual construction time and costs would not exceed our estimation during the actual implementation of the project, which usually takes less than 12 months to complete. We currently generate, and expect to continue to generate, a substantial portion of our revenues from fixed-price contracts. Fixed price contracts represented approximately 87%, 82% and 98% of the total project revenue for the three years ended 31 March 2010, 2011 and 2012 respectively. The terms in these contracts require us to complete a project for a fixed price and therefore expose us to cost overruns. Cost overruns, whether due to inefficiency, inaccurate estimates or other factors, result in lower profit or a loss on a project. As a result, we will only realise profits on these contracts if we successfully estimate our project costs and technical difficulties and avoid cost overruns.

The time taken and the cost actually involved in completing construction projects undertaken by us may be adversely affected by many factors, including shortage and cost escalation of materials and labour, difficult geological condition, adverse weather conditions, additional variations to the

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construction plans requested by the customers or because of technical construction needs, disputes with subcontractors, accidents, changes in the Hong Kong government's priorities and unforeseen problems and circumstances. Any of these can give rise to delays in completion of construction works or cost overruns or even unilateral termination of projects by customers.

All of our contracts are subject to specific completion schedule requirements and the customer may charge us 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 deemed to be our responsibility. 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 on the relevant contracts. During the Track Record Period, our Company has experienced delay on two projects and HK\$0.6 million in liquidated damages have been paid.

Delays in the process of obtaining any specific permits, approvals from relevant agencies or authorities of the Hong Kong government in carrying out any particular construction project can also increase the cost or delay the progress of a project. 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 project by customers may cause our revenue or profitability to be lower than what we have 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 could experience an increase in costs exceeding our budget or be required to pay liquidated damages with a consequent reduction in, or elimination of, the profits on our contracts.

We are exposed to construction dispute or litigation

We may receive claims in respect of various matters from our customers, subcontractors, workers and other parties concerned with our projects from time to time. Such claims include claims for compensation for late completion of works and delivery of substandard works, and claims in respect of personal injuries and labour compensation in relation to the works. During the Track Record Period, we encountered several incidents of disputes or litigation arising out of our operations which did not and not expected to have material effect on our business and/or financial position. Historically, our Group had certain disputes with a single customer in relation to the First Project and Second Project which were completed in 2001 and 2003 respectively. The contractual disputes had significant financial impacts on our Group before and during the Track Record Period and legal expenses in the amount of approximately HK\$1.1 million and HK\$11.6 million were incurred by our Group for each of the years ended 31 March 2010 and 2011 respectively in relation to the Second Project. Please refer to the sections headed "Business — Litigation, arbitration and potential claims" and "Financial Information" in this prospectus for further information. The handling of contractual disputes, litigation and arbitration involves a high degree of the management's attention and input, and the outcomes are influenced by, inter alia, negotiation technique, knowledge and judgment of our executive Directors. Our Group relies on the relevant expertise and qualification of our executive Directors in dealing with contractual disputes, litigation and arbitration. For the background of our executive Directors, please refer to the section headed "Directors and Senior Management" of 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 subcontractors, our financial position may be adversely affected.

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We rely on a limited number of major customers

Our ability to maintain close and mutually beneficial relationship with our customers is important to our ongoing growth and profitability. Our top 5 customers during the Track Record Period accounted for approximately 100%, 55% and 56.3%, respectively of our revenue; whereas our largest customer accounted for 46%, 28% and 15.2% of our revenue for the corresponding period, respectively. As we do not enter into long-term sales contracts with our customers, there is no assurance that any of our major customers will continue to engage us at the same contracting rate, or at all, as they have done so historically. Any decrease or delay in spending of such top 5 customers in the construction industry could have an adverse effect on our business and profits. In addition, in the event of default of payment by any of our major customers, our business and/or financial position would be materially affected. Due to the competitiveness of the industry we operate, there is no assurance that we can continue to diversify the composition of our customer base and include other new customers.

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

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 16 Major Projects in progress and 8 of them were scheduled for completion soon after the Listing. There is no guarantee that we will be able to secure new contracts with customers or that they will not withdraw from the contractual agreement prior to commencement of the project. If such an event does materialise, our future revenue and hence our future profit will be adversely affected.

Our customers pay us by way of progress payment and require retention money, and there is no guarantee that progress payment would be paid to us on time and in full, or that retention money is fully released to us upon completion of a project

We normally receive progress payment from our customers, either from the main contractor when we act as a subcontractor, or the employer where we act as a main contractor, on a monthly basis by referring to the value of works done, and a portion of contract value, normally between 1% to 5%, is usually withheld by our customers as retention money. Please refer to the paragraph headed “Progress payment and retention money” in the “Business” section of this prospectus for further details. As at 31 March 2010, 2011 and 2012, retention receivables of approximately HK\$1.0 million, HK\$22.3 million and HK\$19.5 million, respectively was retained by our customers.

There can be no assurance that progress payment would be paid to us on time and in full, or the retention money or any future retention money will be remitted by our customers to us on a timely basis and in full or that the level of bad debt arising from such payment practice can be maintained at the same level as in the Track Record Period. Any failure by our customers to make remittance on time and in full may have an adverse effect on our future liquidity position.

Our Group’s historical revenue from construction projects may not be indicative of our future revenue

Due to the nature of construction works, our Group’s construction projects may include unforeseen obstacles, such as difficult sub-soil conditions and increase in labour or other material costs, which may not have been anticipated during the tendering stage which would lead to additional works to be

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performed by our Group, and thus affect the overall profit margin of our Group's projects if such amounts cannot be recovered from our employers. Further, since we receive payments from our customers by way of progress payments based on the works done, the approval and certification of which are subject to decision from external parties and not our Group, namely, the architects or quantity surveyors employed by our customers.

Due to the above uncertainties which are beyond our Group's control, the 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.

We may not recover our contracting fees on time and in full

From time to time, we may act as a subcontractor 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 subcontracting fees on time or at all. In the event we are unable to recover our subcontracting fees, our cash flow and financial performance in the future will be adversely affected.

On the other hand, we may also act as a main contractor whereby we are directly responsible to the employer, such as Hong Kong government departments and private property developers, for the whole project. Under such circumstances, the employer will pay the contract fees to us directly. Payment from the employer may be affected by the progress of the whole project and the creditworthiness of the employer. There is no assurance that the employer will pay such fees to us on time or at all. In the event we are unable to recover our contract fees, our cash flow and financial performance in the future will be adversely affected.

We are exposed to interest rate risk

We had finance lease liabilities of approximately HK\$18.4 million, HK\$77.5 million and HK\$98.1 million as at 31 March 2010, 2011 and 2012 respectively. We also had bank borrowings of approximately HK\$14.3 million and HK\$10.6 million as at 31 March 2011 and 2012 respectively. These finance lease liabilities and bank borrowings carry floating interest rate and expose our Group to cash flow interest rate risk which is partially offset by cash held at variable rate. The finance leases carried interest rate at 1.5% to 3.5% per annum above HIBOR and the bank borrowings carried interest rate at 2% to 2.5% above HIBOR or current prime rate. Our Group has not hedged its cash flow interest rate risks.

As at 31 March 2010, 2011 and 2012, if the interest rate on all borrowings had been 100 basis points higher/lower with all other variables held constant, our Group's profit after tax for the year would have been decreased/increased by approximately HK\$184,000, HK\$919,000 and HK\$1.1 million respectively, mainly as a result of higher/lower interest expense on borrowings with floating interest rates. If the applicable floating interest rates increase in future, our Group's earnings and liquidity may be adversely affected.

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The price of our variation works may not be clearly determined

Our customers may, in the course of project implementation, make “variation order” to our Group and request our Group to alter the scope of works or perform additional works on top of the terms and scope of original construction contracts by way of “variation order”. The terms of these “variation order” are agreed between our Group and the surveyor authorised by the customer in accordance with the principles that, inter alia, 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. In the event 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 shall fix the rate as shall in his opinion be reasonable. In the event our Group disagrees on the rates fixed by surveyor authorised by the customer, contractual disputes with our customers may arise, and our results of operation, liquidity and financial position may be adversely affected.

We rely on third parties to complete some of our construction projects, which may be adversely affected by the sub-standard performance or non-performance of such third parties

In order to minimise the need to employ a large workforce that includes skilled labor in different specialised areas and semi-skilled labor, to maximise our cost-efficiency and flexibility, and to utilise the expertise of other properly qualified specialist contractors, we sometimes engage third-party subcontractors to perform a portion of the work under our contracts. We may not be able to monitor the performance of these subcontractors as directly and efficiently as with our own staff. In addition, our inability to hire qualified subcontractors could hinder our ability to complete a project successfully. Outsourcing exposes us to risks associated with non-performance, delayed performance or sub-standard performance by subcontractors or third parties. As a result, we may experience deterioration in the quality or delivery of our construction projects, incur additional costs due to the delays or at a higher price in sourcing the services, equipment or supplies in default, or be subject to liability under the relevant contract for our subcontractor’s performance. Such events could impact upon our profitability, financial performance and reputation, and result in litigation or damage claims.

If our subcontractors violate any laws, rules or regulations in relation to health and safety matters, we may not only expose ourselves as primary obligor to prosecutions by relevant authorities, but also be liable to claims for losses and damages if such violations cause any personal injuries/death or damage to properties. In the event there is any violation, whether substantial or minor in nature of any laws, rules or regulations, occurred in the sites for which we are responsible, our operations and hence our financial position will be adversely affected.

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. The loss of a significant number of our executive Directors and/or senior management may have a material adverse effect on our business if we are unable to find suitable replacements in a timely manner. Competition for such personnel is intense, and any failure to recruit and retain the necessary management personnel at any time could harm our business and prospects.

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We are exposed to claims arising from latent defects and product liability

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

We are exposed 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 exposed 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. In the event that an uninsured liability arise, we may suffer losses which may adversely affect our financial position.

We rely heavily on the quality of service of third party maintenance specialists in the maintenance and repair of our substantial amount of fixed assets

We own a full range of machinery and will continue to acquire additional machinery from overseas. The maintenance and repair of such fixed assets rely heavily on the quality of service of the third party maintenance specialists to which we outsource maintenance and repair services. In the event that there is any failure of operation of our machinery arising from the maintenance and repair services rendered by these third party maintenance specialists or any loss of service of any of the experienced member of their maintenance team, our operation and business would be adversely affected.

We had net current liabilities as at 31 March 2010

Our Group had net current liabilities of approximately HK\$11.5 million as at 31 March 2010. The net current liabilities position as at 31 March 2010 was primarily due to the purchase of fixed assets of approximately HK\$36.6 million for our Group's long term investment during the year.

There can be no assurance that we will always be able to maintain sufficient working capital or raise necessary funding to finance our current liabilities and meet our capital commitments. In such circumstances, our business, financial position and prospects may be materially and adversely affected.

Our cash flows may fluctuate

As far as a single project is concerned, net cash outflows are normally recorded at the early stage of carrying out our construction works when we are required to pay the setting up expenditures. Progress payments will be paid after our construction works commence and are certified by our

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customers and accordingly the cash flows for a particular project will turn into accumulative net inflows gradually as the construction works progress. Please see the section headed “Business — Operating procedures” in this prospectus for more information.

If we take up too many significant projects at a particular period of time, which require substantial initial setting up costs without cash inflow from other projects during such period of time, our cash flow position may be adversely affected.

We may be required to perform extensive excavation works on carriageway and footway and may damage various underground services utilities

Services utilities, such as fresh and flush water mains, low or high voltage electric cables, optical fibre telephone line and high pressure gas mains, are laid underground or below carriageways and footways in Hong Kong. We, when carrying out site formation works, site investigation works or building basement construction, may encounter those service utilities. There is no assurance that damage to those utilities will not occur during our excavation works. Accordingly, we may be liable to the costs for the repair of such damaged service utilities.

Our profit may be substantially reduced if there are changes in our subcontracting charges and construction materials costs after tendering

Our subcontracting charges and construction material costs represent a significant portion of our cost of sales. During the Track Record Period, our subcontracting charges and construction material costs amounted to approximately HK\$18.7 million, HK\$149.8 million and HK\$172.1 million for each of the years ended 31 March 2010, 2011 and 2012 respectively. We prepare our tender based on our estimated project costs (which mainly include subcontracting charges and construction material costs) plus a mark-up margin at the time when we submit our tender for projects or our initial proposals to our potential customers but the actual subcontracting costs and material costs will not be determined until we have entered into agreements with our customers. Any fluctuations in the subcontracting charges and construction material costs during this period will affect our profitability. In particular, for Hong Kong government projects, we normally have to purchase construction materials from approved suppliers within the Specialist List maintained by the Works Branch. The choices of such approved suppliers are limited and we are exposed to the risk to bear unexpected additional costs when these approved suppliers ask for prices higher than those originally tendered.

We rely on a stable supply of labour to carry out our projects

Construction works are generally labour intensive. For any given project, a large number of workers from various trades with different skills may be required.

However, there is no guarantee that the supply of labour and average labour costs will be stable. In the event that we or our subcontractors fail to retain our existing labour and/or recruit sufficient labour in a timely manner to cope with the demand of our existing or future projects and/or there is a significant increase in the costs of labour, we may not be able to complete our projects on schedule and within budget and our operations and profitability may be adversely affected.

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We engage, directly or indirectly, labourers of different trades who may launch industrial action or strikes to have higher wages and shorter working hours

Foundation works usually involve various trades, such as placing concrete, erecting formwork and reinforcement bar bending and fixing. Each trade requires highly specialised labourers of its own and may not be substituted with labourers of other trades. We are exposed to the risk that some trade unions may launch industrial actions or even strikes to ask for higher wages and shorter working hours. If we meet their demand, we will incur additional labour costs, or if not, we may be exposed to the risk of claims for liquidated damages by employers/developers for the delays in completion of our contracts. In either case, these industrial actions or strikes may have adverse impact on our profitability and results of operations.

The trend of our historical financial information may not necessarily reflect our financial performance in the future

For each of the years ended 31 March 2010, 2011 and 2012, our revenue amounted to approximately HK\$51.3 million, HK\$257.5 million and HK\$313.1 million, respectively. For each of the years ended 31 March 2010, 2011 and 2012 our net profit amounted to approximately HK\$10.8 million, HK\$35.4 million and HK\$25.8 million, respectively. Our Group's results of operation were also affected by construction projects completed before the Track Record Period. In the year ended 31 March 2011, our Group recorded construction contracts income of approximately HK\$6.4 million and net reversal of provision for claims of approximately HK\$11.2 million arising from one construction project which had been completed before the Track Record Period.

However, such trend of historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future which will depend on our capability to secure new contracts and control our costs and expenditures.

Fluctuation of our gross profit and gross profit margin may adversely affect our financial condition

For the three years ended 31 March 2010, 2011 and 2012, our gross profit was approximately HK\$18.8 million, HK\$70.8 million and HK\$59.7 million, respectively; whereas our gross profit margin was approximately 36.6%, 27.5% and 19.1%, respectively.

There is no assurance that our gross profit and gross profit margin will remain stable in the future and our financial condition may be adversely affected by any decrease in the gross profit or gross profit margin.

Failure to maintain safe construction sites and/or implement our safety management system may lead to occurrence of personal injuries, property damages or fatal accidents

As a main contractor, we are deemed to be an occupier of our construction sites which we have obligations to maintain a safe and healthy working environment to all lawful visitors, including any labour, staff and general public. Any failure to maintain safe construction sites and/or implement our

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safety management system may lead to occurrence of personal injuries, property damages or fatal accidents and there is no assurance that personal injuries, property damages or fatal accidents will not occur at our construction sites.

A qualified/licensed contractor could also be prohibited from tendering for public works of a relevant category during a suspension period if a fatal construction accident occurs at a construction site for which the contractor is responsible for or the performance of the contractor is not satisfactory.

Due to the nature of works in the construction industry, risks of accidents or injuries to workers are inherent and cannot be completely eliminated. There is no assurance that fatal construction accidents will not occur on construction sites for which we are responsible as a main contractor, or that we will not be subject to regulatory actions in the future which may have an adverse impact on our overall operations or on our eligibility to tender for Hong Kong government works.

We normally take out insurance policies of contractors' all risks (including third party liability) and employees' compensation to cover our risk in paying losses and damages to third parties for any personal injuries or property damages which may occur at our sites. There is no assurance that the insurers have sufficient financial means or would not deny liability to cover our losses and damages. Neither is there any assurance that the policies could fully cover all aspects of personal injuries or property damage occurring on our sites. In any event, any personal injuries, property damages or fatal accidents occurring on our construction sites may result in disciplinary actions by the Hong Kong government and/or may have adverse impact on our profitability and operating results. Furthermore, our participation in Hong Kong government projects may, more likely than in the case of projects for private sector customers, draw public attention if there is any fatal accident. Such publicity may or may not be adverse and there is no assurance that any such publicity, whether adverse to us or not, will not be overstated.

We are exposed to risk of damaged reputation due to employees' compensation claims and personal injuries claims arising from our construction projects

Injuries to workers at construction sites are a common inherent risk in the construction industry. As at the Latest Practicable Date, our Group has certain claims in relation to employees' compensation and personal injuries, the proceedings of which are in progress. Furthermore, our Group also has 21 potential claims for which the relevant personal injuries actions have not been commenced. For more information, please refer to the section headed "Business — Litigation, arbitration and potential claims" in this prospectus.

Such claims not only expose us to the risk of having to bear higher insurance premiums in the future, but may also lead to damage to the reputation of our Group if such claims escalate into high profile cases and become widely reported in the media or within the industry. If such incidents occur, our business prospects and results of operation may be negatively affected.

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

Subsidiaries of our Company have declared dividends to the then shareholders of our subsidiaries of HK\$9.3 million and HK\$20 million in the year ended 31 March 2012 and in May 2012 respectively, which have been settled by us and financed by our internal resources. No dividend was declared by subsidiaries of our Group in the year ended 31 March 2010 and 2011. Any declaration of dividends

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proposed by our Directors and the amount of any such dividends will depend on various factors, including, without limitation, our results of operations, financial condition, future prospects and other factors which our Directors may determine are important. For further details of the dividend policy of our Company, please see the section headed “Financial information — Dividend policy” in this prospectus. We cannot guarantee if and when dividends will be paid in the future.

Our operations could be materially and adversely affected by bad weather, natural disasters, severe communicable disease, acts of wars, terrorism or other incidents which are beyond our control

Our business operations are mostly conducted outdoors and are vulnerable to bad weather. We may, as a result of persistently unfavorable weather conditions or natural disasters, be prevented from performing work at our construction sites, and thereby fail to meet specified milestone dates. Should we be required to halt operations during such inclement weather or natural disasters, we may continue to incur operating expenses even while we experience reduced revenues and profitability. Moreover, 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 and which may 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, any or all of which could materially impact our revenue, costs, financial conditions and growth potentials. The potential for these incidents may also cause uncertainty leading to our business as well as those of our customers and suppliers to suffer in the ways that we cannot predict. Our business and operating results may be materially and adversely affected as a result.

RISKS RELATING TO THE INDUSTRIES IN WHICH WE OPERATE

Our performance is dependent on market conditions and trends in the construction industry and in the overall economy which may change adversely

All our operations and management are currently located in Hong Kong. The future growth and level of profitability of the foundation industry in Hong Kong are likely to depend primarily upon the continued availability of major construction projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, in particular, the Hong Kong government’s spending patterns on the construction industry in Hong Kong, the investment of property developers and the general conditions and prospects of Hong Kong’s economy. These factors may affect the availability of foundation projects from the public sector, private sector or institutional bodies.

Apart from the public spending of the Hong Kong government, there are numerous factors affecting the foundation industry, including cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. Should there be a recurrence of recession in Hong Kong, deflation or any changes in Hong Kong’s currency policy, or should the demand for foundation works in Hong Kong deteriorate, our operations and profits could be adversely affected.

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The change in political, economic and fiscal policy by the Hong Kong government may adversely affect our performance and prospects

Our results and prospects may be adversely affected by changes in the Hong Kong government's spending and policy. The foundation industry depends heavily on the level of building and construction activities in the Hong Kong property and infrastructure markets in both the public and private sectors. Such activities are in turn influenced by the Hong Kong government's policies. The foundation industry in Hong Kong to a large extent depends on the level of public spending of the Hong Kong government on public housing and infrastructure projects. During the Track Record Period, our Group generated approximately 11.5%, 32.5% and 9.9% respectively of our revenue from public projects which are directly or indirectly affected by the Hong Kong government's policies. Any decrease in the level of public spending due to any change in the Hong Kong government's policy such as the deferment, suspension or termination of any public housing or infrastructure projects will adversely affect our Group's business prospects and may potentially damage our Group's business and results of operation.

Our business is subject to economic and political risks in Macau

Our Group had been awarded a private construction project as a subcontractor in Macau. This project has not commenced as at the Latest Practicable Date. Conducting business in Macau involves certain risks not typically associated with operations in Hong Kong, including 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 subcontracting construction works, tightening of regulations on foreign subcontractors, changes in exchange control regulations, change in interest rate and change in rates or method of taxation. Our Group's operations in Macau are exposed to the risk of changes in laws and policies that govern companies that operate in Macau, specifically construction subcontractors carrying out works in Macau. In addition, the legal and judicial system adopted in Macau is substantially different from that in Hong Kong, and rights and protection under Hong Kong laws that companies in Hong Kong expect may not exist in Macau. Furthermore, in the event that the aforementioned 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.

We operate in a competitive industry

The foundation industry in Hong Kong has a number of participants and is competitive. For instance, there were 129 Registered Specialist Contractors (Foundation Works) according to data from the Buildings Department as at 17 September 2012. Occasionally, new participants may wish to enter the industry if they have the appropriate skills, local experience, necessary machinery and equipment, capital and are granted the requisite licences by the relevant regulatory bodies. We face competition from other contractors in the tendering for construction contracts. Increased competition may result in lower operating margins and loss of market share, resulting in an adverse impact on our profitability and operating results.

RISK FACTORS

We may fail to renew or obtain the requisite registrations and licences to undertake foundation projects in Hong Kong

As a minimum requirement for undertaking foundation projects in Hong Kong, a contractor is required to be registered under the Buildings Ordinance (Cap.123) as a Registered Specialist Contractor in the foundation category. In addition, a contractor must be included in the Specialist List to undertake public sector foundation works, and admitted to the Housing Authority List of Piling Contractors (Large Diameter Bored Piling Category) to undertake large diameter bored piling works of the Housing Authority. Contractors registered with the Works Branch are subject to a regulatory regime which is put in place to ensure that standards of financial capability, expertise, management and safety are maintained by contractors carrying out Hong Kong government works. Please refer to the paragraph headed “Contractor licensing regime” in the section headed “Laws and Regulations” of this prospectus for further details.

Government authorities may, in certain circumstances, remove a contractor from their lists or take other disciplinary actions against a contractor such as suspension, downgrading to probationary status, or demotion to a lower group in respect of all or any work category, if the performance or tendering record of the contractor is found to be unsatisfactory. In the event of a withdrawal, revocation or downgrading of our registrations in any work category or if any of our registrations are not renewed upon expiry, our financial position and ability to obtain future contracts would be adversely affected.

We are exposed to project risks

Every tender invitation for a foundation contract includes a ground investigation report which is provided by the customer. It is not unusual to find difficult sub-soil conditions which may not have been anticipated at the tendering stage. Such ground conditions may make pile construction difficult which in turn may increase project expenses. In the event that we have committed to a fixed sum or rate foundation contract and no adjustment to the contract sum could be agreed with our customers, we may have to absorb such increased expenses and our profitability would be adversely affected.

RISKS RELATING TO THE SHARE OFFER AND OUR SHARES

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, 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\$0.71 per Share, based on the maximum Offer Price of HK\$0.94, assuming that the Offer Size Adjustment Option is not exercised.

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

We may issue additional Shares to raise additional funds in the future to finance our business expansion. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage

RISK FACTORS

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 Shares of the existing Shareholders.

There has been 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 Joint Lead Managers (for themselves and on behalf of the Underwriters), and the 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 the 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 foundation 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.

Due to the time lag between pricing and trading of the Shares, there is a risk that 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 9 October 2012. However, trading of the Shares on the Main Board will not commence until the Listing Date, which is expected to be 18 October 2012. 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 resulting from adverse market conditions or other adverse developments that could occur between the time of the sale and the time trading begins.

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 Company Law" in Appendix IV to this prospectus.

RISK FACTORS

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

Future issue of Shares by our Company or the disposal of Shares by any of its Shareholders or the perception that such issues or sale may occur, may negatively impact the prevailing market price of the Shares. 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.

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 foundation industry have been derived, in part, from various publications and industry-related sources prepared by government officials 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 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 Sponsor, the Joint Lead Managers 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 Listing Rules for the purpose 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 material 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 ABOUT THE SHARE OFFER

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

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

FULLY UNDERWRITTEN

The Share Offer comprises the Placing and the Public Offer. The Share Offer is an offer of 7,500,000 New Shares under the Public Offer (subject to reallocation) and 67,500,000 New Shares under the Placing (subject to reallocation and the Offer Size Adjustment Option), in each case at the Offer Price. Details of the structure of the Share Offer are set out in the section headed “Structure of the Share Offer” in this prospectus. This prospectus and the Application Forms relating thereto set out the terms and conditions of the Share Offer.

The Share Offer is sponsored by the Sponsor, lead managed by the Joint Lead Managers and is fully underwritten by the Underwriters as referred to in the paragraph headed “Underwriting arrangements and expenses” in the section headed “Underwriting” in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be determined by agreement between us and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before the Price Determination Date. The Offer Price will be not more than HK\$0.94 per Offer Share and is currently expected to be not less than HK\$0.83 per Offer Share, unless otherwise announced. Investors applying for the Public Offer Shares must pay, on application, the maximum Offer Price of HK\$0.94 per Offer Share, together with brokerage of 1%, 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\$0.94 per Offer Share.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with our consent, reduce the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the indicative Offer Price range will be published on the website of the Company (www.sunley-fdn.com.hk) and the Stock Exchange (www.hkexnews.hk), not later than the morning of the last day for lodging applications under the Public Offer. If applications for Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the indicative Offer Price range is so reduced, such applications cannot subsequently be withdrawn.

If, for any reason, the Offer Price is not agreed between us and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before 5:00 p.m. on Tuesday, 9 October 2012, the Share Offer will not proceed and will lapse.

OFFER SHARES TO BE OFFERED IN HONG KONG ONLY

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

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the additional Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme). No part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

HONG KONG STAMP DUTY

All Offer Shares will be registered on our Hong Kong branch share register of members to be maintained by Tricor Investor Services Limited which may be traded on the Stock Exchange. Dealings in Shares registered in our Hong Kong branch share register of members will be subject to Hong Kong stamp duty in Hong Kong. For further details about Hong Kong stamp duty, please seek professional tax advice.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PROFESSIONAL TAX ADVICE RECOMMENDED

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

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

PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES

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

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including conditions of the Share Offer, are set out in the section headed “Structure of the Share Offer” in this prospectus.

TRADING AND SETTLEMENT

Dealings in the Shares are expected to commence on 18 October 2012. Shares will be traded in board lots of 2,500 Shares each.

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

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Dr. Ho Kar Chung (何家聰) (Chairman)	Flat E, 47/F., Tower 2 The Orchards, 3 Greig Road Quarry Bay Hong Kong	Chinese
Mr. Cheng Wing On, Michael (鄭永安) (Chief Executive)	Flat D, 2nd Floor Marigold Court 4 Marigold Road Yau Yat Chuen, Kowloon Hong Kong	Chinese
Mr. Ho Chi Ling (何智凌)	Room 2, 15/F., Fung Yan House Fung Lai Court Diamond Hill Kowloon Hong Kong	Chinese
<i>Non-executive Director</i>		
Mr. Leung Chee Hon (梁志漢)	15B Block 1 Cavendish Heights 33 Perkins Road Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Chuck Winston Calptor (卓育賢)	Flat A, 3rd Floor Riviera Mansion, 59–65 Paterson Street, Causeway Bay Hong Kong	British
Mr. Ching Kwok Hoo, Pedro (程國灝)	Flat D, 15/F, Fine Mansion 32–40 Village Road Happy Valley Hong Kong	Chinese
Mr. Tam Tak Kei, Raymond (譚德機)	12A King Tien Mansion Taikoo Shing Quarry Bay Hong Kong	British

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

Sponsor

Ample Capital Limited
Unit A, 14/F.
Two Chinachem Plaza
135 Des Voeux Road Central
Hong Kong

Joint Lead Managers

SBI E2-Capital Financial Services Limited
Unit A2, 32/F.
United Centre
95 Queensway
Hong Kong

Astrum Capital Management Limited
Room 1807
West Tower, Shun Tak Centre
168 – 200 Connaught Road Central
Hong Kong

Placing Underwriters

SBI E2-Capital Financial Services Limited
Unit A2, 32/F.
United Centre
95 Queensway
Hong Kong

Astrum Capital Management Limited
Room 1807
West Tower, Shun Tak Centre
168 – 200 Connaught Road Central
Hong Kong

Ample Orient Capital Limited
Unit A, 14/F.
Two Chinachem Plaza
135 Des Voeux Road Central
Hong Kong

Cheong Lee Securities Limited
Room 1106, 11/F.
Mass Mutual Tower
38 Gloucester Road
Wanchai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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Public Offer Underwriters

Sun International Securities Limited
Units 1201 – 1204, 12/F.
China Merchants Tower, Shun Tak Centre
168 – 200 Connaught Road Central
Hong Kong

SBI E2-Capital Financial Services Limited
Unit A2, 32/F.
United Centre
95 Queensway
Hong Kong

Astrum Capital Management Limited
Room 1807
West Tower, Shun Tak Centre
168 – 200 Connaught Road Central
Hong Kong

Ample Orient Capital Limited
Unit A, 14/F.
Two Chinachem Plaza
135 Des Voeux Road Central
Hong Kong

Cheong Lee Securities Limited
Room 1106, 11/F.
Mass Mutual Tower
38 Gloucester Road
Wanchai
Hong Kong

Sun International Securities Limited
Units 1201 – 1204, 12/F.
China Merchants Tower, Shun Tak Centre
168 – 200 Connaught Road Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law:
Loong & Yeung
Suites 2001 – 2005, 20th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER
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As to litigation in Hong Kong:

Chan & Associates

Rooms 1908–1910

655 Nathan Road

Mongkok

Kowloon

Hong Kong

As to Macau law:

Chio Tak Wo, Advogado

Avenida do Infante D. Henrique, No. 62,

Centro Comercial Central, 19 andar,

Macau

As to Cayman Islands law:

Appleby

2206–19, Jardine House

1 Connaught Place

Central, Hong Kong

**Legal adviser to the Sponsor
and the Underwriters**

Pang & Co. in cooperation with Salans LLP

Level 76

International Commerce Centre

1 Austin Road West

Kowloon

Hong Kong

Auditor and reporting accountant

PricewaterhouseCoopers

Certified Public Accountants

22nd Floor, Prince's Building

Central

Hong Kong

Property valuer

BMI Appraisals Limited

33rd Floor

Shui On Centre,

6–8 Harbour Road

Wanchai

Hong Kong

Receiving banker

Hang Seng Bank Limited

83 Des Voeux Road Central

Hong Kong

CORPORATE INFORMATION

Registered office	Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters, head office and principal place of business in Hong Kong	Room 201, 2/F, Marina House, 68 Hing Man Street, Shau Kei Wan, Hong Kong
Authorised representatives	Tai Man Hin, Tony Flat 10B, All Fit Garden, 20 Bonham Road, Hong Kong Mr. Ho Room 2, 15/F., Fung Yan House Fung Lai Court Diamond Hill Kowloon Hong Kong
Company secretary	Tai Man Hin, Tony (CPA)
Compliance adviser	Ample Capital Limited Unit A, 14/F. Two Chinachem Plaza 135 Des Voeux Road Central Hong Kong
Company's website	www.sunley-fdn.com.hk <i>(information contained in this website does not form part of this prospectus)</i>
Audit committee	Tam Tak Kei, Raymond (Chairman) Chuck Winston Calptor Ching Kwok Hoo, Pedro
Remuneration committee	Chuck Winston Calptor (Chairman) Ching Kwok Hoo, Pedro Mr. Ho

CORPORATE INFORMATION

Nomination committee

Ching Kwok Hoo, Pedro (*Chairman*)
Tam Tak Kei, Raymond
Mr. Cheng

**Principal share registrar
and transfer office**

Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

**Hong Kong branch share registrar
and transfer office**

Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Principal banker

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

INDUSTRY OVERVIEW

The information and statistics set out in this section have been extracted from various publicly available official sources and an industry source including (i) the Hong Kong government; (ii) the Housing Authority; (iii) the Macau government; (iv) the IMF; and (v) Hong Kong Construction Association. Save for the industry source from Hong Kong Construction Association which is available to its corporate members only, all other sources are publicly available. None of the information and statistics from the above sources is commissioned by our Group. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Group has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Lead Managers, the Sponsor, the Underwriters or any other party involved in the Listing and no representation is given as to its accuracy.

CONSTRUCTION INDUSTRY IN HONG KONG

Introduction

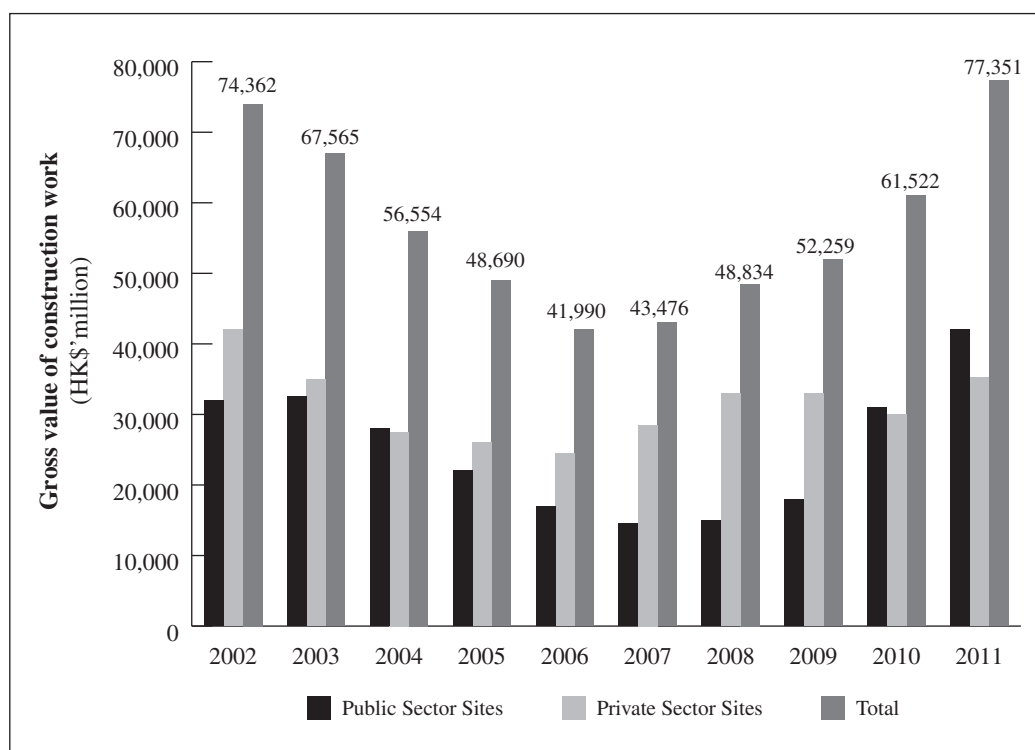
Foundation is an integral part of most building construction projects and some infrastructure construction projects. In Hong Kong, many high-rise structures, such as multi-storey buildings including residential, commercial or industrial blocks and public facilities, or infrastructures, such as highways and bridges, have to be supported by a foundation. Foundation work is generally an essential construction process and is required for most projects, including public projects advocated or implemented by both the public sector, being the Hong Kong government and other public bodies including Housing Authority, and private projects implemented by private property developers or other private entities.

All construction projects in Hong Kong can broadly be divided into public projects and private projects. Public projects include construction of public housing, subsidised housing, public facilities buildings or structures and other civil engineering projects that were initiated, advocated or implemented by the Hong Kong government or public bodies in Hong Kong. Private projects include construction of private residential, commercial or industrial buildings. In Hong Kong most of the public or subsidised housing projects are implemented by Housing Authority and the Hong Kong Housing Society. The market for public projects in Hong Kong is dependent on the number, size and scale of building and construction work advocated or funded by the Hong Kong government or other public bodies. These in turn, are determined by policies and the budget of the Hong Kong government and other public bodies. Private projects are initiated by numerous private property developers. The construction market for private projects is influenced by factors such as economic prospect, land supply and the general demand for properties in Hong Kong.

INDUSTRY OVERVIEW

The following graph sets out the value of construction outputs analysed by public sector sites and private sector sites in Hong Kong:

**Gross Value of Construction Works Performed by Main Contractors at
Construction Sites in Hong Kong**



Source: Official website of the Census and Statistics Department, Hong Kong government as at 15 May 2012, and the Report on the Quarterly Survey of Construction Output (1st Quarter 2012)

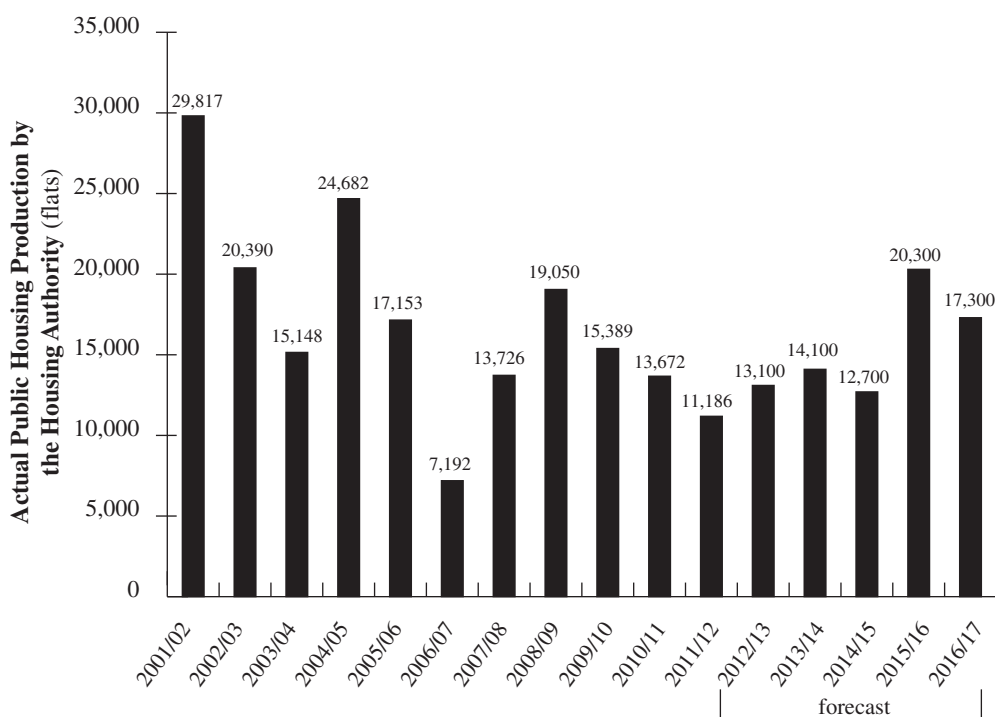
As illustrated in the above graph, the construction market for the public sector and that of the private sector showed varying trends. The market for public sector was sluggish between 2006 and 2009 during which the value of construction outputs by main contractors was the lowest in the past ten years and fell below HK\$20 billion. As a result of the decline of construction market in the private sector compounded with weak demand for construction work in private sector sites, the total value of construction outputs by main contractors slipped to approximately HK\$42.0 billion in 2006. Since then, the construction market has shown sign of gradual recovery, with the total value of construction outputs by main contractors growing from approximately HK\$42.0 billion in 2006 to HK\$77.4 billion in 2011. Since 2010, thanks to the Hong Kong government's initiative to boost employment opportunities in the construction industry and to promote economic growth, there has been a substantial increase in the public expenditure on infrastructure, boosting the construction outputs by main contractors for public sector sites and all sites as a whole to exceed HK\$30 billion and HK\$60 billion respectively. The public sector has become one main driving force for the growth of the construction industry in Hong Kong since 2010.

INDUSTRY OVERVIEW

Public Projects

Housing Authority is the primary public body that takes charge of developing and implementing public housing programmes in Hong Kong. Each year, more than 10,000 flats are built by the Housing Authority on average for public rental housing. In implementing its housing building programmes, Housing Authority engages construction companies to carry out the construction of public housing, and thus Housing Authority is one of the major customers in the construction industry in Hong Kong. The following graph sets out the volume of public housing production by Housing Authority:

Public Housing Production by Housing Authority



Source: Official website of Housing Authority, Hong Kong government as at 15 May 2012 and 21 September 2012

It is shown in the above graph that, while the number of flats produced by Housing Authority varied from time to time, fluctuating between approximately 29,800 flats in year 2001/02 and approximately 7,200 flats in year 2006/07, annual production stood above 10,000 units for most years. The average number of flats produced by Housing Authority between 2001/02 and 2010/11 was approximately 17,000 flats per annum. According to Housing Authority, it is projected that its annual production of public housing will be relatively stable between year 2012/13 and 2016/17, with an average annual production of approximately 15,500 flats.

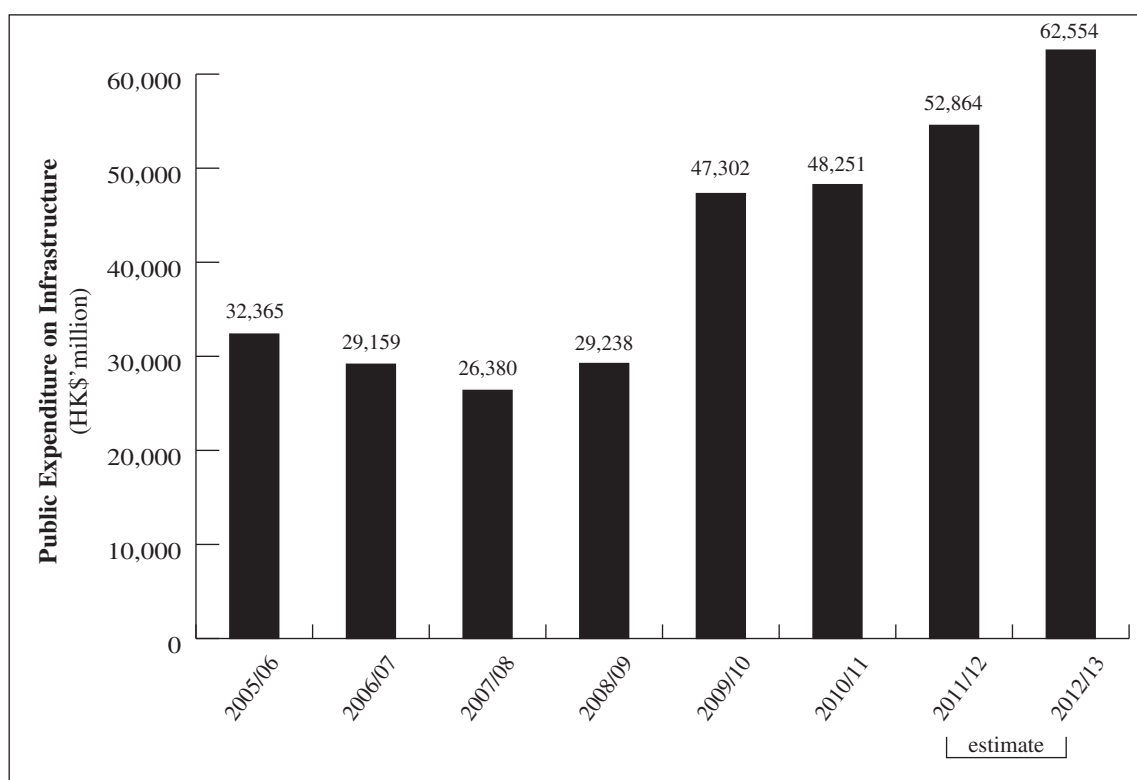
In addition, the Hong Kong government announced in its 2011–12 Policy Address that it intended to resume the Home Ownership Scheme. Under this initiative, the Hong Kong government plans to provide more than 17,000 flats over four years from 2016–2017 onwards, with an annual production of between 2,500 and 6,500 flats. As per the manifesto of the current Chief Executive of the Hong Kong government released in March 2012, the Chief Executive has reiterated the resumption of the Home

INDUSTRY OVERVIEW

Ownership Scheme as part of his policy platform. On 4 August 2012, the Secretary for Transport and Housing of the Hong Kong government announced that the new Home Ownership Scheme flats will be available in 2016–2017 at the earliest, and there will be land to provide 17,000 units in the first three to four years according to current planning. Furthermore, the Hong Kong government has unveiled 10 new measures on 30 August 2012 to expedite the sale of subsidised and private residential units to meet public demand. Included in such new measures are (i) a total of 2,650 private flats will be sold in the Government Land Sale Program (October — December) and the Hong Kong government will increase residential land if necessary; (ii) an open space in Cheung Sha Wan will be converted to building 2,300 public rental units; and (iii) 36 government, institution and community sites will be rezoned to provide 11,900 public and private flats. The Hong Kong government's commitment to public housing is an important factor that contributes the sustainability and long-term development of the construction industry in Hong Kong.

Apart from public housing produced by Housing Authority, the Hong Kong government also carries out various kinds of infrastructure projects. The following graph sets out the actual and estimated public expenditure on infrastructure in Hong Kong:

Public Expenditure on Infrastructure in Hong Kong



Source: Hong Kong Annual Digest of Statistics, 2011, and Hong Kong government's Budgets 2012/13

In Hong Kong government's Budgets, with a view to boosting employment opportunities in the construction industry and promoting economic growth, the Hong Kong government announced in recent years that the expenditure on infrastructural projects will increase. According to the Hong Kong Annual Digest of Statistics 2011 and the Hong Kong government's Budgets 2012/2013, it is estimated the public

INDUSTRY OVERVIEW

expenditure on infrastructure to double in five year time, increasing from approximately HK\$26.4 billion in the year 2007/08 to approximately HK\$62.6 billion 2012/13. The Hong Kong government also estimated in its 2012/13 Budget that the capital works expenditure for each of the next few years will exceed HK\$70 billion as some major infrastructure projects and other projects would enter their construction peaks.

In the 2007–08 Hong Kong government’s Policy Address, the Hong Kong government undertook to push ahead 10 major infrastructure projects. These 10 major infrastructure projects, including the South Island Line, the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macao Bridge, West Kowloon Cultural District and the Kai Tak Development Plan, etc., encompass various kinds of civil and building structures such as railways, highways, bridges, new urban and new town developments. These various kinds of infrastructure projects will benefit the wide range of sectors in the construction industry. Among the 10 major infrastructure projects, it is believed that (i) Hong Kong-Shenzhen Joint Development of the Lok Ma Chau Loop, (ii) West Kowloon Cultural District, (iii) Kai Tak Development Plan, and (iv) numerous New Development Areas will involve a large number of building structures that require the foundation works, and that the foundation industry in Hong Kong will also benefit from the 10 major infrastructure projects.

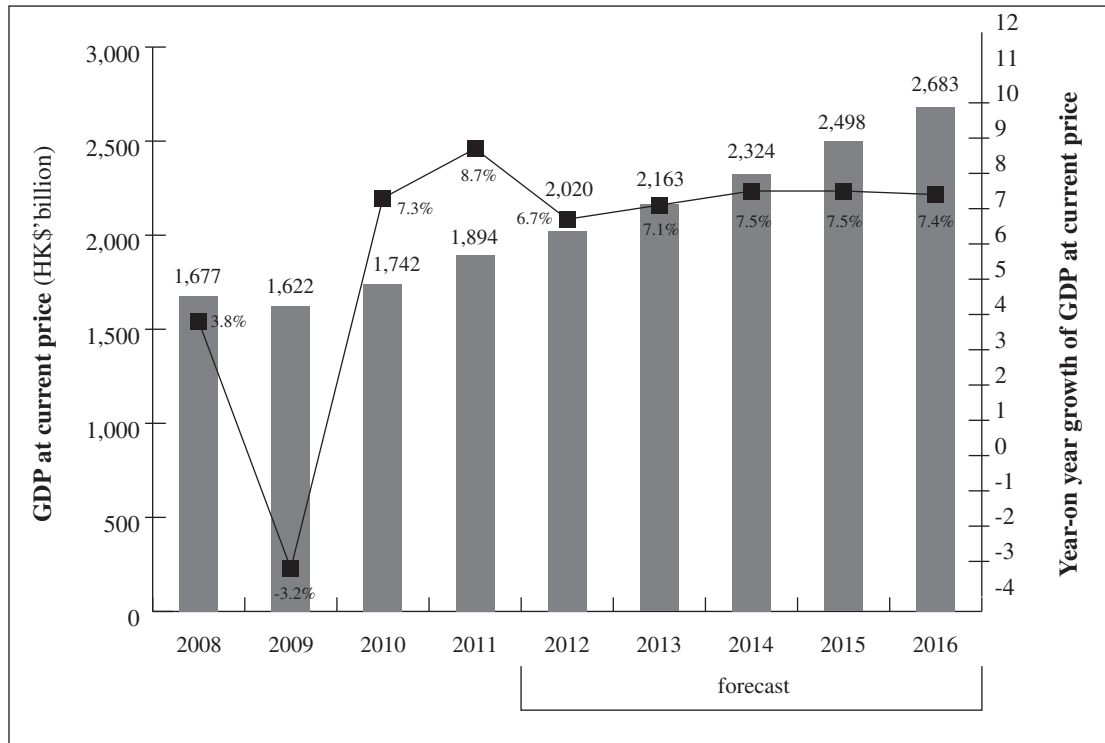
It is expected that the surge in public expenditure on infrastructure and the rolling out of major infrastructure projects would generate considerable business opportunities for the construction industry in Hong Kong in the next few years to come.

INDUSTRY OVERVIEW

Private Projects

Private projects are mainly initiated by numerous private property developers. Private property developers make investment decision to develop or redevelop residential, commercial or industrial building projects taking into account of factors including, inter alia, land supply, economic prospect and the general demand for properties in Hong Kong. The following graph shows the projected growth of GDP of Hong Kong:

GDP and growth of GDP of Hong Kong



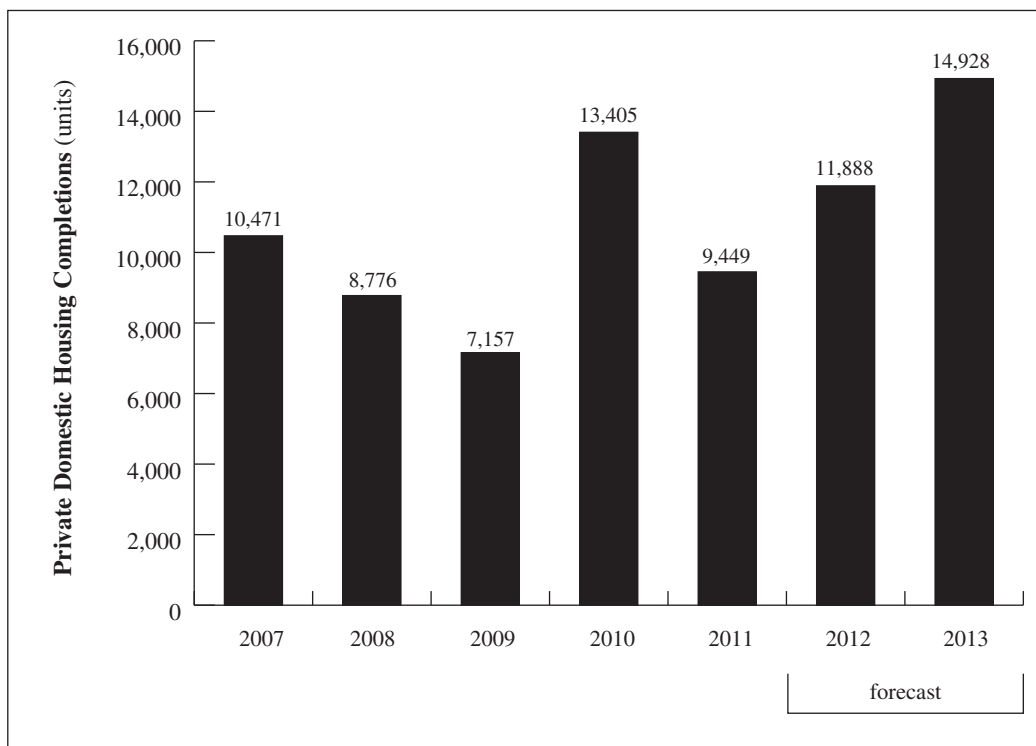
Source: World Economic Outlook (April 2012), IMF

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According to the forecast of IMF, the GDP of Hong Kong is projected to grow from approximately HK\$1,894 billion in 2011 to HK\$2,683 billion in 2016, at a CAGR of approximately 7.2%. According to the same forecast by IMF, the GDP at constant price level of Hong Kong is projected to grow from approximately HK\$1,823 billion in 2010 to HK\$2,214 billion in 2016 at a CAGR of approximately 4.0%. With such projected steady increase in GDP, it is therefore believed that Hong Kong will in general face a stable economic environment that fosters persistent investment in the construction of properties in Hong Kong in the next few years, although the property market and the construction market in Hong Kong also depend on numerous other economic and non-economic factors, such as land supply in Hong Kong.

Sale of land by the Hong Kong government by auction or tender is one of the important ways by which property developers in Hong Kong acquire lands for property development. Among all types of property development, residential property is one of the major sectors for the property market and the construction market. Recognising the limited land supply for residential flats in Hong Kong, in 2010, the Hong Kong government indicated in the 2010/11 Policy Address that its wish to make available land for 20,000 private residential flats annually in the next ten years. Subsequently in 2011, the Hong Kong government announced some specific measures to increase the supply of land and private housing in Hong Kong, by putting more lands up for sale. The following graph sets out the number of private domestic housing completed in the last few years and projected to be completed in 2011 and 2012:

Private Domestic Housing Completions



Source: Hong Kong Property Review (2012), Rating and Valuation Department, Hong Kong government

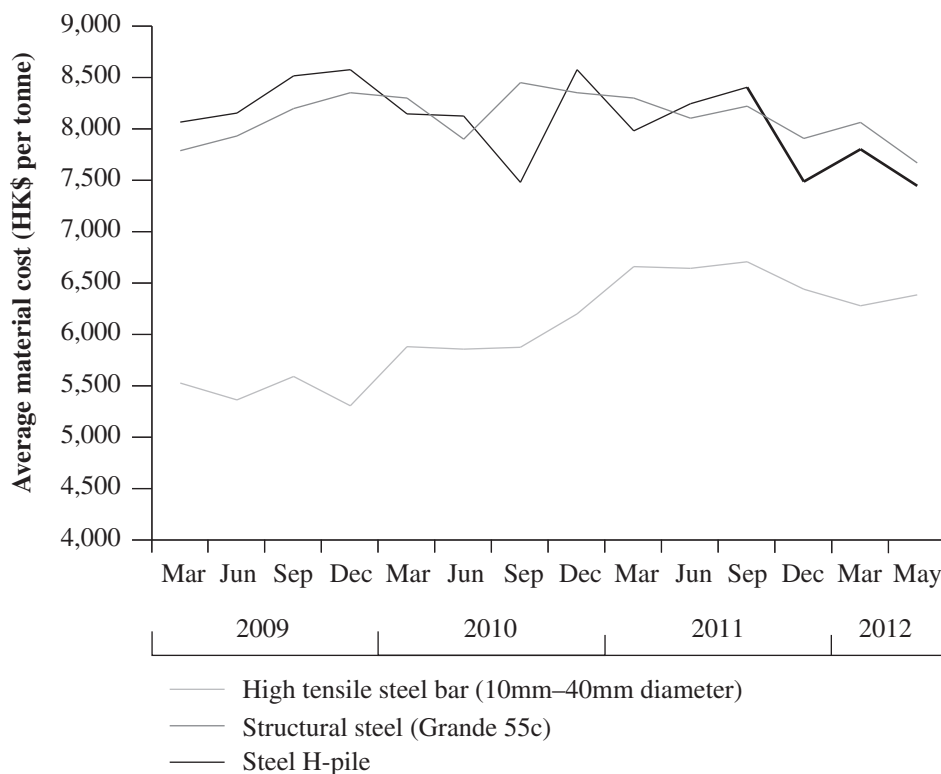
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Between 2007 and 2011, only approximately 9,900 units of private domestic housing per year were completed on average. It is projected that the average number of private domestic housing completion will increase to approximately 13,400 units per year between 2012 and 2013. In 2011 the Hong Kong government announced that it would make available lands for approximately 35,000 residential flats in 2011/12. With the Hong Kong government's initiative to increase the land supply in Hong Kong, it is believed that, if the Hong Kong government's target for private residential flats completion is achieved, there is a strong possibility that the number of domestic housing completion will increase further beyond 2012. The rise in private residential housing development in Hong Kong is likely to generate a considerable amount of new construction projects and business opportunities in the Hong Kong construction industry in the next few years to come.

Material Price

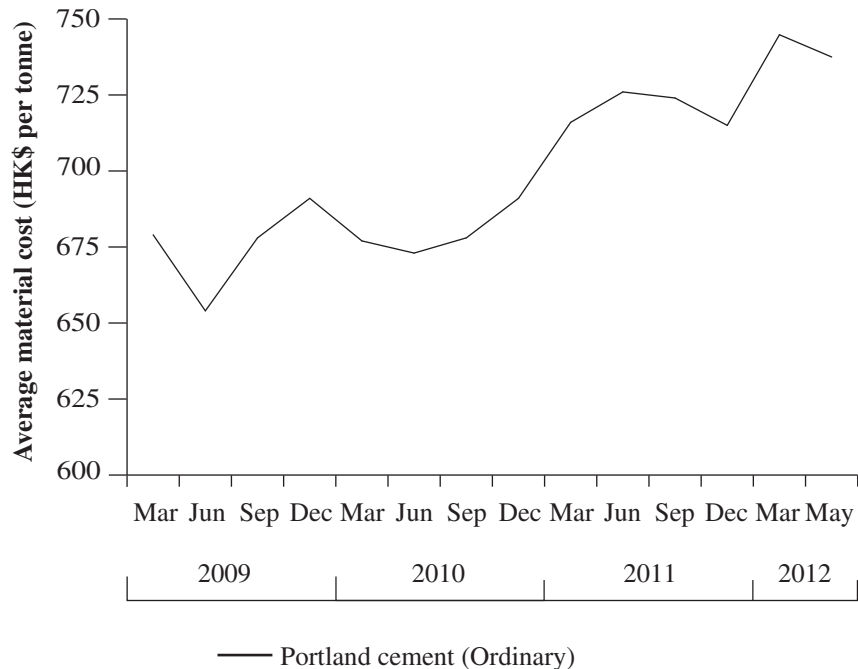
Construction companies make use of a wide range of construction materials in construction projects. A wide range of construction materials such as steel and cement is utilised in construction projects to form piles, supporting structures, walls and exteriors. Prices for these construction materials are influenced by factors including the local demand for materials, size and intensity of construction works, international commodity prices and foreign exchange rate fluctuation. The following graphs set out the average material costs for some of the construction materials commonly used in foundation projects as regarded by our Directors:

Construction Material Costs



Source: Hong Kong Construction Association

INDUSTRY OVERVIEW



Source: Hong Kong Construction Association

The average costs for these construction materials, which include steel and cement, fluctuated considerably during the last two years. The cost for high tensile steel bar (10mm–40mm diameter) increased considerably from approximately HK\$6,200 per tonne in December 2010 and hit a recent high of approximately HK\$6,600 per tonne in June 2011. The cost for Portland cement (ordinary) was generally on a rising trend, growing from approximately HK\$690 per tonne in December 2010 to HK\$730 per tonne in June 2011. Costs for some important construction materials in general vary from time to time or tend to increase considerably over the last two years.

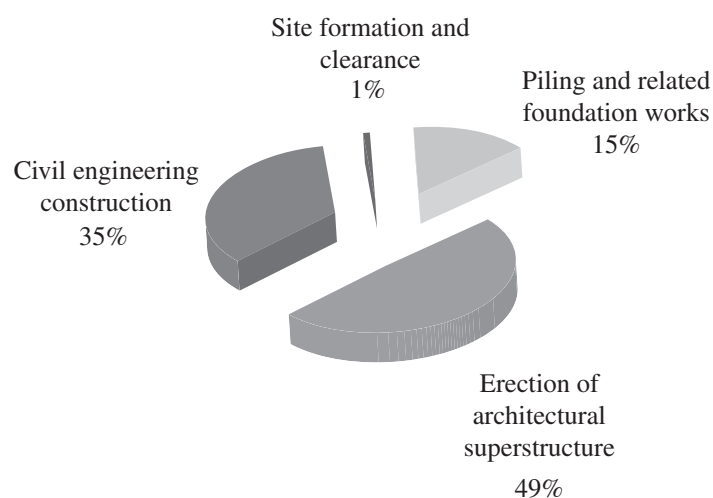
Prices for some major materials fluctuated in varying trends between September 2011 and May 2012. Based on the material price statistics published by the Hong Kong Construction Association, the average price for high tensile steel bar (10mm–40 mm diameter), structural steel (grade 55c) and steel H-pile has dropped from HK\$7,778 per tonne in September 2011 by approximately 7.9% to HK\$7,381 per tonne in March 2012, whereas the price for Portland cement (ordinary) has increased from HK\$724 per tonne in September 2011 by approximately 2.9% to HK\$745 per tonne in March 2012.

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FOUNDATION INDUSTRY IN HONG KONG

A construction project typically comprises the following areas of work: site formation and clearance; piling and related foundation work; erection of architectural superstructure; and civil engineering construction. The chart below sets forth the proportion, in terms of gross contract value, of the various types of construction work carried out in Hong Kong in 2011. According to the following chart, the gross value of piling and related foundation work performed by main contractors at construction sites amounted to HK\$11,239 million in 2011, accounting for approximately 15% of the total gross value of construction output by main contractors at construction sites of approximately HK\$77,211 million in that year.

Percentage Share of Construction Output by Main Contractor at Construction Sites in Hong Kong in 2011



Source: Report on the Quarterly Survey of Construction Output (4th Quarter 2011), Census and Statistics Department, Hong Kong government

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The intensity of competition in different areas of works is illustrated in the tables below, which sets forth the number of approved contractors or specialist contractors (as listed in the relevant lists of approved contractors administered by Development Bureau); and the number of contractors registered under Buildings Ordinance:

Number of Approved Contractors or Specialist Contractors for Public Works in the Lists of Approved Contractors Administered by Development Bureau

Category	Number of approved contractors or specialist contractors
Site formation	78
Land piling (<i>Note</i>)	35
Building	147

Note: As at 17 September 2012, there were six specialist contractors eligible for undertaking piling works in all of the following piling methods: (i) large diameter bored pile (with bell-out), (ii) rock-socketed steel H-pile in pre-bored hole, (iii) steel H pile and (iv) minipile.

Source: Official website of Development Bureau as at 17 September 2012.

Total Number of Contractors Registered under the Buildings Ordinance

Type of registration	Number of contractors
Registered Specialist Contractors (Site Formation Works)	170
Registered Specialist Contractors (Foundation Works)	129
Registered General Building Contractors	647
Registered Specialist Contractors (Demolition Works)	102
Registered Specialist Contractors (Ground Investigation Field Works)	42

Source: Official website of Buildings Department as at 17 September 2012

Our Group is principally engaged in the foundation business and machinery leasing business in Hong Kong. Many of our Group's projects involve a mix of different works including land piling, site formation and building works. For those projects, it is not feasible to segregate the amount and percentage of revenue attributed to each type of our works. Out of the 46 Major Projects undertaken by our Group during the Track Record Period, three Major Projects involved both land piling and site formation works, one Major Project involved civil engineering, one Major Project involved site formation, 39 Major Projects involved land piling works and two Major Projects involved building works. If a contractor wishes to carry out piling works of Hong Kong government departments under Development Bureau, it must be included in the Specialist List which is administered by the Works Branch of Development Bureau under the category of "Land Piling" in respect of the relevant piling system. In order to be eligible to carry out foundation works for private projects in Hong Kong, contractors must be registered with the Buildings Department as a registered specialist contractor under the foundation category. Both Sunley and Sunnic of our Group are included in the Specialist List administered by the Works Branch of Development Bureau under the category of "Land Piling", and

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each of them is registered specialist contractors under the foundation category with the Buildings Department pursuant to the Buildings Ordinance. Our Group also provides ancillary services such as site foundation and site investigation, and our Group also undertook two Major Projects that involved building works since the Track Record Period. Our Group possesses the relevant licences to conduct the above services, details of which are set out in the paragraph headed “Major qualifications, certifications, awards and compliance” under the section headed “Business” of this prospectus.

It is shown in the lists of approved contractors administered by Development Bureau that, as at 17 September 2012, there were only 35 approved specialist contractors for land piling work. These are the specialist contractors allowed to carry out piling works for Hong Kong government departments under Development Bureau or public projects. As indicated in the first table, as at 17 September 2012 there were 78 and 147 approved contractors under site formation work and building work respectively, far more than the number of approved specialist contractors for land piling work. Furthermore, there were only six specialist contractors that are eligible for undertaking piling works by all of the four methods which our Directors consider to be common in the industry: (i) large diameter bored pile (with bell-out), (ii) rock-socketed steel H-pile in pre-bored hole, (iii) steel H pile, and (iv) minipile. With only 35 approved specialist contractors for land piling work, and even fewer specialist contractors that are eligible for undertaking piling works by all of the four common methods competing for all piling and related foundation works in public projects in Hong Kong, the environment of competition in the public projects foundation industry is likely to be less intense than in other sectors of the construction industry.

Based on the gross value of piling and related foundation works performed by main contractors at construction sites as set out in the Report on the Quarterly Survey of Construction Output (1st Quarter 2012) of the Census and Statistics Department, Hong Kong government and our Group’s construction contracts income for the year ended 31 March 2012, our Group represented a fraction of the overall piling and related foundation works market in Hong Kong with construction contracts income of our Group for the year ended 31 March 2012 representing approximately 2.5% of the gross value of piling and related foundation works performed by main contractors at construction sites in Hong Kong.

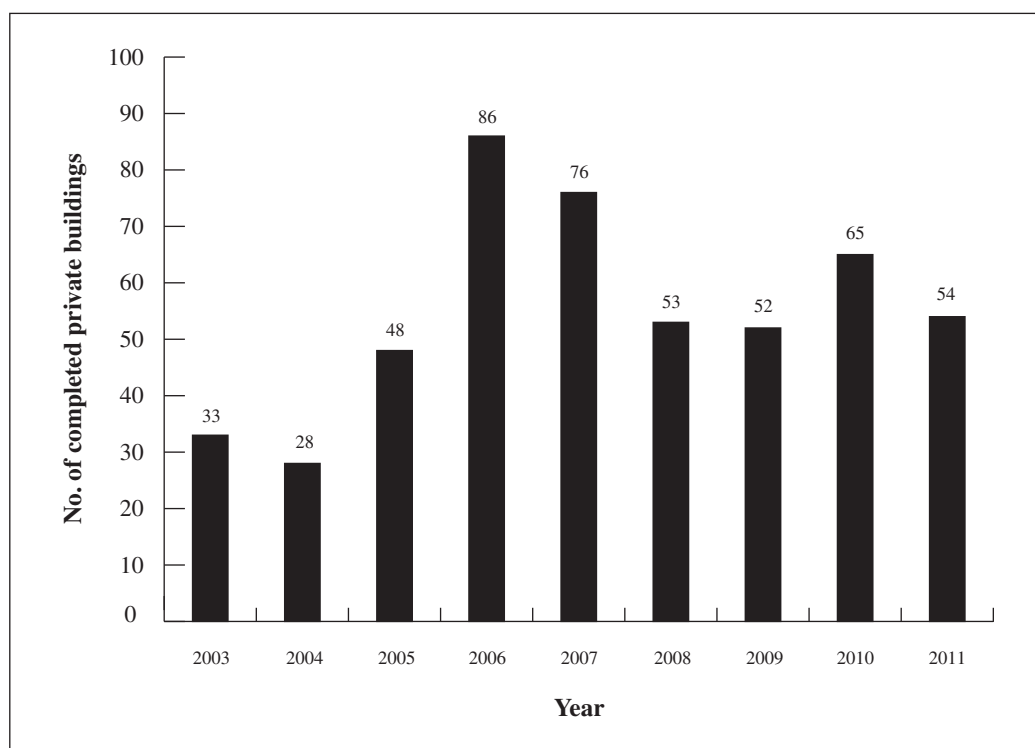
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CONSTRUCTION INDUSTRY IN MACAU

Private Projects

The following graph sets out the number of buildings completed in private sector in Macau:

Total Number of Buildings Completed in Private Sector



Source: Official website of the Statistics and Census Service, Macau government as at 22 May 2012

As illustrated in the above graph, the trend of the Macau construction market fluctuated throughout 2003 to 2011. The completion rate remained low during the years from 2003 to 2005 and experienced a sudden surge to 86 buildings in the year of 2006 which was likely attributable to the flourishing Macau economy, the resulting high demand of which kept the number on the crest in 2007. In 2008, the global financial crisis brought down the economy together with the construction market in Macau, causing a drop of 30% to 53 buildings compared to 76 buildings in 2007. The completion rate was still under the negative impact of the financial crisis and the figure jumped to 65 in 2010. Yet the increasing trend failed to persist and returned to 54 buildings in 2011.

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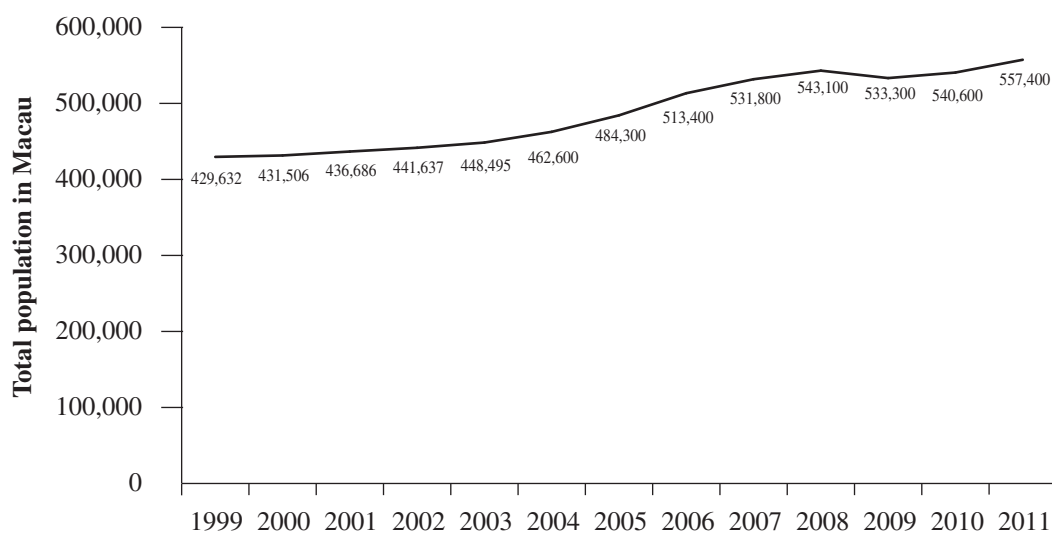
Below table shows the break down of completed buildings in Macau during 2003 to 2011:

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Residential/Dual commercial and residential	17	19	29	47	32	34	32	38	34
Commercial	9	4	3	7	13	6	5	10	2
Offices	—	—	1	1	1	1	1	—	3
Industrial	2	1	—	5	1	2	2	—	3
Others	5	4	15	26	29	10	12	17	12
Total	33	28	48	86	76	53	52	65	54

Source: Official website of the Statistics and Census Service, Macau government as at 22 May 2012

The above statistics show the residential or dual commercial and residential buildings had formed the majority of the total number of buildings completed in Macau in the past nine years. Besides, it was mainly attributed to this category of building that had the total number of completion lifted to a new high in 2006. Even when the economy was stroked by the financial crisis between 2007 and 2008, the completion rate of this category was able to resist the enormous negative impact. On this basis, it is thus believed that the residential or dual commercial and residential buildings will remain as a relatively stable and potentially a growing source of new construction given the total population had been increasing in general during the past 12 years as shown in the graph below:

Total Resident Population in Macau from 1999 to 2011



Source: Demographic Statistics 2011, Demographic Statistics 2008, Demographic Statistics 2003, Statistics and Census Service, Macau government

INDUSTRY OVERVIEW

Macau's resident population had been increasing at an average CAGR of 2.14%, from 429,632 to 557,400 between 1999 and 2011. The upward trend came to a halt in 2008 due to an outflow of foreign employees during the financial crisis but resumed in 2010. The total population soared by 16,800, representing an increase of 3.1% in 2011 as compared to 2010. This demographic trend will exert a boost on the demand for residential or dual commercial and residential buildings, and in this sense, is likely to bring business opportunities for the stable growth of the foundation construction industry in the years to come.

The graph below sets forth the number of projects (all kinds of buildings) in private sector approved by the Housing Bureau and GDP per capita in Macau from 2005 to 2011:

Total number of Approved Building Projects in Private Sector and GDP per capita



Source: Official website of the Statistics and Census Service, Macau government as at 22 May 2012

The total number of approved projects declined drastically in 2008 due to the economic downfall. After a few years of oscillation at a low rate of approval due to a cautious market sentiment, a significant increment was shown in the year of 2011. This increment of 31.5% from 54 buildings in 2010 to 71 buildings in 2011 suggests that there is a favourable market environment in the property or construction market to cope with the increasing demand.

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The above graph also shows that the GDP per capita in Macau had been increasing throughout the period from 2005 to 2011 despite the global financial crisis. The figure skyrocketed at a much higher rate in post-crisis years after 2009, indicating that Macau's economy is now in a robust state and is able to maintain its stability and resistance against negative economic environment. It is therefore believed that Macau generally has good economic foundation, enabling the construction industry to grow in the next few years.

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 Construction Labour, Health and Safety

Factories and Industrial Undertakings Ordinance

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in the industrial undertakings. Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor of an industrial undertaking to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by 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 willfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for 6 months.

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

Occupational Safety and Health Ordinance

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

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

Employees' Compensation Ordinance

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

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

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According to 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 subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law.

An employer who fails to comply with 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 shall be subject to the provisions on sub-contractor's employees' wages in the Employment Ordinance. According to 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 subcontractor 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) shall be limited (a) to the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (b) to the wages due to such an employee for 2 months (such months shall be the first 2 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

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contractor and every other such superior sub-contractor as the case may be, or (2) deduct by way of set-off the amount paid by him from any sum due or may become due to the 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.

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

According to Section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor and includes a subcontractor, owner, occupier or other person who has control over or is in charge of a construction site) 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\$28 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

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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 the Environmental Protection Department 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 the Environmental Protection Department through the construction noise permit system. The use of certain equipment is also subject to restrictions. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Director of the Environmental Protection Department. Percussive pile-driving is allowed on weekdays only with prior approval, in the form of a construction noise permit from the Director of the Environmental Protection Department.

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 the Environmental Protection Department.

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

According to the Water Pollution Control Ordinance, unless being licensed under the Water Pollution Control Ordinance, a person who discharges any waste or polluting matter into the waters of Hong Kong in a water control zone or discharges any matter, other than domestic sewage and unpolluted water, into a communal sewer or communal drain in a water control zone commits an offence and is

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liable to imprisonment for 6 months and (a) for a first offence, a fine of HK\$200,000; (b) for a second or subsequent offence, a fine of HK\$400,000, and in addition, if the offence is a continuing offence, to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Waste Disposal Ordinance

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, within 21 days after being awarded the contract, to establish a billing account in respect of that particular contract with the Director of the Environmental Protection Department to pay any disposal charges for the construction waste generated from the construction work under that contract.

Under the Waste Disposal (Chemical Waste) (General) Regulation, a person who produces chemical waste or causes it to be produced has to register as a chemical waste producer. Any chemical waste produced must be packaged, labeled and stored properly before disposal. Only a licensed waste collector can transport the waste to a licensed chemical waste disposal site for disposal. Chemical waste producers also need to keep records of their chemical waste disposal for inspection by the Environmental Protection Department.

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 the Environmental Protection Department. A person who except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for 6 months for the first offence, and to a fine of HK\$500,000 and to imprisonment for 2 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 the Environmental Protection Department.

Under the Dumping at Sea Ordinance, a person who except under and in accordance with a permit, does anything or causes or allows another person to do anything for which a permit is needed commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months on a

LAWS AND REGULATIONS

first conviction; and to a fine of HK\$500,000 and to imprisonment for 2 years on a second or subsequent conviction; and in addition, to a further fine of HK\$10,000 for each day if the court is satisfied that the operation has continued.

Environmental Impact Assessment Ordinance

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

According to the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designated project as listed in Part I of Schedule 2 of the Environmental Impact Assessment Ordinance (which includes roads, railways and depots, dredging operation, residential and other developments, etc.) or decommissions a designated project listed in Part II of Schedule 2 of the 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 2 years; (c) on a first summary conviction to a fine at level 6 and to imprisonment for 6 months; (d) on a second or subsequent summary conviction to a fine of HK\$1,000,000 and to imprisonment for one year, and in any case where the offence is of a continuing nature, the court or magistrate may impose a fine of HK\$10,000 for each day on which he is satisfied the offence continued.

Contractor Licensing Regime

Under the current contractors registration system in Hong Kong, a contractor must be registered with the Buildings Department either as general building contractor or as specialist contractor. 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 Department.

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

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- (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;
 - (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.

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.

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.

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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 subcontracts 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.

Subcontractors 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 construction projects. Other additional requirements on the main contractors or subcontractors may be imposed by the developers, main contractors, or other entities, as the case may be.

Public Sector Foundation and Site Formation Projects

Registration with the Buildings Department as a registered specialist contractor under the categories of foundation works and site formation works is one of the minimum requirements for contractors undertaking foundation and site formation 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 categories of foundation works and site formation works to undertake foundation work and site formation 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 List of Approved Suppliers of Materials and Specialist Contractors for Public Works (the Specialist List) which is administered by the Works Branch of the bureau 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. Specialist List Group I Land Piling contractors can undertake foundation contracts/subcontracts of a value up to HK\$3.4 million while Specialist List Group II Land Piling contractors can undertake foundation contracts/subcontracts of unlimited value.

Contractors are required to meet the financial, technical, management, personal and safety criteria applicable to their appropriate category and group for admission and retention on the approved lists and for the award of public works contracts. For retention on the 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 foundation contractor, the Works Branch takes into consideration, among others, (i) the contractor's financial strength; (ii) the contractor's technical experience and management capability; (iii) the machinery and equipment maintained by the contractor; and (iv) the job references from customers.

All Specialist List Group II Land Piling contractors are required to obtain 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 Works Branch. The scope of certification shall be relevant to the piling system under application. Furthermore, all Specialist List Group II Land Piling contractors are required to have 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 and 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. The contractors must also have completed at least 3 medium/large size local projects (over HK\$3 million each) within the past five years and experience as a main contractor.

Pursuant to a technical circular issued by Works Branch on 14 June 2004, all capital works and maintenance works contracts of the government with tenders to be invited on or after 15 August 2004 shall require the contractor to employ all subcontractors (whether nominated, specialist or domestic) that are registered from the respective trades available under the Primary Register of the Voluntary Subcontractor Registration Scheme introduced by the Provisional Construction Industry 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:

- (i) Large Diameter Bored Piling Category; and
- (ii) 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 and OHSAS 18001 certificates with respect to its own category. The minimum scopes of certification for (i) Large Diameter Bored Piling Category is to carry out the construction of large diameter bored piles; and (ii) Percussive Piling Category is to carry out the construction of percussive piles. A contractor shall also meet the

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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.

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 works etc.

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.

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 Sunley and Sunnic 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 shall be responsible for the followings:

- (i) to identify and review any approvals, permits, licenses and certificates required for our Group’s operations and to ensure compliance with relevant laws and regulations periodically;
- (ii) to check relevant requirements and to make necessary submission to upkeep our Group’s licensing status;
- (iii) to identify any information 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;

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- (iv) 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;
- (v) to keep update those information to our clients when necessary;
- (vi) to identify the new requirements, operation and control procedures under statutory and regulations; and
- (vii) to brief the senior management for the news/update/revised requirements to ensure senior management keep update of the industry characteristic.

In addition, Mr. Cheng and Mr. Ho, our executive Directors, are responsible for the supervision of the ongoing compliance with the 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 the Works Branch to demonstrate that each of Sunley and Sunnic has sufficient employed capital and working capital for retention on the 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 LAWS

Non-resident Workers

Subject to Law No. 21/2009 “Law for the employment of non-resident workers”, a prior authorisation of non-resident worker permit shall be obtained and the respective application shall be filed to Human Resources Office of Macau if an employer needs to hire non-resident worker to work in Macau. Upon approval of the application, the hired non-resident worker shall also apply for a worker’s stay permit at Public Security Police Force and a “non-resident worker’s identification card” before working in Macau.

The main contractor of the Macau Studio City project will apply for the authorisation of non-resident worker permit for the non-resident workers in Macau.

Legal framework of Macau in relation to the employment of non-resident workers is mainly established by the following laws:

- (i) Law No. 21/2009 Law for the employment of non-resident workers;
- (ii) Administrative Regulation No. 8/2010 Regulation of the Law for the employment of non-resident workers;
- (iii) Administrative Regulation No. 13/2010 Regulation of the conditions or responsibilities to be established in the employment permit for non-resident workers;
- (iv) Chief Executive Dispatch No. 88/2010 Approval of the compliance of non-resident workers’ lodging with minimum hygienic and living condition, and the cash settlement of which for this purpose;

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- (v) Chief Executive Dispatch No. 89/2010 Approval of the monthly employment fee each employer shall pay for each non-resident worker effectively employed; and
- (vi) Decree-Law No. 40/95/M Approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases.

The principle of autonomy is particularly reflected on the freedom of contracts being recognised by the laws, including the freedom to enter into the contract or complete the contract and the freedom to stipulate the terms of the contract.

With respect to the contractual arrangement of Sunley in the Studio City project, the rights and obligations of both parties to the contract arising therefrom, such as to take out employee insurance policy and apply for permit certification documents required by the sub-contractors, shall be governed by the contract and shall be legal and valid.

With respect to the damages arising from work accidents and occupational diseases to the employees, they are primarily governed by the Decree-Law No. 40/95/M.

There are two ways of claiming the compensation, that is, reimbursement of medical expenses and pecuniary payments. Reimbursement of medical expenses refers to the recovery of the injured's capacities in terms of health, the ability to work or the ability to make a living, which shall include medical and surgical treatment under general practice or specialists, pharmaceutical therapy and admission to hospitals etc. Pecuniary payments include the damages for permanent or temporary incapacities, the loss of ability to work in the long term and in respect of death.

Through the aforesaid contractual arrangement for the Studio City project, the grantee of the land for the Studio City project or its sub-contractor(s) shall enter into a labour contract with the employees assigned by Sunley to work in Macau, so that these employees can obtain the permit to legally work in Macau. Pursuant to Article 62(1) of the Decree-Law No. 40/95/M, the grantee of the land or its sub-contractor(s) being in the capacity of the employer shall transfer the obligation of indemnity as required under such decree, such as the abovementioned reimbursement of medical expenses and pecuniary payments, to the insurance companies authorised to engage in providing work accidents insurance in Macau.

The grantee of the land for the Studio City project in Macau has taken out the mandatory insurance to cover compensation obligations arising from injuries in work accidents and occupational diseases pursuant to the Decree-Law No. 40/95/M. On 16 July 2012, the grantee of the land has taken out third-party liabilities and wrap-up employees' compensation insurance policy with respect to the said project from an insurance company in Macau engaging in providing work accident insurance. The insured persons of such insurance policy included the main contractor, all sub-contractors and relevant parties of the construction project, which included the employees of such parties as mentioned above. As Sunley is contractually considered as a sub-sub-contractor in the said project, Sunley and its employees are among those insured persons under the insurance policy and therefore there does not exist any liabilities over the risk assumed by Sunley in the Studio City project.

License Issuance System of Project Monitoring in Macau

Decree-Law No. 79/85/M stipulates the administrative regulations of project review, filing of approval, and license issuance and inspection in conducting civil engineering. No construction of new building, reconstruction, repair, maintenance, alteration or expansion to the existing buildings, demolition of building, and any project or work resulting in topographical change shall be conducted without the approval of the Land, Public Work and Transport Bureau (the “Bureau”) approval on the related project and its issuance of relevant license.

In order to conduct the aforementioned projects, interested parties shall notify the Bureau the proposed project and the expected commencement and completion dates of the construction, by filling out the specific form provided by the Bureau accompanied by the signed declaration of construction company or builder who has registered at the Bureau, and submitting other project-related documents required by the Bureau.

Upon inspecting the aforementioned documents submitted by the interested parties, the Bureau shall affix a specific seal on the form and shall send it back to the interested parties. The interested parties shall post the form conspicuously at the project site when conducting the project.

The principal structure of “Administrative Procedure Code” is mainly consisted of the administrative authority and the interested party. An interested party means an individual, either a natural person or a legal person, who is actually or potentially subjected to the legal consequences of administrative act and who is entitled to the rights of submitting declaration under the aforementioned beneficial administration.

The Bureau has the authority to monitor the compliance of the aforementioned Decree-Law and its supplementary law. Only legal persons who are locally registered in Macau shall be approved of the related project plan and shall be issued project license by the Bureau.

The project plan for the approval of the Bureau, or project draft and project amendment, shall be pre-signed by a technician who is registered with the Bureau. The project guidance of the approved plan shall be conducted by a qualified technician who is registered with the Bureau. The project implementation of the approved plan shall only be conducted by construction company or constructor who is registered with the Bureau. During the implementation, it is permitted to conduct specified project items according to the approved content in project plan through contract employment or outsourcing to third party.

The accreditation of qualification to a construction company or a constructor is conducted according to the application submitted to the Bureau, accompanied with a tabulated list of all technical tools possessed and a list of completed projects.

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Legal framework of Macau in relation to construction project is mainly established by the following laws:

- (i) Decree-Law No. 79/85/M — General Regulation of Urban Construction;
- (ii) Administrative Regulation No. 24/2009 — Amendments of General Regulation of Urban Construction;
- (iii) Decree-Law No. 44/91/M — Regulation on Construction Safety and Hygiene;
- (iv) Decree-Law No. 34/93/M — Applicable Legal Regime of Noise at Work;
- (v) Decree-Law No. 54/94/M — Rules on Prevention and Control of Ambient Noise;
- (vi) Decree-Law No. 24/95/M — Approval of Regulation on Fire Safety;
- (vii) Decree-Law No. 40/95/M — legal regime of reparation of damages caused by industrial accidents and occupational diseases;
- (viii) Decree-Law No. 46/96/M — Regulations on Water Drainage System;
- (ix) Decree-Law No. 47/96/M — Regulations on Land Technology (Regulations on Geotechnical Engineering);
- (x) Decree-Law No. 56/96/M — Regulations on Safety and Loading of Building Structure and Bridge Structure;
- (xi) Decree-Law No. 60/96/M — Regulations on the Structure of Reinforced Concrete and Pre-stressed Concrete;
- (xii) Decree-Law No. 63/96/M — Standards of Cement;
- (xiii) Decree-Law No. 64/96/M — Standards of Using Hot Rolled Bars in Reinforced Concrete;
- (xiv) Decree-Law No. 32/97/M — Regulations on Soil Retaining and Earthwork Project; and
- (xv) Decree-Law No. 42/97/M — Standards of Concrete.

It is the opinion of the Macau Legal Adviser that the operation mode of the construction project to be carried out by Sunley in Macau is valid and complies with the laws in Macau.

OUR HISTORY

Our Company was incorporated in the Cayman Islands with limited liability on 15 April 2011. Our Company completed the Corporate Reorganisation on 11 September 2012 in preparation for the Listing pursuant to which our Company became the holding company of our Group. Details of the Corporate Reorganisation are set out in the paragraph headed “Corporate Reorganisation” in Appendix V to this prospectus.

Our Group is principally engaged in foundation business and machinery leasing business in Hong Kong. Our Directors consider that the success of our Group is principally attributable to management’s technical know-how, extensive project experience, efficient contract execution and the ability to control costs. Timely completion of projects and good quality workmanship are the main objectives of our Group in carrying out foundation works. During the past several years, our Group has accumulated a considerable amount of valuable experience, established a good track record of completing jobs on time and built up an established team of experienced engineers and skilled workers.

Our Company has a number of direct and indirect wholly-owned subsidiaries incorporated or established in the BVI and Hong Kong. All the major operating subsidiaries of our Group were established in Hong Kong and their respective corporate history is set out below.

OUR MAJOR OPERATING SUBSIDIARIES

Sunley

On 27 July 1982, Sunley was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$1,000,000 divided into 10,000 ordinary shares of HK\$100 each.

The founding of our Group can be traced back to 31 March 1995 when Sunley International, a company then owned as to 80% by Sunbeam Crest Limited, which was wholly-owned by Mr. Leung and the remaining 20% by Dr. Ho, acquired 66,922 shares of Sunley, representing the entire issued share capital of Sunley, at the consideration of HK\$16,000,000 from B & G Engineering Limited, an Independent Third Party. It is confirmed that the consideration was determined at arm’s length negotiation between the parties upon considering the specialist contractor license and the value of piling equipment of Sunley and the consideration was settled.

As at the commencement date of the Track Record Period, Sunley had an authorised share capital of HK\$39,193,000 divided into 391,930 ordinary shares of HK\$100 each, all of which had been issued and fully paid up and were owned by Sunley International and China Excellent Limited as to 99.99% (or 391,929 shares) and 0.01% (or 1 share), respectively. China Excellent Limited held the one ordinary share of Sunley on trust for Sunley International. Sunley International was then owned as to 80% by Hopewell Asia Limited, a company wholly-owned by Mr. Leung and first acquired the shares of Sunley International on 19 July 1999, and the remaining 20% by Trestle Pacific Limited, a company wholly-owned by Dr. Ho and first acquired the shares of Sunley International on 19 July 1999.

On 28 April 2009, Mr. Leung acquired 274,351 ordinary shares of Sunley from Sunley International at a consideration of HK\$9,942,480.24. Such consideration was based on the net asset value of Sunley as at 31 October 2008 and was settled by way of set-off against shareholders’ loan owed by Sunley International to Mr. Leung.

HISTORY AND CORPORATE STRUCTURE

On 28 April 2009, Dr. Ho acquired respectively from Sunley International and China Excellent Limited 117,578 ordinary shares and one ordinary share of Sunley at the consideration of HK\$4,261,026.72 and HK\$36.24, respectively. Such considerations were based on the net asset value of Sunley as at 31 October 2008 and were settled by way of set-off against shareholders' loan owed by Sunley International to Dr. Ho.

On 18 May 2010, the BVI Company acquired respectively from Mr. Leung and Dr. Ho 274,351 ordinary shares (or 70%) and 117,579 ordinary shares (or 30%) of Sunley at the consideration of HK\$27,435,100 and HK\$11,757,900, respectively. It is confirmed that the consideration was determined between the parties with reference to the par value of HK\$100 per share.

Upon completion of the aforesaid share transfers, the BVI Company held an aggregate of 391,930 ordinary shares of Sunley, being its entire issued share capital, and Sunley became a wholly-owned subsidiary of the BVI Company.

On 31 March 2011, each of Mr. Leung and Dr. Ho assigned his shareholder's loan in the sum of HK\$27,435,100 and HK\$11,757,900 respectively to the BVI Holdco at the consideration of HK\$1.00. On the same date, the BVI Holdco and the BVI Company agreed to the capitalisation of the shareholder's loan owed by the BVI Company in the sum of HK\$39,193,000 by the BVI Company's allotment and issue of one ordinary share, credited as fully-paid, to the BVI Holdco.

Development

Sunley is principally engaged in the foundation business in Hong Kong, offering services covering bored piling, pile cap, site formation and drilling works with particular specialisation in bored piling. Sunley had been first approved to be registered with the Buildings Department as a specialist contractor in foundation works and site formation works on 15 December 1999 and 22 December 1999, respectively.

Currently, Sunley is also on the Hong Kong Housing Authority List of Piling Contractors (Large Diameter Bored Piling Category) and the Development Bureau's List of Approved Suppliers of Materials and Specialist Contractors for Public Works under land piling (Group II) for Precast Prestressed Tubular Pile, Steel H Pile, Large Diameter Bored Pile (with bell-out), Mini-Pile and Rock-socketed Steel H-pile in Pre-bored Hole. Details of Sunley's licences are set out in the subsection headed "Major Qualifications, Certifications, Awards and Compliance" under the section headed "Business" of this prospectus. With such licences and approval, Sunley is able to tender as main contractor for both private and public sector foundation piling contracts.

Besides, Sunley has also been registered under Voluntary Subcontractor Registration Scheme with the Construction Industry Council. As a result of effective quality control by the management, Sunley has been accredited with the ISO 9001:2008 and ISO 14001:2004 certification since 21 October 2008 and the OHSAS 18001:2007 certification since 14 October 2009.

With a view to servicing its rapid business growth, Sunley has increased its plant and machinery by acquiring new machinery including crawler crane, oscillator and reverse circulation drill over the past few years. With this expanded capacity, Sunley is well equipped to handle projects on a larger scale.

HISTORY AND CORPORATE STRUCTURE

Sunnic

On 27 May 1993, Sunnic was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each and the issued share capital was two shares of HK\$1.00 each.

On 23 July 1993, Mr. Wong acquired one share of Sunnic from Easy Bright Nominees Limited, the subscriber of Sunnic, at the consideration of HK\$1.00.

On 23 July 1993, Mr. Wong Kam Ting, an Independent Third Party, acquired one share of Sunnic from Yes Win Limited, the subscriber of Sunnic, at the consideration of HK\$1.00, which was held by Mr. Wong Kam Ting on trust for Mr. Cheng and was transferred to Mr. Cheng on 29 October 1993. On 29 October 1993, 199,999 shares, 199,999 shares and 200,000 shares were issued and allotted to Mr. Wong, Mr. Cheng and Mr. Tsui, respectively for cash at par.

As at the commencement date of the Track Record Period, Sunnic had an authorised share capital of HK\$8,220,000 divided into 8,220,000 ordinary shares of HK\$1.00 each, all of which had been issued and fully paid up and were owned by each of Bright Future, Fenwood and Best Fortune as to approximately 33.33% (or 2,740,000 shares). Bright Future was owned as to 50% by each of Mr. Cheng and Mrs. Cheng. Best Fortune was then wholly owned by Mr. Wong. Fenwood was owned as to 50% by each of Mr. Tsui and Mrs. Tsui.

On 25 July 2009, the authorised share capital of Sunnic was increased from HK\$8,220,000 divided into 8,220,000 ordinary shares of HK\$1.00 each to HK\$9,300,000 divided into 9,300,000 shares of HK\$1.00 each.

On 27 July 2009, 360,000 ordinary shares of Sunnic were allotted and issued to each of Bright Future, Fenwood and Best Fortune, which subscription prices were set off against the funds advanced to Sunnic by Bright Future, Fenwood and Best Fortune respectively. Upon completion of the above issue and allotment, Sunnic was owned by each of Bright Future, Fenwood and Best Fortune as to approximately 33.33% (or 3,100,000 shares).

To cope with the expansion of the business scope of Sunley and to complement its existing business in piling foundation, Sunley intended to acquire another contractor in Hong Kong specialising in percussive piling and site formation. To this end, on 8 June 2010, the BVI Company (the holding company of Sunley) acquired 3,100,000 ordinary shares of Sunnic from each of Best Fortune (owned as to 50% by each of Mr. Wong and Mrs. Wong), Bright Future and Fenwood, being the entire issued share capital of Sunnic. As consideration, the BVI Holdco (the holding company of the BVI Company) issued and allotted 800 ordinary shares to each of Mr. Wong, Mr. Cheng and Mr. Tsui respectively (as directed by Best Fortune, Bright Future and Fenwood respectively), credited as fully paid. It is confirmed that the consideration was determined at arm's length negotiation between the parties.

Upon completion of the acquisition of Sunnic, the BVI Company held an aggregate of 9,300,000 ordinary shares of Sunnic, being its entire issued share capital, and Sunnic became a wholly-owned subsidiary of the BVI Company.

HISTORY AND CORPORATE STRUCTURE

Development

Sunnic is principally engaged in the foundation business in Hong Kong. The services offered by Sunnic can be broadly divided into socketed H piling, percussive piling, mini-piling, pile cap, site formation, site investigation, drilling works and building works with particular specialisation in piling design.

Sunnic has been registered with the Buildings Department as a general building contractor since 23 December 1999 and a specialist contractor in foundation works since 15 March 2000, site formation since 29 June 2000 and ground investigation field works since 3 September 2002.

Currently, Sunnic is also on the Development Bureau's List of Approved Suppliers of Materials and Specialist Contractors for Public Works under land piling (Group II) for Steel H Pile, Rock-socketed Steel H-pile in Pre-bored Hole and Mini-pile. Details of Sunnic's licences are set out in the subsection headed "Major Qualifications, Certifications, Awards and Compliance" under the section headed "Business" of this prospectus. It has actively tendered for government works and been awarded many contracts.

Since its inception in 1993, Sunnic has expanded steadily by acquiring advanced machinery. It has established a strong position in the private sector of the foundation piling industry in Hong Kong. The primary goal of Sunnic is to provide its clients with high quality services including timely completion of works and good workmanship.

Sunnic has also been registered under Voluntary Subcontractor Registration Scheme with the Construction Industry Council. Sunnic was awarded the ISO 9001:2008 accreditation since January 2003 and the ISO 14001:2004 accreditation since December 2006 which confirmed that Sunnic has a management system that satisfies the relevant internationally recognised quality standard.

Full Gain

On 1 December 2000, Full Gain was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each.

Freeman, a company then owned as to 33.33% by each of Mr. Cheng, Mr. Tsui and Mr. Wong, first acquired the shares of Full Gain on 14 April 2003 when it acquired 85 shares, representing 85% of Full Gain, at the consideration of HK\$85.00 as nominal price from Chan Yiu Kwong, an Independent Third Party and such consideration was settled.

As at the commencement date of the Track Record Period, Full Gain had an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares with a par value of HK\$1.00 per share. 100 ordinary shares of Full Gain had been issued and fully paid up, of which 99 shares were held by Freeman and one share was held by Bright Future, representing 99% and 1% of the entire issued share capital of Full Gain respectively.

HISTORY AND CORPORATE STRUCTURE

In order to complement the business of Sunley and Sunnic, on 15 July 2010, the BVI Company acquired from Freeman and Bright Future respectively 99 shares and 1 share of Full Gain, being its entire issued share capital. As consideration, the BVI Company issued and allotted one ordinary share to the BVI Holdco, credited as fully paid. It is confirmed that the consideration was determined at arm's length negotiation between the parties.

Upon completion of the acquisition of Full Gain, the BVI Company held an aggregate of 100 ordinary shares of Full Gain, being its entire issued share capital, and Full Gain became a wholly-owned subsidiary of the BVI Company.

Development

Full Gain is principally engaged in foundation related subcontracting services. Since its establishment, it has mainly acted as subcontractor of Sunnic, which is an internal arrangement between Sunnic and Full Gain. Full Gain has also been registered under Voluntary Subcontractor Registration Scheme with the Construction Industry Council.

REASONS FOR AND BENEFITS OF THE ACQUISITION OF SUNNIC AND FULL GAIN AND THE DISPOSAL OF SUPER EASE

Sunley has been expanding its presence in the foundation business since 1995 and specialising in bored pile and diaphragm wall techniques. Sunnic, on the other hand, has expertise on percussive piling, socketed H-pile and mini-pile as well as site formation works.

The Hong Kong government, in order to promote economic development in Hong Kong and create enormous business opportunities, announced in the 2007–08 Policy Address the implementation of ten major infrastructure projects, which have been gradually carried out since the beginning of 2010.

With a view to grasping these upcoming business opportunities, Sunley considered that an acquisition of a percussive piling contractor was the best business strategy to expand its business scope and complement its business.

Taking into consideration that (i) Sunnic is a specialist foundation contractor in Hong Kong with a well-developed supplier and customer network and a very high potential for business expansion which is closely in line with Sunley's fast growing business philosophy and (ii) Sunley has years of business relationship with Sunnic with Sunley being the subcontractor of Sunnic or vice versa as each of Sunley and Sunnic specialises in different areas of piling works, the BVI Company (the holding company of Sunley) acquired Sunnic and Full Gain, which were completed on 8 June 2010 and 15 July 2010, respectively.

It is expected that the acquisition of Sunnic and Full Gain would not only strengthen our management and design team, but would also enhance our competitiveness in the piling industry of Hong Kong. In addition, the acquisition of Sunnic and Full Gain would also reduce Sunley's overall operating costs in relation to projects involving percussive piling in the long run since the operating costs of a subsidiary engaging in percussive piling would be lower than that incurred for engaging third-party sub-contractors for our Group's percussive piling projects. It is therefore considered that the acquisitions of Sunnic and Full Gain are in the best interests of our Group. The acquisition of Sunnic and Full Gain includes goodwill and customer contracts, two intangible assets, of approximately

HISTORY AND CORPORATE STRUCTURE

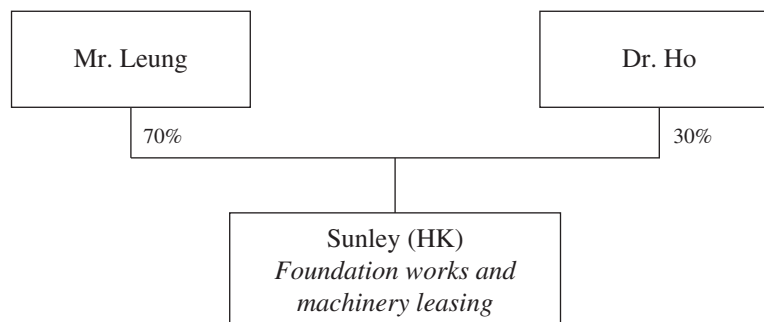
HK\$13,022,000 and HK\$409,000 respectively. The said intangible asset of customer contracts has been fully amortised as all the contracts acquired upon the acquisition had already been completed for the year ended 31 March 2011. No valuation on the trademarks of Sunnic and Full Gain was performed as they were not registered as at the valuation date.

Super Ease, a former wholly-owned subsidiary of Sunnic, has been principally engaged in property investment and not engaged in other business as confirmed by the directors of Super Ease, and before the disposal of Super Ease by our Group in December 2010, Super Ease held two properties in Hong Kong. In view of the entire different business model of Super Ease from that of our Group and in preparation for the Listing, the directors of Sunnic decided to dispose of the two properties held by Super Ease by way of disposing of the shares in Super Ease. Given the aforesaid, Sunnic and Mr. Cheng entered into the sale and purchase agreement on 17 December 2010 (as supplemented on 24 October 2011) to dispose of the entire issued share capital of Super Ease to Sunnic Holdings at the consideration of HK\$342,000. The consideration was not settled by way of cash payment from Sunnic Holdings, but was offset by the office rental payments payable to Sunnic Holdings arising from the office leased from Sunnic Holdings to our Group. As at 31 March 2012, the consideration had been settled in full. The consideration was determined in arm's length negotiation with reference to the net asset value of Super Ease as at 17 December 2010 of approximately HK\$342,000, which represented the valuation of the two properties held by Super Ease at HK\$7,820,000 as at 3 August 2010 by an independent valuer and after deducting the directors' loan arising from the financial support from the directors of Super Ease in purchasing the said properties of Super Ease in the sum of HK\$7,478,000 and was assumed by Sunnic Holdings. As confirmed by the directors of Super Ease, Super Ease will continue to be principally engaged in property investment after the Listing.

OUR GROUP STRUCTURE

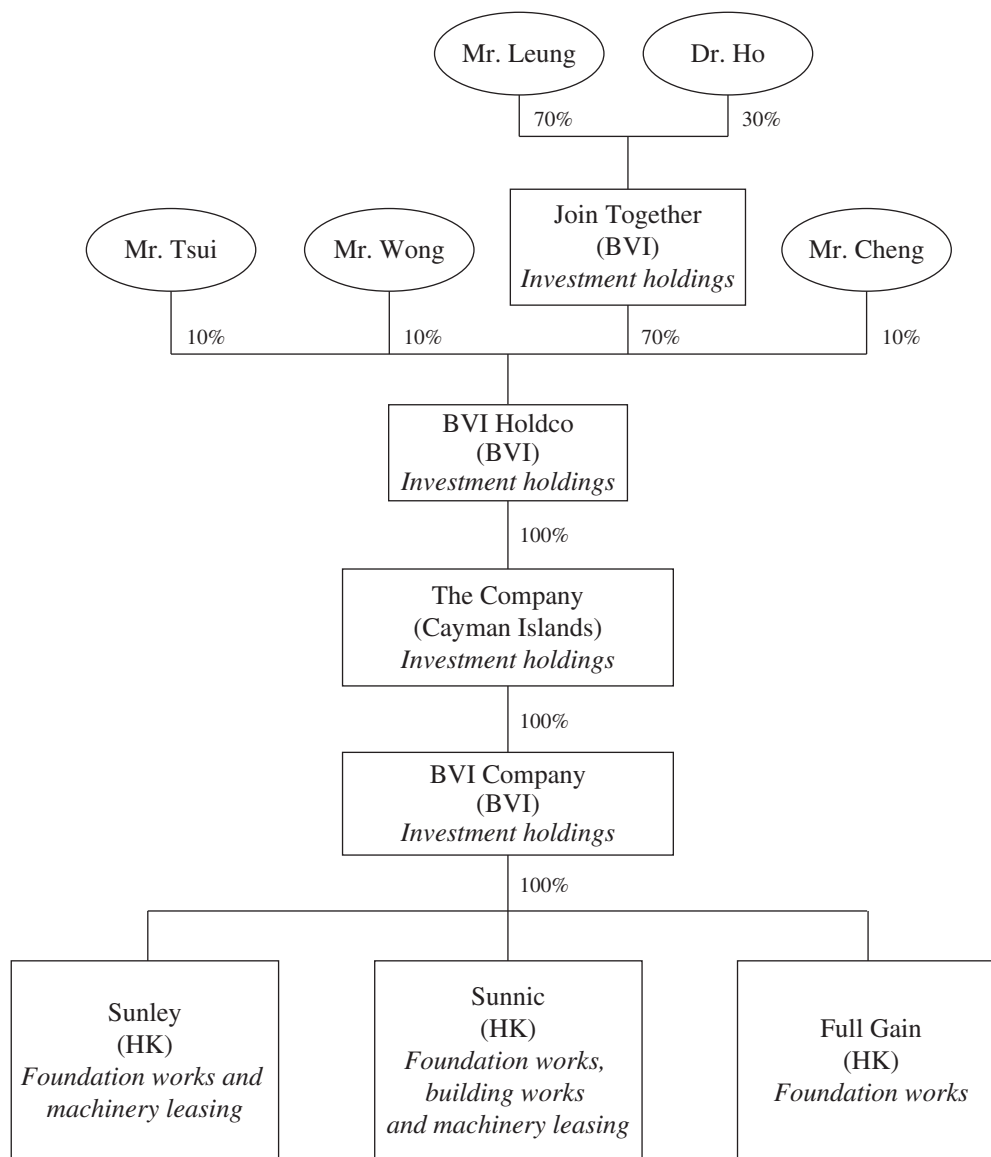
As part of the Corporate Reorganisation, a number of share transfers had been effected. Upon completion of the Corporate Reorganisation on 11 September 2012, our Company became the holding company of our Group. Details of the Corporate Reorganisation are set out in the paragraph headed "Corporate Reorganisation" in Appendix V to this prospectus.

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



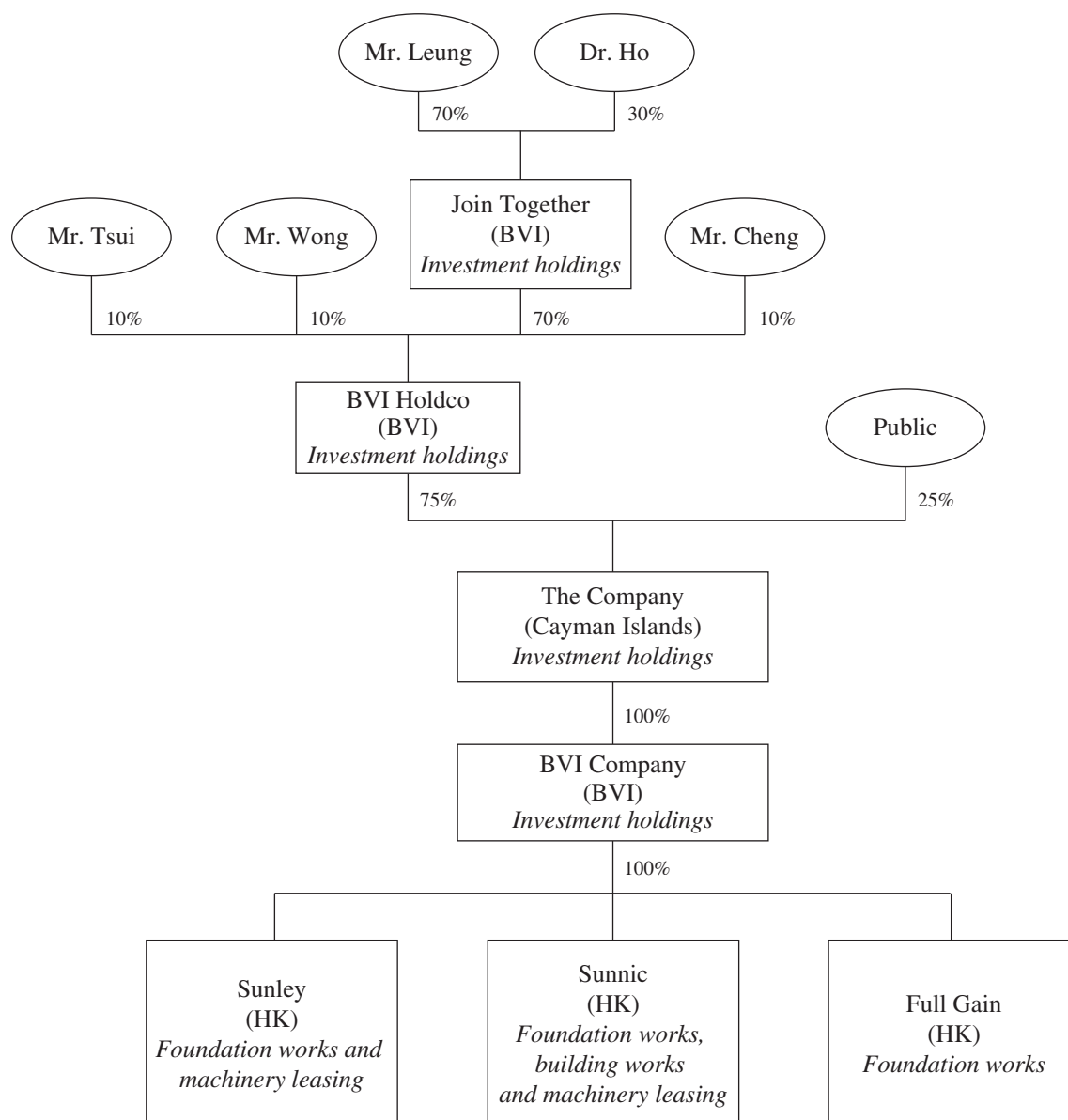
HISTORY AND CORPORATE STRUCTURE

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



HISTORY AND CORPORATE STRUCTURE

The following diagram sets out the corporate structure of our Group immediately after completion of the Share Offer and the Capitalisation Issue (assuming that the Offer Size Adjustment Option is not exercised):



OVERVIEW

We are a contractor in the Hong Kong foundation industry and are principally engaged in the foundation business and machinery leasing business in Hong Kong. As at the Latest Practicable Date, our Group has also been awarded a contract for one private construction project as a subcontractor in Macau. We had completed 30 Major Projects during the Track Record Period and up to the Latest Practicable Date, have 16 Major Projects in progress as at the Latest Practicable Date and had been awarded 2 Major Projects, which are yet to commence as at the Latest Practicable Date. Based on certain industry statistics extracted from the Report on the Quarterly Survey of Construction Output (1st Quarter 2012) of the Census and Statistics Department, Hong Kong government and our Group's construction contracts income for the year ended 31 March 2012, the construction contracts income of our Group for the year ended 31 March 2012 represented approximately 2.5% of the gross value of piling and related foundation works performed by main contractors at construction sites in Hong Kong. This business is generally undertaken by our principal operating subsidiaries, Sunley, Sunnic and Full Gain, as a main contractor or a subcontractor in various construction projects.

The construction works undertaken by us can be broadly divided into (i) foundation works (including bored piles, jacked piles, percussive piles, socketed H-piles, mini-piles, diaphragm wall, footings and pile caps); and (ii) ancillary services (including site formation, site investigation and drilling works), with particular specialisation in piling works. Occasionally, we may also take up projects involving demolition works, excavation and lateral support construction, basement excavation and construction of superstructure. We undertake foundation works related projects in both the public sector, including building and infrastructure related projects, and the private sector, which are mostly building related projects.

During the Track Record Period, income from construction works represented approximately 88.0%, 99.8% and 96.6% of our total revenue for each of the years ended 31 March 2010, 2011 and 2012, respectively. During the Track Record Period, all of our Group's revenue was derived in Hong Kong.

In addition to undertaking construction works, we also lease our unutilised machinery to third party machinery company and contractors. During the Track Record Period, rental income from machinery leasing represented approximately 12.0%, 0.2% and 3.4% of our total revenue for each of the years ended 31 March 2010, 2011 and 2012, respectively.

According to the Hong Kong Annual Digest of Statistics 2011 and the Hong Kong government's budgets 2012/2013, it is estimated that the Hong Kong's public expenditure on infrastructure will grow from approximately HK\$26.4 billion in year 2007–08 to approximately HK\$62.6 billion in year 2012–13. In view of the increasing public expenditure on infrastructure and our registration status with the Development Bureau and Housing Authority, we believe it will create more opportunities for our foundation business, and the current growth prospects for private development projects, our Directors expect that the foundation works available for us will grow steadily.

BUSINESS

The following table sets forth a breakdown of our revenue by activities for the Track Record Period:

	Year ended 31 March					
	2010		2011		2012	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Revenue						
Construction contracts income from TRP Projects	45,148	88.0	250,605	97.3	302,571	96.6
Construction contracts income from the Second Project						
(Note)	—	—	6,398	2.5	—	—
Machinery leasing	<u>6,158</u>	<u>12.0</u>	<u>502</u>	<u>0.2</u>	<u>10,551</u>	<u>3.4</u>
Total revenue	<u><u>51,306</u></u>	<u><u>100</u></u>	<u><u>257,505</u></u>	<u><u>100</u></u>	<u><u>313,122</u></u>	<u><u>100</u></u>

Note: Revenue from construction works includes the amount of HK\$6,398,000 for the year ended 31 March 2011 being the ultimate total revenues finally yielded by recovery measures from one prior year foundation construction contract which was completed prior to the Track Record Period.

Our Group had certain disputes with a single customer in relation to the First Project and Second Project which were completed in 2001 and 2003 respectively. The disputes in relation to the First Project had financial impacts on our Group's results before the Track Record Period and the disputes in relation to the Second Project had financial impacts on our Group's result before and during the Track Record Period. Save for the disputes in relation to the First Project and Second Project, our Group has no other disputes with its customers which had a material financial impact during the Track Record Period and immediately before the Track Record Period.

During the financial year ended 31 March 2009, the management assessed the possible outcome for the Second Project and our Group recorded a net expense of HK\$11.2 million as provision for claims. In the financial year ended 31 March 2011, as a result of recovery measures, our Group recorded an estimated additional income of HK\$6.4 million and reversed the provision for claims of HK\$11.2 million previously made in the financial year ended 31 March 2009.

BUSINESS

The Second Project had the following financial impact on our Group's combined statements of comprehensive income for each of the year ended 31 March 2010 and 2011:

	Year ended 31 March	
	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue — construction contracts income from the Second Project	—	6,398
Cost of sales — reversal of provision for claims in relation to the Second Project	—	11,243
Administrative expenses — legal expenses	<u>(1,122)</u>	<u>(11,608)</u>
Impact before taxation	(1,122)	6,033
Taxation	<u>185</u>	<u>(995)</u>
Impact after taxation	<u><u>(937)</u></u>	<u><u>5,038</u></u>
Profit and total comprehensive income for the year attributable to equity holders of the Company excluding the impact of the Second Project	<u><u>11,768</u></u>	<u><u>30,326</u></u>

Had the financial impact of the Second Project been excluded from our Group's combined statements of comprehensive income, our net profit would have been approximately HK\$11.8 million and HK\$30.3 million for the years ended 31 March 2010 and 2011 respectively.

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 foundation industry. Our competitive strengths include the following:

Experienced and professional management team and engineering design team

Our management team and engineering design team have extensive industry and technical knowledge in the foundation industry. Most of our senior management staff have over 30 years of experience in the foundation industry and possess the relevant professional qualifications.

Their extensive project management experience and geological knowledge of Hong Kong would facilitate the formulation of competitive yet accurate tenders, which are essential to us in securing new business, and the efficient and timely implementation and management of foundation works.

We believe the combination of our management and engineering design teams' collective expertise and knowledge of the foundation industry, together with our highly qualified employees, have been and will continue to be our valuable assets enabling us to take up difficult or complex projects.

Possession of a range of updated machinery

Our Directors believe that foundation works, in particular, large diameter bored piling works, are plant intensive and require specialised machinery. We own certain updated bored piles machines that are relatively new, some of which were purchased in or after 2009. Please see the paragraph headed “Machinery” in this section for further information. With a range of updated machinery we have, our Directors believe that we are at a very competitive position in the industry.

Diverse customer base comprising private developers together with their architectural or engineering consultants and main contractors

We have worked with a number of private developers together with their architectural or engineering consultants and main contractors since the commencement of our foundation business and our Directors believe that we have a diverse customer base with various customers from both the public and private sectors. Since Sunley and Sunnic, our principal operating subsidiaries, are on the list of approved contractors of the Works Branch, Development Bureau and Buildings Department for public sector works and private sector works respectively, we have been invited by prospective customers to submit tenders or quotations for foundation works.

Good reputation with a proven track record developed in the foundation industry

We have over 15 years of experience in the Hong Kong foundation industry. Our Directors believe that we have good reputation in the Hong Kong foundation industry with substantial proven track record and have the capability of delivering our job on time and to the satisfaction of our customers. During the Track Record Period and up to the Latest Practicable Date, we have carried out approximately 42 Major Projects involving foundation works.

Flexibility and capability to provide alternative design proposal

With our experienced management team, we are an organisation having the flexibility to make appropriate adjustments to suit each of our customers’ unique requirements and challenges faced in project implementation. Furthermore, our streamlined organisational structure allows us to make decisions in a timely manner instead of going through a bureaucratic approval process that may be time consuming. Our experienced design team has extensive industry knowledge and expertise. In certain “build only” contracts, we may (if permitted by our employer) submit an alternative design proposal which we believe is better in technical terms and/or costs. We believe this gives us an edge over our competitors who do not have this practice and compete primarily on price only. For details of our Directors and senior management, please refer to the section headed “Directors and Senior Management” in this prospectus.

BUSINESS STRATEGIES AND PROSPECTS

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

In view of the increasing spending by the Hong Kong government on public works projects and the current growth prospects for private development projects mainly due to the Hong Kong government's intention to stabilise the local property market by increasing the supply of both the private residential flats and public rental housing flats, our Directors believe that the value of construction work output in Hong Kong will continue to rise and the foundation works available for us will grow steadily. In particular, the previous administration of the Hong Kong government announced a new policy to resume the Home Ownership Scheme as per the 2011–2012 Policy Address released in October 2011. Under this initiative, the Hong Kong government plans to provide more than 17,000 flats over four years from 2016–2017 onwards, with an annual production of between 2,500 and 6,500 flats. As per the manifesto of the current Chief Executive of the Hong Kong government released in March 2012, the Chief Executive has reiterated the resumption of the Home Ownership Scheme as part of his policy platform. On 4 August 2012, the Secretary for Transport and Housing of the Hong Kong government announced that the new Home Ownership Scheme flats will be available in 2016–2017 at the earliest, and there will be land to provide 17,000 units in the first three to four years according to current planning. Furthermore, the Hong Kong government has unveiled 10 new measures on 30 August 2012 to expedite the sale of subsidised and private residential units to meet public demand. Included in such new measures are (i) a total of 2,650 private flats will be sold in the Government Land Sale Program (October — December) and the Hong Kong government will increase residential land if necessary; (ii) an open space in Cheung Sha Wan will be converted to building 2,300 public rental units; and (iii) 36 government, institution and community sites will be rezoned to provide 11,900 public and private flats. In addition, the Hong Kong government has announced the Ten Major Infrastructure Projects as per the 2007–2008 Policy Address. According to the Hong Kong Annual Digest of Statistics 2011 and the Hong Kong government's Budgets 2012/2013, it is estimated that the Hong Kong's public expenditure on infrastructure will grow from approximately HK\$26.4 billion in year 2007–08 to approximately HK\$62.6 billion in year 2012–13. During the Track Record Period, the majority of our revenue was derived from private projects. In any event, our Group has been awarded a construction project at Kai Tak River in Hong Kong by the Hong Kong government under a joint venture agreement with a construction company who is an Independent Third Party. The project is expected to last from October 2011 to November 2016. Under the joint venture arrangement, our Group is responsible for certain aspects of the project including, inter alia, ground investigation and pipe work, and it is expected that our Group will receive a share of the total contract sum which may be adjusted upward or downward depending on the final assessment of our works. With the expected increase in spending on public works projects and the fact that we are registered contractors eligible for undertaking (i) foundation and site formation works in the public sector under the Development Bureau; (ii) land piling works in the public sector under the Development Bureau; and (iii) large diameter bored piling foundation works of the Housing Authority, our Directors believe there are opportunities for our Group to capture more business in the public sector as our Group's registration status with the Development Bureau and the Housing Authority above indicates our Group will be invited to participate in the tendering of these upcoming public works.

Our Directors believe that our past dealings with Hong Kong government departments or other statutory bodies did not have any adverse impact on our opportunities of participating in future public projects, having regard to: (i) historically we were awarded the Kwai Shing Circuit project which was tendered by the Housing Authority in 2010 and the Kai Tak River project in 2011, and the Kwai Shing project has been completed without dispute; (ii) we can participate in public projects either by entering into construction contracts with Hong Kong government departments or statutory bodies as the main contractor or by working as a subcontractor if we are not awarded of construction contract by Hong

BUSINESS

Kong government departments or statutory bodies; and (iii) save for the contractual disputes in relation to the Second Project, we did not have any material dispute, arbitration or legal proceedings with other customers during the Track Record Period. Having proper and valid registration status with the Development Bureau and Housing Authority, our Directors believe that we will be invited to participate in the tendering of suitable public works and will have equal opportunities to participate in future public projects.

We will continue to play an active role in seeking opportunities in foundation works from the private and public sectors in Hong Kong where Sunley will mainly focus on undertaking foundation works involving the construction of large diameter bored piles while Sunnic will mainly focus on foundation works involving the construction of socketed H-piles, mini-piles, ground investigation field works and building works. We plan to expand our scale by continuing to acquire more advanced machinery and hire more professional staff. In this regard, machinery and equipment including one crawler crane, one oscillator and related accessory equipment for foundation works and building works will be acquired with an aim to increase our Group's capacity. Upon delivery of such machinery and equipment which is expected to take place in the year ending 31 March 2013, additional staff, including one project manager, 4 machinery operators, 10 riggers and two welders are planned to be hired. Our Directors believe that by expanding our scale, we will be able to tender for larger scale foundation projects and broaden our customer base by meeting the pre-qualifications of tenderers set out by the potential customers.

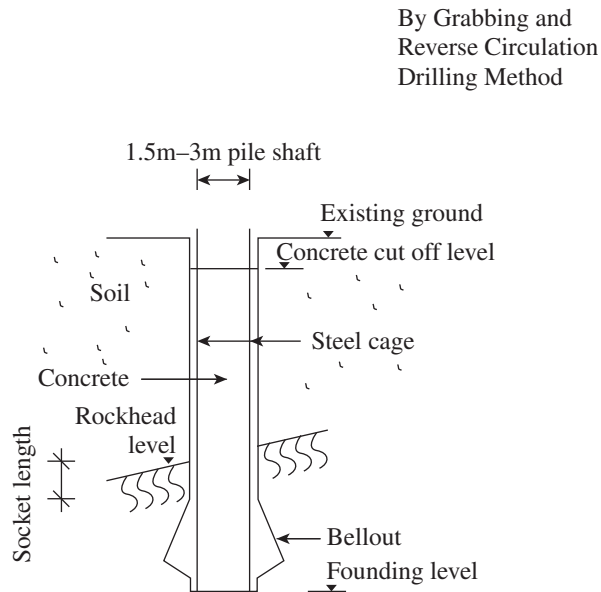
Sunnic has been registered as a registered general building contractor under the Building Ordinance qualified to carry out building works in Hong Kong. Details of our major contracting qualifications and licences are set forth under the paragraph headed "Major qualifications, certifications, awards and compliance" in this section below. However, we have been focusing on foundation related construction projects and we have undertaken and completed only one building work during the Track Record Period. We plan to become more active in pursuing building works in Hong Kong in the future to capture more business opportunities in the construction industry. We consider that certain operating procedures of undertaking building works in Hong Kong are similar to those of the foundation works (such as project identification, tendering, formation of project team, hiring of workers, etc.), and given most of our senior management also possess the relevant experience in building works in Hong Kong, we will be able to tender and handle building works efficiently and cost-effectively.

DESCRIPTION OF BUSINESS

The construction works undertaken by us comprise foundation works and ancillary services. The major types of works (with illustrative diagram, where applicable) are set out below:

Foundation works

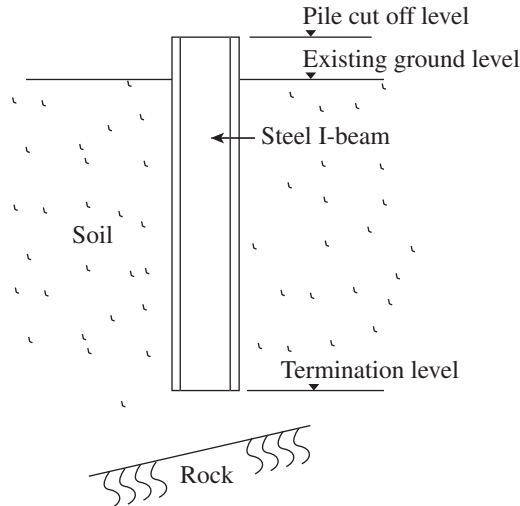
Bored piles



The bored piling works undertaken by us are mainly large diameter bored piles with diameters ranging from 1.5 m to 3 m. 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.

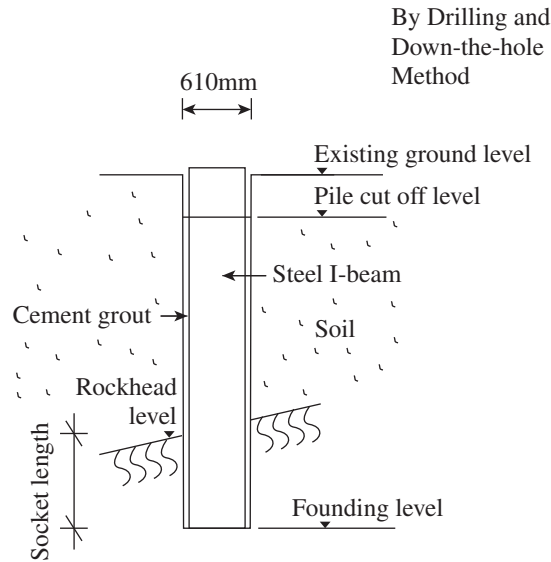
Percussive piles

By Percussive
Method



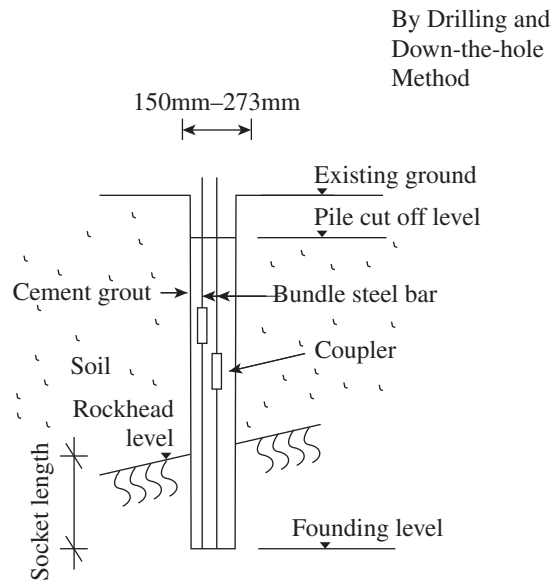
Percussive piling (also known as driven piling) works generally involve the driving of steel H-piles, steel sheet piles, or concrete piles to the required depth by direct or indirect hammering or other percussive means, including by the use of a drop hammer, diesel hammer, double acting hammer, single acting hammer, internal drop hammer, pneumatic hammer, steam hammer or other percussive device. Steel H-piles have been widely used in Hong Kong due to the ease of handling and driving. Percussive 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, percussive piles are suitable for construction sites with limited space.

Socketed H-piles



Socketed H-piles (also known as pre-bored H-piles) are installed by inserting prefabricated steel H-piles into pre-bored holes (typically about 550 mm in diameter) sunk into bedrock, and subsequently grouting the holes with cementitious materials.

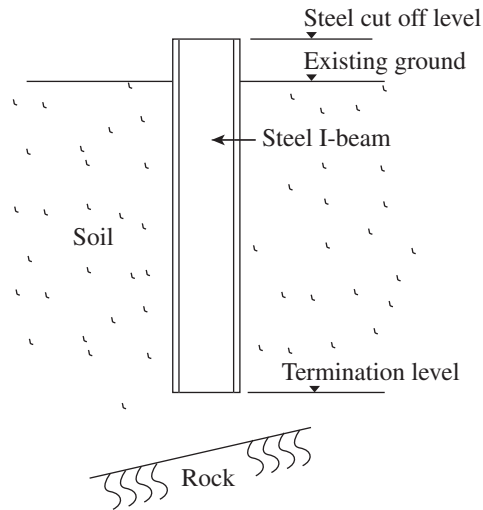
Mini-piles



A mini-pile usually consists of one or more steel bars encased by grout inside a drill hole not exceeding 400 mm 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 pre-drilled hole within the soil and/or fractured rock during drilling operation.

Jacked piles

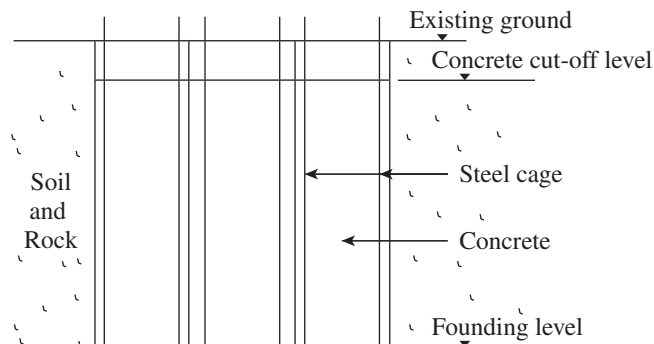
By Pressing
Method



Jacked piling is relatively new in Hong Kong. A high capacity (600–1,000 tons) jacking machine clamps a steel H-pile or circular concrete pile and pushes it into the ground. Jacked piles are often deployed as an installation method, with the piles driven to a final set by percussive driving. This is a type of “friction pile” that derives its load bearing capacity from the friction between the pile and earth. Since percussive driving is not required, jacked piles cause relatively less pollution to the environment in terms of noise, air and vibration. However, installation of jacked piles is a relatively slow process compared to other types of piling works.

Diaphragm wall

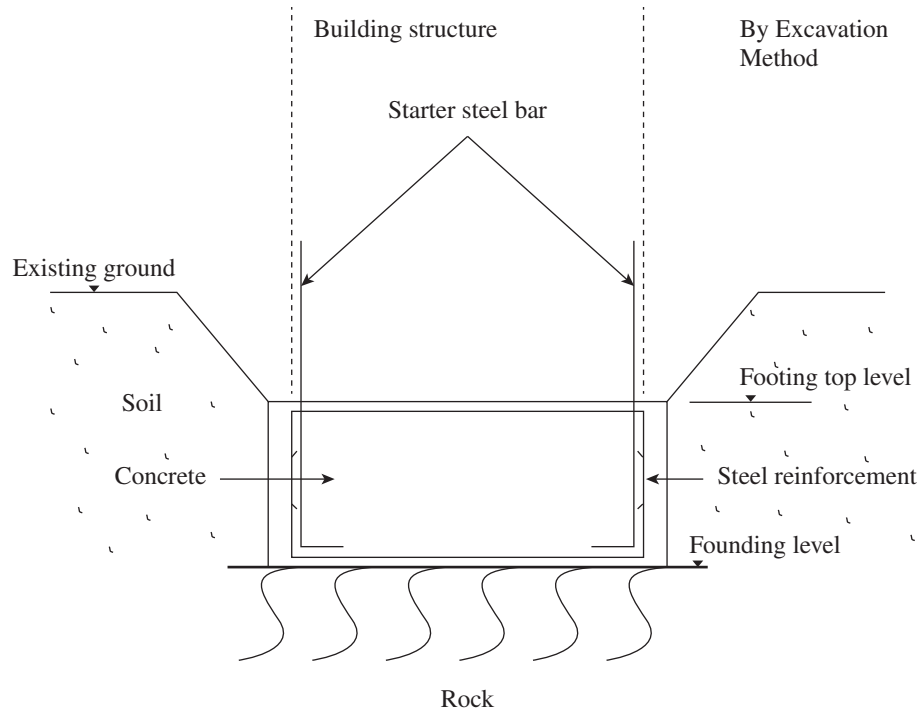
By Grabbing and
Chiselling Method



A diaphragm wall is a reinforced concrete wall built to support excavated underground space which typically becomes the basement area of a building (e.g. underground parking for vehicles). Diaphragm wall is a type of construction technique which can be used with a number of the aforementioned piling works. Prior to excavation of earth, trenches are dug along the boundaries of the site to be excavated. Such trenches are filled with bentonite slurry which subsequently becomes the supporting wall when dried. Excavation of the site may then proceed once the supporting wall

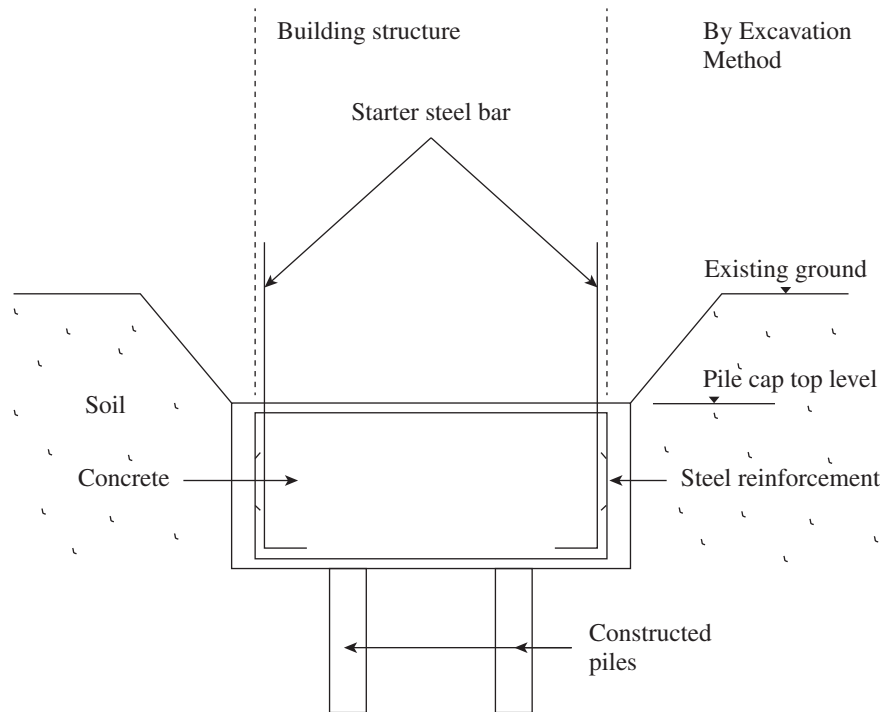
is formed. The supporting walls are prevented from collapsing by the temporary use of horizontal steel struts to support adjacent supporting walls until horizontal basement slabs are built. Once excavation reaches the desired depth, basement works which is suitable for the superstructure to be erected will then take place. A benefit of using diaphragm wall, a comparatively more expensive foundation works, is that construction works related to the basement can be carried out concurrently with construction works related to the superstructure above therefore saving construction time.

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.

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.

Ancillary services

Site formation

Site formation works 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 including the construction of road, drainage, sewerage and water works. Site formation works are performed to prepare the construction site for subsequent works for foundation and superstructure.

Site investigation

Site investigation involves the investigation of the physical characteristics of the construction site and includes documentary studies, site surveys and ground investigation, which should be undertaken to provide all the necessary information for the design and construction of foundations. Ground investigation may include any exploratory drilling, boring, excavating and probing of land for obtaining any information on ground conditions and include the installation of instruments, sampling, field testing, or any other site operation and laboratory testing of samples obtained from such operations.

BUSINESS

Drilling works

The drilling works undertaken by us are mainly excavations of dropshafts by our reverse circulation drill for drainage tunnel projects of the Hong Kong government. Generally, these drilling works utilise the same types of machinery used in bored pile works.

We set out below the features of various foundation works and ancillary services undertaken by our Group:

Type of Foundation Works	Advantages	Disadvantages	Applications	Limitations	Cost Features
Foundation Works					
Bored piles	<ol style="list-style-type: none"> 1. Non percussive pile: <ol 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
Percussive 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: <ol 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

BUSINESS

Type of Foundation Works	Advantages	Disadvantages	Applications	Limitations	Cost Features
Socketed H-piles	1. Non percussive pile: <ul style="list-style-type: none"> – Low noise – Low vibration – Less disturbance to neighbours 2. Lower plant costs as compared with bored piles	1. Needs support in designated grade of rock which can be very steep and deep which in turn increases costs 2. Higher plant costs as compared with percussive piles 3. Risk of loosening soils during pile excavation and causing ground loss and hence settlement	1. Smaller sized high-rise buildings and podium structures	1. Not cost effective as compared with large diameter bored piles which can support heavier loads	1. Lower plant cost as compared to bored piles but higher plant cost as compared to percussive piles 2. Higher material cost as compared to percussive piles
Mini-piles	1. Non percussive pile: <ul style="list-style-type: none"> – Low noise – Low vibration – Less disturbance to neighbours 2. Small size of plant which can be used in small site. Only bamboo platform is required to support plant for pile construction on slopes	1. Low load bearing capacity 2. Needs support in designated grade of rock which can be very steep and deep which in turn increases costs	1. Small structures eg. footbridge and temporary working platform on slopes	1. Not suitable for large structures as its load bearing capacity is relatively low	1. Relatively low plant and material costs
Jacked piles	1. Non percussive pile: <ul style="list-style-type: none"> – Very low noise – No vibration – No disturbance to neighbours – No dust 	1. Not generally accepted pile type for Buildings Department and requires longer time for approval and consent 2. Jacking machine is very big and requires large relatively flat site for manoeuvring	1. Structures next to sensitive structures or utilities 2. Structures in or near environmental protection area which restricts vibration and noise level caused during piling works	1. Not suitable for site needed fast track progress as it requires longer time for approval and consent 2. Not suitable for small site as the jacking machine is very big 3. Not suitable for an uneven site as it requires flat land for manoeuvring	1. Same material cost to percussive pile but the installation cost is higher because the production rate is slower and the jacking machine is not readily available
Diaphragm Wall	1. Non percussive pile: <ul style="list-style-type: none"> – Low noise – Low vibration – Less disturbance to neighbours 	1. Relatively higher cost as compared with sheetpiles 2. It requires area for set up of bentonite plant 3. The cost of removal of bentonite is relatively high	1. Basement wall of high-rise building such as commercial office with shopping mall and carpark in the basement	1. Not suitable for small site as it requires area for set up of bentonite plant	1. High bentonite set up cost and high bentonite disposal cost

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Type of Foundation Works	Advantages	Disadvantages	Applications	Limitations	Cost Features
Footings	1. Very low cost as piles are not required	1. Noise generated by drilling and breaking of rock causes disturbance to neighbours	1. Buildings at a site where the load bearing bed rock is at a high level	n/a	1. Low plant and labour costs as it requires no special skill
Pile caps	n/a	n/a	1. Transferring the superstructure loadings to underground piles	n/a	1. Low plant cost, mainly labour and material costs
Ancillary services					
Site Formation	n/a	n/a	1. Excavation and filling works to form safe slopes and forming areas for foundation and building works	n/a	1. Low plant cost, mainly labour and material costs
Site investigation	n/a	n/a	1. Rotary core drilling to obtain information of drilled material, i.e. soil, rock and concrete from previous piles	n/a	1. Mainly labour and plant costs
Drilling Works	n/a	n/a	1. Forming a dropshaft to collect underground water	n/a	1. High plant cost as it requires strong and effective drilling machine

MAJOR QUALIFICATIONS, CERTIFICATIONS, AWARDS AND COMPLIANCE

Qualifications in Hong Kong

In order to undertake private sector foundation works as main contractor, the foundation contractor must be registered with the Buildings Department as a registered specialist contractor under the foundation category, unless the main contractor subcontracts those works to an appropriate registered specialist contractor. With respect to public sector foundation works, in addition to the registration with the Buildings Department as a registered specialist contractor under the foundation category, the foundation contractor must be registered with the relevant Hong Kong government departments or public organisations. Details of the above are set forth under the section headed “Laws and Regulations” in this prospectus.

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During the Track Record Period, all of our construction contracts with our customers were generally entered into by Sunley and Sunnic. The following table sets out our major contracting qualifications and licences:

Relevant Hong Kong government departments or public organisation	Description	Category	Qualification	Holder	Period of validity (Note)
Works Branch, Development Bureau	List of Public Works Contractors	Land Piling	Specialist List Group II	Sunley	—
			— Large Diameter Bored Pile (with bell-out)		
			— Minipile		
			— Precast Prestressed Tubular Pile (PPTP)		
			— Rock-socketed Steel H-pile in Pre-bored Hole		
			— Steel H Pile		
			Specialist List Group II	Sunnich	—
			— Minipile		
			— Rock-socketed Steel H-pile in Pre-bored Hole		
			— Steel H Pile		
Housing Authority	Works managed by Housing Authority	Large Diameter Bored Piling Category	List of Piling Contractors (Large Diameter Bored Piling Category)	Sunley	—
Buildings Department	Private sector works	Building	Registered General Building Contractors	Sunnich	16 September 2011 to 20 October 2014
			Registered Specialist Contractors	Sunley	11 October 2011 to 14 December 2014
				Sunnich	30 November 2011 to 14 December 2014
		Site Formation	Registered Specialist Contractors	Sunley	8 July 2009 to 9 July 2015
				Sunnich	30 December 2011 to 26 January 2015
		Ground Investigation Field Works	Registered Specialist Contractors	Sunnich	29 July 2011 to 11 August 2014
Construction Industry Council			Registered under the Voluntary Subcontractor Registration Scheme	Sunley	31 March 2011 to 30 March 2013
				Sunnich	7 October 2010 to 6 October 2012*

Note: “—” denotes not subject to any periodic renewal condition

* Sunnic plans to renew the license before expiry date in due course.

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We have maintained compliance with the respective licences, permits, registrations, and relevant regulatory requirements in respect of safety, environmental and insurance in the construction industry. The expected time to complete the renewal process is generally around 1 to 2 months and our Group intends to renew all existing licenses accordingly before their respective expiry date. We plan to renew all existing licenses and will renew our licences before their respective expiry dates and 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. Our Directors also do not expect any difficulty or legal impediment in obtaining the renewal licences.

Certifications

The following table sets out our major certifications:

Nature	Certification (Note i)	Awarding organisation or authority	Recipient	Period of validity (Note ii)
Quality Management System Accreditation	ISO 9001:2008	Bureau Veritas Certification Hong Kong Limited	Sunley	21 October 2011 to 20 October 2014
		SGS Hong Kong Limited/ SGS United Kingdom Limited	Sunnick	19 January 2010 to 24 January 2015
	OHSAS 18001:2007	Bureau Veritas Certification Hong Kong Limited	Sunley	14 October 2009 to 13 October 2012*
Environment Management System Accreditation	ISO 14001:2004	Bureau Veritas Certification Hong Kong Limited	Sunley	21 October 2011 to 20 October 2014
		SGS Hong Kong Limited	Sunnick	5 December 2009 to 4 December 2012#

Note:

(i) The scope of the certificates cover the below standard:

ISO 9001:2008	—	Management System of the design and construction of driven h-pile, jack-in h-pile, large diameter bored pile (with bell-out), mini pile, driven prestressed precast concrete pile, pre-bored h-pile, pile cap, hand-dug caisson and diaphragm wall/barrette
OHSAS 18001:2007	—	Management System of the design and construction of driven h-pile, jack-in h-pile, large diameter bored pile (with bell-out), mini pile, driven prestressed precast concrete pile, pre-bored h-pile, pile cap, hand-dug caisson and diaphragm wall/barrette
ISO 14001:2004	—	Environmental Management System of the design and construction of driven h-pile, jack-in h-pile, large diameter bored pile (with bell-out), mini pile, driven prestressed precast concrete pile, pre-bored h-pile, pile cap, hand-dug caisson and diaphragm wall/barrette

(ii) Subject to the continued satisfactory operation of the recipients' management system and surveillance audits.

* Recertification audit has been completed on 8 September 2012 and the renewed certificate will be issued in due course.

Recertification audit will be conducted after 26 October 2012.

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Awards and recognition

The following table sets out our major non-recurring awards and recognition obtained by us:

Year(s) of award	Nature	Recipient	Award	Awarding organisation or authority
2011	Safety	Sunnic	Construction Industry Safety Award Scheme for the period 2010/2011 — Meritorious Prize in the Buildings sites — (Sub-contractors category)	Labour Department
2007	Safety	Sunnic	Champion of Safety Subcontractor of 3rd Quarter 2007	Hanison Contractors Limited

Furthermore, Sunnic's performance ratings, as reported by the Works Branch under its quarterly contractor's performance rating reports and represent a contractor's performance in Government works contracts, were the highest among all the contractors under the Land Piling category of the Specialist List for 17 consecutive quarters since the second quarter of 2007 up to and including the second quarter of 2011. Such performance rating reports take into account various factors such as safety, environmental and quality of works.

Compliance

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group has obtained all the approvals, permits, consents, licences and registrations required for our business and operations in Hong Kong and all of them are in force. It is the opinion of the Macau Legal Adviser that the operation mode of the construction project to be carried out by Sunley in Macau is valid and complies with the laws in Macau.

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Between 2000 and 2005, our Group had been convicted of a number of offences for breach of statutory provisions in Hong Kong relating to, inter alia, health and safety in construction site, air and water pollution, failure to give prior notice to relevant authority for notifiable work and was subject to fines. Our Group had fully settled these fines imposed by the Hong Kong government. Set out below are the details of those offences:

Item	Nature	No.	Fine Amount (HK\$)
1.	Failed to ascertain underground electrical cable alignment and depth before commencement of works.	2	8,000.00
2.	Failed to ensure machineries are safely guarded.	1	5,000.00
3.	Failed to provide safe system of work in relation to bore piling work and operation of excavator.	1	8,000.00
4.	Failed to give prior notice under the Air Pollution Control Regulation before commencement of works.	1	15,000.00
5.	Failed to comply with the Air Pollution Control Regulation in relation to construction dust.	1	10,000.00
6.	Failed to prevent person from falling from a height of 2 meters or more.	2	20,000.00
7.	Discharging suspended solid exceeding limit permitted under the license granted pursuant to the Water Pollution Control (General) Regulation.	1	40,000.00
8.	Failed to ensure safe access to and egress from the place of work.	2	<u>50,000.00</u>
Total:			<u><u>\$156,000.00</u></u>

The above actions were criminal offences contrary to the respective statutory provisions and were charged by the Hong Kong government either through its departments and/or the Secretary of Justice. On the other hand, those litigation, arbitration and potential claims involved by our Group during the Track Record Period and up to the Latest Practicable Date as set out in the paragraph headed “Litigation, arbitration and potential claims” of this section were civil actions which were and/or have been and/or may be commenced by injured employees and/or company. Our Directors confirmed that save for the pending litigation as mentioned below in relation to charges laid by the Labour Department in connection with the accident that occurred in March 2012 which has not resulted in conviction as at the Latest Practicable Date, after 2005 and up to the Latest Practicable Date, there was no statutory breaches and/or criminal convictions of our Group for which the Directors or senior management of our Group were/would be held liable.

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Our Group has put in place various measures to minimise our risk in breaches of statutory provisions. These measures implemented by our Group include (i) implementation of “*Safety Rules*” to all construction sites; (ii) provision of training sessions to all employees of our Group and sub-contractors of all tiers; and (iii) deployment of site staff to conduct regular site inspections to ensure compliance with statutory provisions. Furthermore, in 2005 our Group engaged a safety, health, environment and quality consultant company with consultants who have registered as safety officers and approved by the Commissioner for Labour Department, pursuant to the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations (Cap. 59). The consultant company have provided a competent person to (a) conduct underground utility detection report(s); (b) provide detection equipment, (c) conduct site visit and survey and (d) prepare and endorse cable detection report(s), etc. The consultant company also provided a safety officer to (1) maintain site safety, (2) assist in (i) preparing risk assessment, (ii) conducting safety inspection, (iii) providing safety training, (iv) preparing safety plan, (v) conducting accident report and (vi) following up with the Labour Department for safety issues. During the Track Record Period, our Group has not been charged for committing any offence. Going forward, we will continue to adhere to these measures to prevent future breaches of statutory provisions. Our Directors believe the engagement of the consultant company in 2005 contributed to our Group’s record of no statutory breaches after 2005 (save for the pending litigation mentioned below).

Our Group had received two summonses both dated 30 August 2012 for respective charges laid by the Labour Department alleging our Group’s failure (i) to provide such information and supervision as was necessary to ensure, so far as was reasonably practicable, the health and safety at work of the person(s) employed by us at the industrial undertaking; and (ii) to provide and maintain a system of work on supporting the reinforcement cage by wedges that were, so far as was reasonably practicable, safe and without risks to the health of the person(s) employed by us at the industrial undertaking, contrary to the Factories and Industrial Undertakings Ordinance (Cap. 59) of the laws of Hong Kong. Both charges relate to an accident occurred on 5 March 2012. Other than two summonses, since 2005 and up to the Latest Practicable Date, there are no other criminal charges against our Group. Further, our legal advisor as to litigation in Hong Kong advised that our Group’s director or senior management will not be charged or liable for the accident.

Both charges relate to an accident that occurred on 5 March 2012 concerning bored piles works that resulted in injuries to four of our Group’s employees. The accident occurred when our Group’s workers were placing a reinforced-bar cage into a borehole, during which the reinforced-bar cage suddenly fell down and one of the worker’s hand was torn off, while the other three workers suffered from minor injuries. As far as the Directors are aware and as concurred by the Sponsor, the specific procedure adopted by our Group has been a widely adopted industry practice for many years. The exact cause for the reinforced-bar cage to fall suddenly is still unknown and the conclusion of the investigation submitted to Labour Department which was conducted by the safety officer assigned by the consultant company indicates the case to be an accident. The Labour Department has temporarily suspended the specific procedure at the construction site immediately after the accident on 5 March 2012. Subsequent to the accident, our Group has, together with the Labour Department and the consultant company, worked out a revised method to carry out the relevant procedure. The Labour Department has approved the revised method and consented to the resumption of this procedure on 23 April 2012. Such revised method has also been applied by our Group to all of our current construction sites (where applicable).

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No pleas have been taken for both summonses as at the Latest Practicable Date as our Group's first appearance at the Magistrates' Court will be held on 27 September 2012. As advised by our Group's legal advisor as to litigation in Hong Kong, the first appearance is for our Group to take plea. Upon our Group pleading not guilty (as mentioned below) at the first appearance, the Court will either fix a date for the pre-trial review and/or hearing (as the case may be), or order our Group to return to the Court on another date for the purpose of fixing the date of the pre-trial review and/or hearing (as the case may be). Accordingly, verdict and/or ruling will not be given by the Court at the first appearance. As further advised by our Group's legal advisor as to litigation in Hong Kong, the usual procedures for charges under the Factories and Industrial Undertakings Ordinance (Cap. 59), will involve a pre-trial review (at the discretion of the Court and within one month after first appearance) followed by a trial hearing involving expert as well as factual witnesses, which is fixed approximately three months after the pre-trial review. Accordingly our Group's legal advisor as to litigation in Hong Kong estimates the hearing will be held in or about early 2013. Since our Group believes that it had, so far as reasonably practicable, provided safe environment to all its workers working on site, our Group will resist both charges. However, in case our Group is unsuccessful and convicted, our legal advisors as to litigation in Hong Kong advised that the maximum criminal liability will be subject to an overall fine of HK\$1,000,000 based on the maximum fine of HK\$500,000 per charge as set out in section 6A(3) of the Factories and Industrial Undertakings Ordinance (Cap. 59). Our Controlling Shareholders have entered into a deed of indemnity with and in favour of our Group to provide indemnities on a joint and several basis in respect of, among other matters, all claims, payments, suits, damages, settlements payments and any associated costs and expenses which would be incurred or suffered by our Group as a result of these two outstanding criminal proceedings. The amount of our Group's civil liabilities arising out of the same accident cannot be ascertained since no proceedings have been commenced as at the Latest Practicable Date. However, even if such proceedings are commenced, the amount claimed will be covered by insurance. The potential liability had been included as potential claims as set out in the paragraph headed "Litigation, arbitration and potential claims" under this section.

Our Group further confirms that, based on our past experience, no legal impediment on our Group's future license renewal and/or bidding for future public sector works is expected even if we are convicted under both charges. Our legal adviser as to litigation in Hong Kong also confirms that there will be no legal impediment to our Group's future license renewal and/or bidding for future public sector works even if we are convicted under both charges. The Development Bureau and the Housing Authority govern the contractor matters relating to public sector works.

As far as the Development Bureau is concerned, paragraph (b) of its "Technical Circular (Works) No. 3/2009" is relevant to convictions and it states that, regulatory actions may be considered if the contractor has been convicted of five (5) or more site safety offences counted by the date of commission and not the date of conviction, each arising out of separate incidents in any six (6) month period, committed by the contractor on a construction site or construction sites under the same contract. Since our Group has a clear record of conviction for the preceding seven years, even if we are convicted under both charges, we still would not fall within the ambit of paragraph (b) and the related regulatory actions will not be commenced against our Group.

As far as the Housing Authority is concerned, section 4.4 and paragraph 4 of Annex 5 of the HA's "Guide to Registration of Works Contractors and Property Management Services Providers" are relevant to convictions and they only concern contraventions of the Factories and Industrial Undertakings Ordinance (Cap 59) arising out of Housing Authority contracts. Since the accident did not occur on a site arising out of Housing Authority contracts, the related regulatory actions will not be commenced against our Group by the Housing Authority.

Based on the above there will be no legal impediment on our Group's future license renewal and/or bidding for future public sector works due to these two charges. Our legal advisors as to litigation in Hong Kong advised that, in view of (i) paragraph (b) of Development Bureau's "Technical Circular

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(Works) No. 3/2009” which is relevant to convictions; and (ii) that our Group has a clear record of conviction for the preceding seven years, it is of the view that in so far as the present charges are concern, there is no impact on our Group’s existing license.

Our Directors confirm that save as disclosed above, our Group (including its predecessor companies) has not committed any offences, bribery violations or breaches of laws or regulations in all jurisdictions where it operates.

CONSTRUCTION WORKS

During the Track Record Period, the construction works undertaken by us were mostly building related public or private sector foundation projects. The lengths of our foundation projects were usually less than 12 months, depending on the size of the contract and the complexity of the works undertaken. Our foundation projects sometimes involve a mixture of different foundation types.

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:

Our Group as a main contractor:

Location of project	Type of works	Project Category	Subsidiaries of our Group involved	Construction period	Type of contract	Contract Sum (HK\$M)
Leighton Road, Causeway Bay	Design and construction of foundation works	Private	Sunley	December 2009 – November 2010	Design and build	18.2
Des Voeux Road West	Bored piles and channeling, pile caps, excavation and lateral support construction	Private	Sunley	January 2010 – October 2010	Design and build	21.8
Chung Hom Kok Road	Site formation and foundation works	Private	Sunnic	February 2009 – May 2010	Design and build	22.0
Kwai Shing Circuit	Footing and pile caps	Public	Sunley, Sunnic and Full Gain	November 2010 – August 2011	Build only	39.4
12 Mount Kellett Road	Site formation, footing, mini-piles, excavation and lateral support construction and pile caps	Private	Sunnic and Full Gain	February 2009 – November 2010	Design and build	68.0
Cheung Sha Wan	Bored piles	Private	Sunley	July 2011 – December 2011	Build only	18.5
Bonham Strand	Bored piles, excavation and lateral support and pile caps	Private	Sunley, Sunnic and Full Gain	March 2011 – March 2012	Design and build	32.6
Warren Street	Bored piles and pile caps	Private	Sunley	April 2011 – May 2012	Design and build	27.8
59 Mount Kellett Road	Ground investigation, demolition, site formation, mini-piles and pile caps	Private	Sunnic and Full Gain	August 2010 – March 2012	Design and build	34.3
72 Mount Kellett Road	Superstructure	Private	Sunnic	March 2011 – June 2012	Build only	49.0
Tung Lo Wan Road	Bored piles	Private	Sunley and Sunnic	December 2011 – July 2012	Build only	7.1
Tung Chung Town	Trial piles for driven steel tubular piles	Private	Sunnic	May 2012 – July 2012	Build only	5.4
Wetland Park	Trial piles	Public	Sunley and Sunnic	March 2012 – August 2012	Build only	9.3
						353.4

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Our Group as a subcontractor:

Location of project	Type of works	Project Category	Subsidiaries of our Group involved	Construction period	Type of contract	Contract Sum (HK\$M)
Lee Chung Street, Chai Wan	Bored piles	Private	Sunley	October 2008 – April 2009	Build only	11.8
Upper Lam Tsuen, She Shan & Tai Po River	Mini-piles and socketed H-piles	Public	Sunnic and Full Gain	May 2008 – October 2010	Build only	11.4
Lam Tin	Socketed H-piles	Public	Sunnic and Full Gain	January 2010 – August 2010	Design and build	22.6
Tin Shui Wai	Socketed H-piles	Public	Sunley, Sunnic and Full Gain	February 2010 – September 2010	Design and build	36.5
Bonham Road	Bored piles	Private	Sunley and Sunnic	May 2009 – October 2009	Design and build	27.3
Jaffe Road & Marsh Road, Wan Chai	Bored piles	Private	Sunley	May 2009 – October 2009	Build only	6.5
Gloucester Road and Marsh Road	Bored piles	Private	Sunley	November 2009 – May 2010	Build only	9.1
West Drainage Tunnel	Dropshafts excavation which involved bored piles techniques	Public	Sunley, Sunnic and Full Gain	December 2009 – January 2011	Build only	20.1
Kai Tak Cruise Terminal	Percussive piles	Public	Sunnic and Full Gain	October 2010 – July 2011	Build only	10.0
Sheung Shui	Bored piles	Private	Sunley	December 2010 – February 2011	Build only	12.6
Kowloon Exit of Western Harbour Crossing	Mini-piles	Private	Sunnic and Full Gain	January 2010 – February 2011	Build only	12.0
Tai Ho Road	Socketed H-piles	Public	Sunnic	July 2009 – January 2011	Build only	12.8
Wo Hop Shek, Fanling	Socketed H-piles	Public	Sunnic and Full Gain	March 2010 – November 2010	Design and build	29.3
Fung Yuen	Bored piles, socketed H-pile and jacked piles	Private	Sunley, Sunnic and Full Gain	August 2010 – November 2011	Build only	142.0
Lan Kwai Fong	Bored piles, excavation and lateral support and pile caps	Private	Sunley and Sunnic	August 2011 – May 2012	Design and build	39.2
Castle Peak Road	Bored piles	Private	Sunley	October 2011 – February 2012	Build only	10.0
Caritas Medical Centre	Socketed H-pile	Public	Sunnic and Full Gain	November 2011 – August 2012	Build only	9.5
						422.7

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Projects in progress as at the Latest Practicable Date

As at the Latest Practicable Date, the aggregate contract value of our projects in progress amounted to approximately HK\$2,030.1 million (including the total contract sum of Kai Tak River Project which is under a joint venture agreement, see note (ii) in the table below). The following table sets out the details of our Major Projects in progress as at the Latest Practicable Date:

Our Group as a main contractor:

Location of project	Type of works	Project Category	Subsidiaries of our Group involved	Expected construction period according to contract	Percentage of work certified as at the Latest Practicable Date (note i)	Type of contract	Contract Sum (HK\$M)
Bonham Strand West & Wing Lok Street	Bored piles, excavation and lateral support and pile caps	Private	Sunnic and Full Gain	August 2011 – November 2012	13%	Design and build	40.3
Connaught Road Central	Percussive piles excavation and lateral support and pile caps	Private	Sunnic and Full Gain	September 2011 – October 2012	51%	Design and build	24.8
Kai Tak River	Steel pipe pile and drainage	Public	Sunnic	October 2011 – November 2016	11%	Build only	818.0 (note ii)
Catchick Street	Percussive piles and pile caps	Private	Sunnic	February 2012 – October 2012	52%	Design and build	16.1
Goldsmith Road	Site formation, socketed H-piles and pile caps	Private	Sunnic and Full Gain	March 2012 – November 2012	59%	Design and build	25.9
Tsun Yip Street (note iii)	Bored piles	Private	Sunley	December 2011 – June 2012	95%	Build only	37.6
Shan Kwong Road	Bored piles, excavation and lateral support construction	Private	Sunley	April 2012 – September 2013	13%	Build only	49.8
Yuen Long Town Lot	Bored piles, pile caps, excavation and lateral support construction	Private	Sunley	August 2012 – January 2014	— note (iv)	Build only	661.0
Lin Fa Kung Street	Pile caps, excavation and lateral support construction	Private	Sunnic and Full Gain	September 2012 – April 2013	— note (iv)	Build only	24.2
Tan Kwai Tsuen Road	Design, construction of foundation and site formation	Private	Sunnic and Full Gain	September 2012 – August 2013	1.7%	Design and Build	106.9
Fui Yiu Kok Street	Demolition	Private	Sunnic	September 2012 – January 2013	— note (iv)	Build only	5.2
59 Mount Kellett Road (Superstructure)	Superstructure	Private	Sunnic	September 2012 – August 2013	— note (iv)	Build only	48.0
							<u>1,857.8</u>

Notes:

- (i) The percentage of work certified is based on the certificates issued by our Group's customer on the respective projects. It represents the amount of works certified as a percentage of the original contract value.

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- (ii) Our Group has been awarded a construction project at Kai Tak River in Hong Kong by the Hong Kong government under a joint venture agreement with a construction company. Under the joint venture arrangement, our Group is responsible for certain aspects of works including, inter alia, ground investigation and pipe work, and it is expected that our Group will receive a share of the total contract sum which may be adjusted upward or downward depending on the final assessment of our works. Accordingly, our share of the contract sum cannot be determined at the moment.
- (iii) The project has been delayed and it is expected to complete in September 2012 as our Group has accepted additional variation order request from the employer.
- (iv) Works for these projects have commenced but such works have not been certified as at the Latest Practicable Date.

Total contract sum of the above Major Projects is approximately HK\$1,857.8 million, with approximately HK\$176.6 million of which certified as completed as at the Latest Practicable Date. Save as disclosed in note (iii) above, as at the Latest Practicable Date, our Directors expect the completion dates of the above Major Projects will fall within the contract period.

Our Group as a subcontractor:

Location of project	Type of works	Project Category	Subsidiaries of our Group involved	Expected construction period according to contract	Percentage of work certified as at the Latest Practicable Date (note i)	Type of contract	Contract Sum (HK\$M)
Electric Road	Bored Piles	Private	Sunley	July 2012 – October 2012	8%	Build only	9.7
Gordon Road	Bored Piles	Private	Sunley	August 2012 – November 2012	39%	Build only	7.2
Lee Kung Street	Bored Piles	Private	Sunley	August 2012 – October 2012	— (note ii)	Build only	16.4
Tung Chau Street	Percussive piles	Private	Sunnick & Full Gain	July 2012 – January 2013	— (note ii)	Build only	139.0
							172.3

Notes:

- (i) The percentage of work certified is based on the certificates issued by our Group's customer on the respective projects. It represents the amount of works certified as a percentage of the original contract value.
- (ii) Works for these projects have commenced but such works have not been certified as at the Latest Practicable Date.

Total contract sum of these Major Projects is approximately HK\$172.3 million, with approximately HK\$3.6 million of which certified as completed as at the Latest Practicable Date. As at the Latest Practicable Date, our Directors expect the completion dates of the above Major Projects will fall within the contract period.

We normally receive progress payment from customers on a monthly basis and occasionally on a milestone basis with reference to the value of works done. In general, we submit an interim payment application to our customers on a monthly basis according to the amount of works completed during the month. Once we have submitted a monthly application for interim payment, the authorised person, such as the architects or quantity surveyors employed by the customers, would issue a progress certificate certifying the works progress in the preceding month. It normally takes about twenty-one to thirty days

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for such certificates to be issued. Upon the issue of the certificate, the customer is deemed to have an obligation to pay our Group the amount certified less retention money. Thus, generally no invoice is billed by our Group which is a general industry practice. For certain private customers, our Group may, at the customer's request, issue a debit note or invoice based on the progress certificate issued. The portion of total contract revenue that is certified to have been completed in a period is recognised as revenue of our Group in the respective period.

Project awarded but not commenced as at the Latest Practicable Date

As at the Latest Practicable Date, the aggregate contract value of our project awarded but not commenced amounted to approximately HK\$100.5 million. The following table sets out the details of our Major Project awarded but not commenced as at the Latest Practicable Date:

Our Group as subcontractor

Location of project	Type of works	Project category	Subsidiaries of our Group involved	Expected construction period according to contract	Type of contract	Contract Sum (HK\$M)
Studio City, Macau*	Bored piles	Private	Sunley	June 2012 – October 2012	Build only	88.5
Des Voeux Road Central**	Bored piles	Private	Sunley	August 2012 – December 2012	Design and Build	12.0
						100.5

* The project has not commenced as relevant approval from the Land, Public Works and Transport Bureau of Macau is yet to be obtained.

** The commencement date of the project has not been fixed with the main contractor.

With regard to the project named Studio City, Macau (the “**Studio Project**”), in order to carry out civil engineering project in Macau, a person who obtained the land use rights of a land and being the only applicant under the law must obtain the approval for construction works from the Land, Public Works and Transport Bureau of Macau before commencement of construction of new building(s). The person who obtained the land use rights of the land (the “**Lessee**”) of the Studio Project submitted the construction works plan to, and applied for the necessary licence(s) from, the Land, Public Works and Transport Bureau of Macau. As at the Latest Practicable Date, the relevant approval from the Land, Public Works and Transport Bureau is yet to be obtained. Accordingly, Sunley being the sub-sub-contractor is not required to apply for the necessary licence(s) and possess the qualifications as required under the laws and regulations of Macau for the construction works of the Studio Project. As advised by the Macau Legal Adviser, it is legal and valid for Sunley to take part in the piling works for the Studio Project when it performs its obligations in accordance with the sub-sub-contract with the subcontractor of the Studio Project including carrying out the works in accordance with the approved construction works plan for such project and sending workers with such qualifications as stipulated in the sub-sub-contract to work for such project.

The sub-sub-contract signed between Sunley and the subcontractor of the Studio Project is subcontracting in nature, and it is subordinated to the main contract entered into by the Lessee and its main contractor. Accordingly, the prerequisite for the existence of the sub-sub-contract is the existence of the main contract; and the subsistence and validity of the sub-sub-contract will be directly affected by the subsistence and validity of the main contract. In the event the Lessee's application for the approval

of the construction works plan is not accepted by the Land, Public Works and Transport Bureau, the sub-sub-contract signed by Sunley with the subcontractor will cease to have effect. The Macau Legal Adviser has advised that in such event, Sunley should not be held liable for any damages or compensation as there is no default on the part of Sunley. Under the contractual arrangement in respect of the Studio Project between the main contractor, the subcontractor and Sunley, the main contractor is responsible for assisting Sunley to apply for the necessary working permits for Sunley's employees who are instructors and will station in Macau for the Studio Project. The Macau Legal Adviser has advised that such contractual arrangement is legal and valid under Macau law.

As the approval for the construction works of the Studio Project is still under consideration, the commencement of construction works and application for other certification documents are pending.

SALES AND MARKETING AND CUSTOMERS

Sales and marketing

The majority of the projects undertaken by us are awarded by way of tender. In this connection, we maintain good relationships with our customers, and have regular contacts with private sector developers, 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. Since works undertaken by us are generally awarded by way of tender, we are of the view that past job reference, relationship with customers and our network in the industry are assets valuable to us in assisting us in winning future tenders. Other marketing undertaken by our Group includes putting up banners and/or signages displaying the names and logos of Sunley or Sunnic at construction sites. Our Group currently does not intend to focus and carry out marketing activities in Macau. However we will consider any business opportunities in Macau if we are invited to submit tender for projects in Macau.

We do not maintain a team of sales and marketing staff. Instead, the marketing works are mainly conducted by our executive Directors. For instance, our Directors and senior management may, from time to time, arrange social engagements such as luncheons or ground breaking ceremonies to maintain relationship with our customers. Mr. Ho, one of our executive Directors, maintains his profile in the foundation industry mainly through participating in seminars as speaker and leading site visits for Hong Kong university students. From time to time, we may also send out request to prospective clients in respect of application to become an approved contractor for participation in tendering of future construction projects.

Customers

Our ultimate customers are divided into two categories: (a) public sector including the Hong Kong government and its related organisations and institutional bodies including the Housing Authority; and (b) private sector.

- *Public sector*

Some of our construction works in the public sector are undertaken by us as a subcontractor via the administration of a general works main contractor. In such cases, the relevant Hong Kong government department or the Housing Authority will enter into a main contract with the general works

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main contractor of the subject project which specifies, among other things, that the main contractor shall enter into a subcontract with a construction contractor with the requisite registrations. We will then enter into a subcontract with the main contractor and accordingly, the Hong Kong government or the Housing Authority will be the employer of the project as well as our ultimate customer, while the main contractor is our direct customer.

In other cases, we may directly enter into a main contract with the Hong Kong government department or the Housing Authority for the relevant construction works so that the Hong Kong government or the Housing Authority will become the employer of the project as well as our direct customer.

- *Private sector*

On the other hand, 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. We have one customer in Macau which is a contractor.

During the Track Record Period, our five largest customers accounted for approximately 100.0%, 55.0% and 56.3% of our revenue, respectively; and our largest customer accounted for approximately 46.0%, 27.9% and 15.2% of our revenue, respectively. We have not entered into any long-term master contracts with any of these customers.

The followings set out the profile of the top five customers during the Track Record Period.

Year ended 31 March 2010

Name of customer	Approximate percentage to the total turnover of our Group (%)	Year of business relationships	Principal business
Sunnic	46	12	Contractor
Customer A	35	3	Contractor
Customer B	12	4	Machinery Company
Customer C	5	3	Religious Organization
Customer D	2	2	Developer

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Year ended 31 March 2011

Name of customer	Approximate percentage to the total turnover of our Group (%)	Year of business relationships	Principal business
Customer E	28	2	Contractor
Customer F	8	2	Construction
Customer G	8	2	Developer
Customer C	6	3	Religious Organisation
Customer H	5	3	Developer

Year ended 31 March 2012

Name of customer	Approximate percentage to the total turnover of our Group (%)	Year of business relationships	Principal business
Customer E	15	2	Contractor
Customer G	12	2	Developer
Customer I	11	1	Contractor
Customer J	10	1	Developer
Customer K	8	2	Developer

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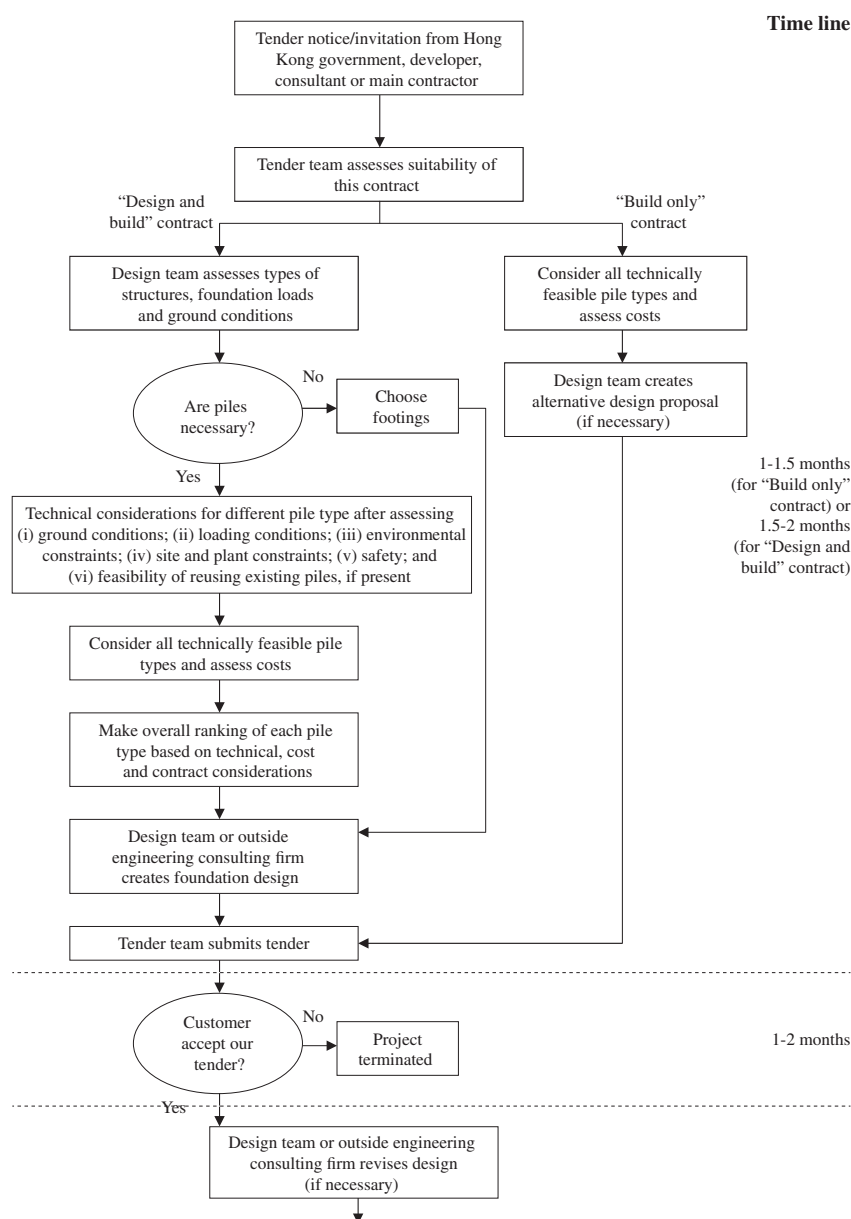
The following table sets forth our number of customers and revenue attributable to each role, ie. main contractor and subcontractor of customers during the Track Record Period:

	Year ended 31 March					
	2010		2011		2012	
	Number of	Revenue	Number of	Revenue	Number of	Revenue
	customers	<i>HK\$'000</i>	customers	<i>HK\$'000</i>	customers	<i>HK\$'000</i>
Construction work						
— Main contractor	2	3,747	8	95,781	13	167,536
— Subcontractor	3	41,407	14	161,222	14	135,035
Machinery leasing	<u>1</u>	<u>6,158</u>	<u>2</u>	<u>502</u>	<u>7</u>	<u>10,551</u>
Total	<u>6</u>	<u>51,306</u>	<u>24</u>	<u>257,505</u>	<u>34</u>	<u>313,122</u>

Save for the interest of Mr. Cheng, Mr. Wong and Mr. Tsui in Sunnic prior to its acquisition by our Group in June 2010, 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) has any interest in any of our five largest customers.

OPERATING PROCEDURES

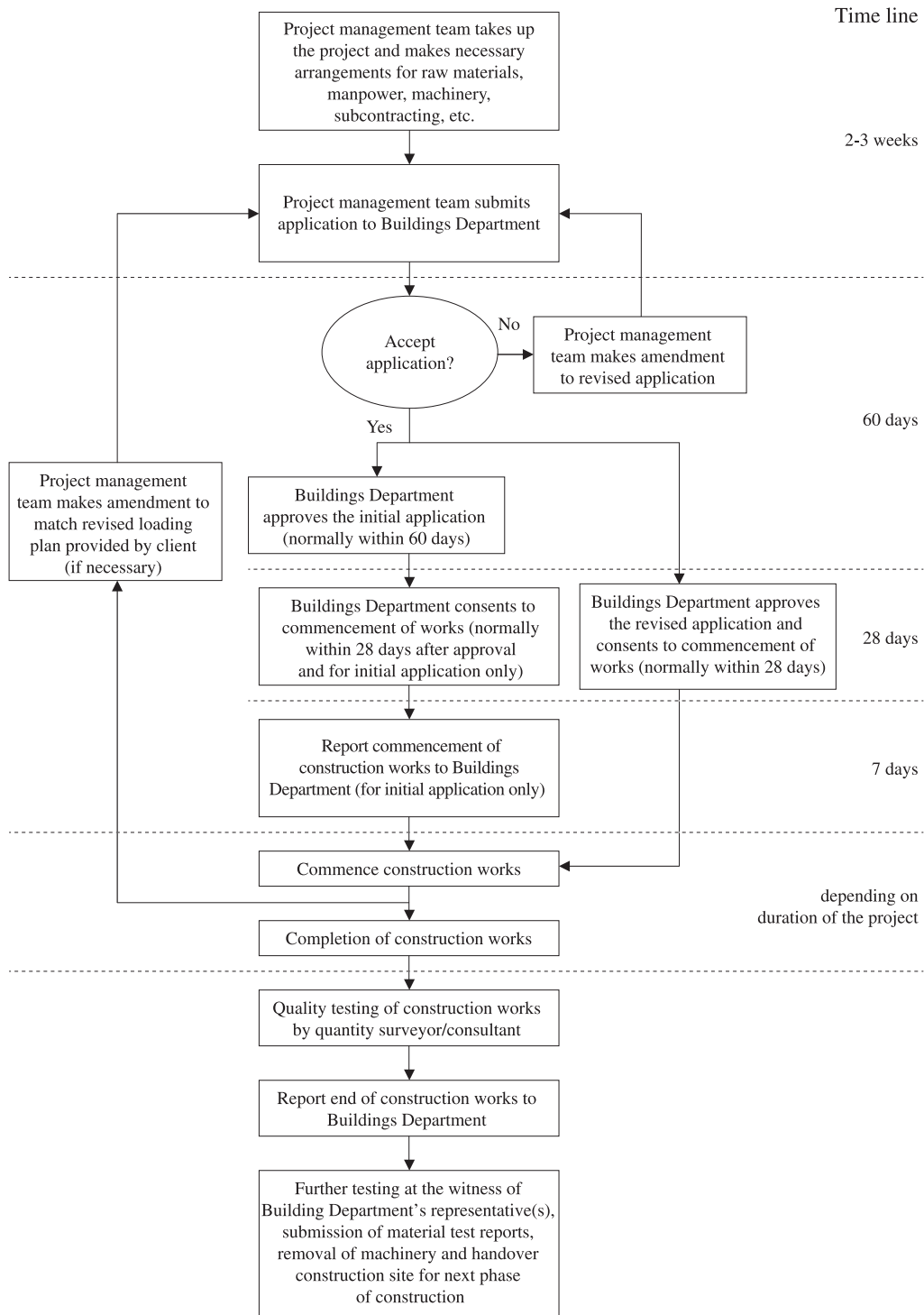
Our operational procedures in respect of construction works principally involve identifying potential projects, tendering, foundation layout design and project implementation. We have developed a comprehensive management system covering the entire construction process, including project planning, contract management, project control and project completion and handover, and was accredited with ISO 9001:2008 in 2008. For illustration purpose, a simplified flow of our operation procedures in respect of construction works is outlined below:



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Identifying potential projects

For public sector construction projects (except Housing Authority foundation projects), they are generally identified by us by reviewing the Hong Kong government gazette, in which tender invitations from different Hong Kong government departments are published. As both of Sunley and Sunnic are listed under Specialist List Group II of the Listing of Public Works Contractors of the Works Branch, Development Bureau for their respective specialties, we are also informed of projects subject to tender by way of invitation letter(s) issued directly from the Hong Kong government departments concerned. For the Housing Authority and private sector projects, the Housing Authority and private sector customers (such as property owner, developer or their professional consultants) usually issue invitation letter(s) to entities on their respective list of approved contractors as one of the potential tenderers for their respective construction projects. The tender notices published by the Hong Kong government and the invitation letter(s) issued by the Housing Authority or private sector customers normally include brief description of the works required, the expected commencement date and contract period, the 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.

There are also occasions that we are approached by the main contractors of certain construction projects and requested to provide an indication of our interest to act as their subcontractor in the subject projects after obtaining the preliminary specifications from them. Our Group could be approached by main contractors due to our Directors' connections, previous working relationship, referral from other customers/main contractors and information on the Specialist List maintained by the Works Branch.

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

Tendering

After obtaining the tender package which contains, amongst others, the tender document and project specifications, we will commence preliminary work for the preparation of tender submission or quotation. Such preliminary work usually includes understanding the project specifications and requirements and paying a visit to the site at which the project is to be undertaken if we consider necessary. Normally, we expect to have approximately three to eleven other entities entering competing bids in a particular tender.

For "build only" contracts, we will prepare and submit tenders or quotations on the basis of foundation layout designs provided by the customers or their project consultants. If allowed, we may propose alternative designs of our own to the customers. The time required to prepare a tender or quotation varies from case to case, and depends on specific requirements of a project. Generally, it takes about four to six weeks from receipt of the tender documents to submission of the tender proposal or quotation for a "build only" contract.

For "design and build" contracts, instead of providing us with the foundation layout designs, the customers or their consultants, usually architects or engineers appointed by the customers, normally only provide us the ground investigation reports composed by contractors appointed by them and the loading schedules. We will assess the complexity of the works involved and determine which piling system and

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engineering design approach to adopt for carrying out the works in an efficient and cost-effective manner. Our engineering design team will then prepare our own foundation layout designs and we will submit tenders or quotations on this basis. In some occasions, we may also engage outside engineering consulting firm to carry out the foundation layout design for us. Generally, it takes about six to eight weeks to prepare a foundation layout design and submit a tender proposal or quotation for a “design and build” contract.

In general, we will take into account of various factors, including the site conditions, price of materials as quoted from suppliers, human resources, programme of works, availability of machinery, creditworthiness of the customer, involvement of subcontractor(s) and other factors in preparing a competitive and profitable tender or quotation. During our tender preparation, we will study the site investigation reports provided by the customer. Based on the experience of our Directors and senior management, we will consider the potential difficulty and risk factors in estimating the total cost of the projects. We will then prepare our tender based on our estimated project costs (which mainly include machinery usage cost, direct labour cost, subcontracting charges and construction material costs) plus a mark-up margin at the time when we submit our tender for projects or our initial proposals to our potential customers. Based on such preparation works, our Group uses its best effort to ensure that the estimated project cost will not exceed the contract value, in particular for fixed-price contracts. A fixed price contract generally has variation clauses in the construction contract. We are required to perform certain variation works not included in the original contract as requested by our customer. Our customer will perform measurement, valuation of the variation work and adjustment to provision sum, and the effect of change will be added to the architect’s certificates. Thus the amount under the final contract sum will then be adjusted to reflect the changes. Our Group also performs our variation work assessment and if we do not agree with the employer’s assessment, the dispute will be resolved by ways specified in the construction contract. The majority of our Group’s tenders are submitted for fixed-price contracts where a fixed total contract sum is specified for the total amount of work done. Such fixed-price contracts represented approximately 87%, 82% and 98% of the total project revenue for the three years ended 31 March 2010, 2011 and 2012 respectively. Occasionally, our Group may also submit tenders for remeasurement contracts. Unlike fixed-price contracts, the final sum to be received by our Group is based on the amount of work done (e.g. total number of piles constructed) in the end which is not specified in the original contract. Such remeasurement contracts represented approximately 13%, 18% and 2% of the total project revenue for the three years ended 31 March 2010, 2011 and 2012 respectively.

Our business is generally undertaken by our principal operating subsidiaries, Sunley, Sunnic and Full Gain. Since some of Sunley and Sunnic’s qualifications and registrations with the relevant Hong Kong government departments or public organisation, and licences held by them are in common, both Sunley and Sunnic will from time to time receive invitation letter(s) from the same customer to submit tender for the same project. Please refer to the paragraph headed “Qualifications” under this section for details regarding our major contracting qualifications and licences. It is our intention that Sunley will mainly focus on foundation works involving the use of large diameter bored piles while Sunnic will mainly focus on foundation works involving the use of socketed H-piles, mini-piles, percussive piles and ground investigation field works. We have established internal procedures to avoid Sunley and Sunnic submitting separate tenders for the same foundation or construction project whether as a main contractor or subcontractor, even in the case that both of them are being invited for tender submission. Should the

contract is awarded to either Sunley or Sunnic, we will find out any possible arrangements that would be of the most efficient and cost-effective way to complete the project, including the subcontract of part or whole of the project to the entity with the appropriate expertise and available resources.

Public sector contracts

Invitations to tender for public sector projects are normally advertised in the Hong Kong government gazette and are open to approved contractors, except for Housing Authority projects that the Housing Authority normally issue invitation letter(s) to potential bidders. We may either tender for the relevant foundation works as subcontractor via main contractors who are eligible to tender for the overall contract works, or tender for the construction works under a separate tender as a main contractor. We also from time to time submit tenders or quotations to main contractors of certain public sector construction projects to carry out part of the works as their subcontractor.

Private sector contracts

Invitations to tender for private sector foundation projects are normally from property developers in Hong Kong. Based on our best information and knowledge, property developers generally maintain their own list of approved contractors to which they will send out tender invitations. Similar to public sector projects, we may either tender for the relevant construction works as subcontractor via main contractors, or tender for the construction works under a separate tender as a main contractor. Again, we also from time to time submit tenders or quotations to main contractors of certain private sector construction projects to carry out part of the works as their subcontractor.

Foundation layout design

We have an in-house design team that is capable of preparing foundation layout designs which cater to the different requirements of each “design and build” project. Generally, our design team is involved early in the tendering process. Our design team includes structural engineers who has extensive knowledge on the sub-soil and bedrock conditions in various localities in Hong Kong. We believe our ability to design competitive foundation layouts is essential in the tendering process as the foundation layout design has a significant and direct impact on the construction costs and therefore the tender amount in our tender proposal.

In a “design and build” contract, our design team closely studies the site investigation report provided by the customer or its consultants which gives important data on the underground conditions which sets out the design parameters for subsequent foundation works. After fully understanding the ground conditions, our design team will then study other factors such as loading requirements of the superstructure, environmental constraints, site and plant constraints, safety, etc. Generally, the specifications, loading plans and loading schedules are provided by the customer or its consultants, usually architects or engineers. Based on an analysis on all relevant factors, the design team will pick the most suitable type of foundation works and commence the actual foundation design work in compliance with the relevant code of practice and regulations. During the tendering process, the design team works closely with the tendering team to work out various details such as costs, manpower, materials, time, etc. required for completion. After a contract has been awarded to us, the design team works closely with the project management team to ensure proper implementation of the layout design. In some occasions, we may also engage outside engineering consulting firm to carry out the detailed foundation design for us.

Project implementation

Formation of project management team

Once we are awarded a contract, our management will form a project team, which normally consists of a project manager, a general foreman and a safety supervisor. Depending on the size of the contract and the complexity of the works undertaken, the project team may also include site engineers, design engineers (as appropriate), and quantity surveyor. The responsibilities of our project management team will include engineering design and technical submission, devising detailed works programme, procurement of materials, delegation of works to subcontractors, coordination with the customer or its consultants, and with subcontractors and suppliers and to take charge in the overall management of these works.

Once a project is launched, our senior management will closely monitor the progress of the project in all respects to ensure that it meets the customer's requirements and is completed in accordance with the time scheduled, within the budget stated in the contract, and in compliance with all statutory requirements in connection with the works, safety, environmental and other related legal or regulatory requirements. Our project team also holds regular project meetings with our employers or, as the case may be, their professional consultants (e.g. architect or engineer) to assess and review the progress of the project and to identify and resolve any problem or issue which may arise during the course of carrying out our works. Our project team also submits progress reports to the employer or its professional consultants during such project meetings.

We were awarded the Studio City project in Macau in May 2012. Our Group has no employees in Macau and all direct workers and necessary project management personnel will be deployed from our Hong Kong offices. The main contractor of the Studio City project will enter into employment contracts with the workers and apply for authorisation of non-resident worker permit for these non-resident workers in Macau. Our Group will bear the staff remuneration for these workers in Macau.

Procurement of materials and machinery

We are principally engaged in the foundation business and most of our works required the use of machinery. We will purchase additional machinery to meet the requirements of a particular project or to replace the aged ones. We had purchased machinery, including crawler cranes, oscillators, reverse circulation drills, hydraulic drills, jacking machines and drilling rigs, from Asian and European suppliers.

The major construction materials used by us are mainly concrete, steel reinforcement, steel H-pile and mild steel casing, which are mainly sourced in Hong Kong. Proposed materials, together with actual sample if possible, will be approved by the customer via our project management team prior to order. For Hong Kong government projects, we normally have to purchase construction materials from approved suppliers within the Specialist List maintained by the Works Branch. For private sector projects, 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 is assessed by the project manager and quantity surveyor of our project management team on a project-by-project basis depending on the progress of works and specific requirements of each projects. Materials purchased by us are normally delivered by the supplier to the construction site directly. We generally do not keep excess inventory.

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We assess the overall performances, including product quality, timeliness of delivery, job references and reputation in the industry, of the suppliers in our approved list on an annual basis to ensure that we have maintained a diversified base of reliable suppliers which offer competitive prices. As at the Latest Practicable Date, there were over 90 suppliers on our approved list of suppliers. Generally, we select our suppliers based on their prices, past performances, and their capacity through a competitive tendering process and none of our suppliers has entered into any long term supply agreement with us. Generally, we pre-order raw materials approximately one week in advance based on progress of works at each of the construction sites, and confirm the order approximately 3 days prior to delivery. 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 subcontractor, if the subcontracts entered into between us and the main contractor so provides, the main contractor may be responsible for purchasing the required materials for us to carry out the subcontracted works concerned.

To carry out the Studio City project in Macau, our Group will employ a specialist transportation company to ship the required machinery to Macau.

Materials and machinery purchased by us are normally settled by cheque payments in Hong Kong dollars. Our suppliers normally grant credit period of 14 to 60 days to us.

We incurred approximately HK\$16.7 million, HK\$91.9 million and HK\$115.4 million in construction materials costs for each of the years ended 31 March 2010, 2011 and 2012 respectively, representing approximately 51.3%, 49.2% and 45.5% of our cost of sales for each of the years ended 31 March 2010, 2011 and 2012 respectively. Construction materials costs incurred for our largest supplier accounted for approximately 11.1%, 8.2% and 16.3% of our total construction material cost for each of the years ended 31 March 2010, 2011 and 2012 respectively and construction materials costs incurred for our five largest suppliers accounted for approximately 42.4%, 25.6% and 49.3% of our total construction material cost for each of the years ended 31 March 2010, 2011 and 2012 respectively.

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) has any interest in any of our five largest suppliers as at the Latest Practicable Date.

Subcontracting

Depending on our internal resources level, cost effectiveness, licensing/specialist requirements, and level of works complexity, we generally, subcontract parts of the construction works, including welding, steel bar fixing, concrete coring, excavation, pile cap construction, site investigation, foundation layout design, etc. to qualified subcontractors by entering into separate contracts with them. During the Track Record Period, all of the Major Projects undertaken by our Group involve some degree of subcontracting. With the use of subcontractors, we can undertake works involving specialized construction skills through a significant pool of workers and technical staff in a wide variety of specific trades without the need for keeping them under permanent employment.

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The terms of our contracts with subcontractors, 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, but we generally adopt the following principal terms in our contracts with subcontractors for major works (e.g. pile cap):

- (a) adoption of retention money;
- (b) implementation of safety measures;
- (c) subcontractors' obligations to follow the reasonable instructions given by our representatives;
and
- (d) subcontractors' obligations to attend meetings, if so required by us.

For other minor works (e.g steel bar fixing and welding), the contracts with our subcontractors generally only cover terms such as scope/quantity of work, payment terms and retention money.

Where possible, we may require our subcontractors for major works to observe the requirements and provisions of the relevant main contract entered into between us and our customers or the main contractors. Except for situations where subcontract rates and specifications of subcontracted works are particularly stated in the subcontract agreement, we generally endeavour to have other material terms including payment, supervision and terms of measure of contract works follow those contained in the relevant main contract. Our subcontractors are neither our employees nor agents and we are not a party to the employment arrangement between our subcontractors and their employees.

For any given projects, we select subcontractors from our approved list of subcontractors. Our Group has a stringent selection process for its approved subcontractor list, requiring subcontractors to meet criteria based on a number of parameters including requirements in the main contracts with our customers or main contractors, qualifications of the subcontractor, previous cooperation experience, their quality of work, skill sets of their workers, previous job references, reputation in the industry, price competitiveness of quotation and credit-worthiness. When required, our Group's project team will hold technical interview to assess the subcontractor's capability and understanding of the works. In order to ensure the quality of works to be provided by our subcontractors, they are not allowed to subcontract their subcontracting works without our prior consent. In that connection, subcontractors are generally required to make declaration on abstaining from subcontracting works to other subcontractor.

As at the Latest Practicable Date and save for the subcontracting arrangements between operating subsidiaries of our Group, all of our subcontractors were Independent Third Parties. Pursuant to either the main contract with our customers or main contractors, or applicable laws, we remain liable to the project owners for the performance of our subcontractors. We are also liable to any potential employees compensation claims and personal injuries claims made by the employees of our sub-contractors arising from works injuries as may happen from time to time and we have maintained insurance policies to fully cover such liabilities. Therefore, we implement close and regular assessment of our subcontractors during the course of a project to ensure quality of their works and our project managers, safety officers and environmental officers will make regular site visits to ensure general compliance by our subcontractors in all respects particularly regarding safety and environmental requirements.

For instance, our Group organises each project to enhance smooth operation of the project and control over subcontractors. The responsibilities of our Group's key staff in relation to supervision and control of subcontractors are clearly defined as follows:

(i) Project manager

Manage daily operation amongst subcontractors in accordance with contract requirements and communicate, implement and monitor our Group's policies for effective implementation. Also monitor the overall performance of the subcontractors and resolve problems on a daily basis.

(ii) Site agent

Plan, coordinate and supervise overall site daily activities, arrange resources and priority of works. Assess subcontractors to implement various policies and plans and ensure works are carried out according to specification and drawings. Implement, monitor and maintain site safety, environmental protection measures.

(iii) General foreman/front line supervisor

Supervise and inspect subcontractors' works, monitor site daily activities, and implement policies and plans to ensure works are carried out according to specification and drawings. Identify non-conformity, propose corrective and preventive actions and monitor its effective implementation.

In addition, during the continuance of the contracts with our subcontractors, we will supply with them our internal guidelines on safety and environmental issues and we will also regularly hold meetings with our subcontractors to update their knowledge on such issues. Having considered that (i) our Group has not experienced any material problems (e.g. quality of work or delay of completion) with any of our subcontractors during the Track Record Period; and (ii) our clients have not made any material complaints on our Group's subcontractors or the works performed by them, the Directors are of the view and the Sponsor concurs, that the aforementioned control measures in relation to subcontractor supervision are adequate and effective.

We are committed to prohibiting recruitment of illegal workers and when recruiting employees, whether in our offices or the sites for which we are responsible, we will carefully check the identification documents provided by the candidates. We will report to the police when we come across any candidate with suspicious identity. During the Track Record Period, no illegal workers have been reported in the sites for which we are responsible. We require our subcontractors to carefully check the identity documents of their workers to ensure that no illegal workers are hired to work in the sites for which we are responsible.

Our Directors are of the view that we maintain good working relationships with our subcontractors. Our subcontractors range from sole proprietors with several employees to sizeable companies qualified under the List of Approved Contractors and/or the Specialist List. During the Track Record Period, there were over 60 active subcontractors on our approved list of subcontractors. Active subcontractors are subcontractors that generally respond to our requests for quotation for potential works. Long-standing relationship with subcontractors enables us to have comprehensive assessment of the subcontractors over years, ensuring the quality of works in the long run. The credit term granted by subcontractors normally

ranges from 14–30 days after issuance of progress certificate. Some subcontractors do not grant any credit term and the sum is due immediately upon issuance of progress certificate. Our approved list of subcontractor is reviewed and updated annually.

During the Track Record Period, the subcontracting charges incurred by us amounted to approximately HK\$2.1 million, HK\$57.9 million and HK\$56.6 million for each of the years ended 31 March 2010, 2011 and 2012 respectively, representing approximately 6.4%, 31.0% and 22.3% of our total cost of sales for each of the years ended 31 March 2010, 2011 and 2012 respectively. For each individual project, the amount of subcontracting charges largely depending on the extent of involvement of subcontractors, which is in turn subject to the nature and method of construction works required. Thus, the fluctuation in subcontracting charges was mainly attributable to different extent of the subcontractors' works in proportion to our Group's core foundation works. For example, in the year ended 31 March 2010, the type of works for the Bonham Road project, Jaffe Road & Marsh Road, Wan Chai project and the Gloucester Road and Marsh Road project (which accounted for 69.2% of our revenue of the year) involved only bored piles, and in that year our Group only incurred subcontracting charges of approximately HK\$2.1 million, or 6.4% of the total cost of sales. As the extent of involvement of subcontractors, and thus the subcontracting charges, have already been considered and estimated when preparing for tendering of each project, our Directors believe that, save for the gross profit margin which is affected by the proportion of subcontracting charges relative to total revenue, the fluctuation of subcontracting charges does not have material impact to our Group's financial performance. Subcontracting charges attributable to our largest subcontractor accounted for approximately 46.4%, 15.0% and 15.9% of our total subcontracting charges for each of the years ended 31 March 2010, 2011 and 2012 respectively and our five largest subcontractors accounted for approximately 100.0%, 53.3% and 56.7% of our total subcontracting charges for each of the years ended 31 March 2010, 2011 and 2012 respectively.

None of our Directors, their associates or any Shareholders (which to the best knowledge of our Directors will own more than 5% of the issued share capital of our Company immediately upon completion of the Share Offer) had any interest in our five largest subcontractors as at the Latest Practicable Date.

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, etc, and can vary widely. The construction periods of our projects during the Track Record Period varied from three months to one and a half year. Project duration may sometimes be lengthened due to unanticipated geological condition and exceptional technical complexities, for instance, in our Tai Kok Tsui project which was completed in December 2008. It was first expected that the project would be completed in six months but it eventually took eight months to complete.

Guaranteed maintenance period

Our customers would normally require a guaranteed maintenance period, during which we are responsible to rectify construction defects. The guaranteed maintenance period ranges from six months to twenty four months, depending on the nature and the scale of the project. On the other hand, we may also require a guaranteed maintenance period from our subcontractors if necessary.

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Under the usual terms of the construction contracts, we are liable to rectify all defective works during the guaranteed maintenance period, if any. Our project management team conducts rectification on the defective works identified by our clients and upon completion of the rectification works, our clients are required to sign a confirmation indicating their satisfaction of the rectification works. If necessary, additional costs for repairs and maintenance are provided for in the financial statements. During the Track Record Period, we have not experienced any material claim of over HK\$0.1 million by our customers in respect of our works, and have not provided 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 and occasionally on a milestone basis with reference to the value of works done. In general, we submit an interim payment application to our customers on a monthly basis according to the amount of works completed during the month. Once we have submitted a monthly application for interim payment, the authorised person, such as the architects or quantity surveyors employed by the customers, would issue a progress certificate certifying the works progress in the preceding month. It normally takes about twenty-one to thirty days for such certificates to be issued. Upon the issue of the certificate, the customer is deemed to have an obligation to pay our Group the amount certified less retention money. Thus, generally no invoice is billed by our Group which is a general industry practice. For certain private customers, our Group may, at the customer's request, issue a debit note or invoice based on the progress certificate issued. Payments are generally made within thirty days after the issue of the progress certificate from public and private customers, respectively.

In most contracts, there is a contract term for the customers to hold up a retention money from the progress payment. The retention money for each project ranges from 1% to 5% of the total contract sum. Generally, in private contracts, 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 guaranteed maintenance period. But in most of Hong Kong government and Housing Authority contracts, the retention money is released only upon the issue of certificate of completion of making good defect after the expiry of the guaranteed maintenance period. As at 31 March 2012, retention receivables held by our customer included in total trade receivables amounted to approximately HK\$19.5 million.

Our Group recognises construction contracts income based on the stage of completion of the contracts. The stage of completion of a contract is established by reference to the construction works certified by an independent surveyor. The portion of total contract revenue that is certified to have been completed in a period is recognised as revenue of our Group in the respective period. It normally takes 21 to 30 days for the progress certificates to be issued, and the certification date may not fall exactly on the end of our Group's reporting period. In this case, the value of work performed by our Group in a particular project before the end of each reporting period but after the last certification date during the reporting period is also recognised as our Group's revenue if the portion of the work is properly certified subsequent to the reporting period.

Similarly, we normally pay our subcontractors on a monthly basis with reference to the value of the works done and if the main contract adopts milestone payment, we will, to the extent practicable, seek payment term for subcontractors on similar basis. Each of the subcontractors is required to submit a

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request for payment to us at the middle or the end of each month. Once we have verified the subcontractor's request against the actual works done or their payment entitlement according to the milestone payment term, we will release the relevant proportion of the subcontracting amounts but hold up a retention money. Payments are generally made within one month after the subcontractor's request. The retention money from subcontractors ranges from 1% to 5% of the total subcontract sum and is normally subject to a mutually agreed cap. As at 31 March 2012, retention money payable to our subcontractors held by us included in trade payables amounted to approximately HK\$2.9 million.

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

Performance bonds/liquidated damages

In order to secure due and timely performance of the main contractor, it is normal for customers to request the main contractor to take performance bonds issued by a bank or an insurance company in favour of the customers, and to include 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, etc.), 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 client.

Generally, the amount of performance bond required for a project undertaken out by us would not exceed 10% of the total contract sum and the performance bond normally expires after completion of the project. As at 31 March 2010, 2011 and 2012, our Group had guarantees on performance bonds of approximately HK\$3.4 million, nil and HK\$5.5 million respectively. We believe that we have a reputation for completing projects on schedule, and during the Track Record Period, no performance bond had been called by our customers by reason of late completion of any of our projects.

The following table sets out the summary of timeline of major milestones for receipt of contract sums by our Group:

Milestone for receipt of contract sums	Timeline
— submission of application for interim payment	usually monthly during contract period
— issuance of progress certificate	normally ranging from 21 to 30 days
— payment by customers	generally within 30 days
— receipt of all retention money from customers	ranging from 6 to 24 months

MACHINERY

Most of our works require the use of various machinery. Since our establishment, we have been acquiring machinery mainly from Europe and Asia. 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 major infrastructure and building developments in Hong Kong in

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the foreseeable future. We have made substantial investment in machinery in recent years. During each of the years ended 31 March 2010, 2011 and 2012, we acquired new machinery in the amount of approximately HK\$36.6 million, HK\$75.8 million and HK\$42.3 million, respectively to cater for the increasing demand for new or more sophisticated machinery. As at 31 March 2012, our machinery had a total net book value of approximately HK\$170.9 million.

The principal machinery of our Group include the following:

- (a) Crawler crane: it is used for grabbling, chiseling and lifting during bored piling operations
- (b) Oscillator: it is used together with the crawler crane as excavation tool to form bore holes into the ground
- (c) Reverse circulation drill: it is used to drill through hard and soft materials to form large diameter bore in the ground
- (d) Hydraulic drill: it is used to drill through hard and soft material to form small to medium diameter bore in the ground
- (e) Jacking Machine: it is used to press steel H-pile or circular concrete pile into the ground
- (f) Drilling rig: it is a track mounted machine used with hydraulic drilling equipment in H-pile or mini-pile.

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 machinery are usually carried out by the authorised agent and third party maintenance specialists.

Some of our Group's machinery was financed by finance leases. In light of our liquidity position as at 31 March 2010, our Group raised external financing through finance leases and bank borrowings, part of which is non-current in nature, to ease our needs for working capital and our long-term investment in machinery. The Directors confirmed that this arrangement was in line with industry practice. In choosing between finance lease arrangements and other financing sources such as bank borrowings, our Group takes account of a basket of factors including interest cost, availability of funds, repayment schedule and security requirements among which interest cost is an important factor. During the Track Record Period, our Group took on more finance leases than bank borrowings in terms of monetary value, and the average interest cost of finance leases was lower than that of bank borrowings during the Track Record Period. For the year ended 31 March 2011, the average interest rates were 1.39% per annum and 1.59% per annum for our finance leases and bank borrowings respectively. For the year ended 31 March 2012, the average interest rates were 2.23% per annum and 2.44% per annum for our finance leases and bank borrowings respectively. Average interest rate was calculated as finance cost divided by the average month-end balances of finance lease liabilities or bank borrowings during the period.

Since the year ended 31 March 2010, our Group has acquired certain machines by way of finance leases, under which our Group purchased certain machines from suppliers, sold them to a bank and the bank leased back those machines to our Group at stipulated monthly rents in a fixed term. Under these

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finance leases, we were given options to purchase these machines at a nominal amount ranging from HK\$500 to HK\$1,000 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 the lessee, these leases were classified as finance leases of our Group and 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\$22.8 million, HK\$88.5 million and HK\$117.9 million as at 31 March 2010, 2011 and 2012 respectively, representing 27.4%, 56.8% and 69.0% of the net book value of machinery as at 31 March 2010, 2011 and 2012 respectively.

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

- (a) The utilisation rate of individual machines cannot be clearly defined. A typical construction project requires the use of different machines at different construction steps, and machines from time to time are left unused in active construction sites pending for completion of other construction steps. Machines are also sometimes left unused for repairing, assembling or disassembling in construction sites. For these reasons, it is our Directors' view that it would be difficult and even infeasible to define accurate utilisation rate of machines in general. Besides, it is not practicable for us to make a full account of the daily/hourly usage of each individual machine.
- (b) As at 31 March 2012, our Group had over 150 pieces of machinery and equipment in our Group's fixed asset inventory, representing a collection of 30 types of machinery and equipment. A single construction task usually requires several types of machines and equipment. Since our Group's operation involves more than ten types of foundation works and ancillary services, it would be difficult for us to identify one or a few types of machinery and equipment that are most crucial to the operation of our Group.

Machinery rental

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 our warehouses or leased to other third party machinery company and contractors if opportunities arise. However, we are not actively pursuing and do not intend to actively pursue business opportunities in machinery leasing which is conducted only for increasing utilization of idling resources.

During the Track Record Period, revenue from machinery leasing represents approximately 12.0%, 0.2% and 3.4% of our total revenue for each of the years ended 31 March 2010, 2011 and 2012 respectively.

CREDIT POLICY

We normally secure our business through competitive tender process. Before deciding whether to submit a tender proposal, we normally consider factors such as the creditworthiness of the relevant customers and the key contract terms stipulated in the relevant tender document. For details of the tendering process, please refer to the sub-section headed "Tendering" of this section. We will closely monitor the payments from the customers pursuant to the terms of each respective contract. In addition, our management also takes into account the length of business relationship, past reputation, financial

strength and repayment history of each of our customers. If necessary, meetings are held between our management, project team and accounts department to review the aging status of our account receivables. Settlement is monitored by our accounts department. For outstanding balances that are overdue by 60 days, 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 14–30 days after the issue of the progress certificate by the authorised person. Settlement is normally made in cash. Our trade receivable turnover day was approximately 71.3 days, 59.4 days and 85.7 days for the years ended 31 March 2010, 2011 and 2012 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. 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 in all respects. In pursuit of quality excellence, we have established formal quality management system in accordance with the requirements of ISO 9001:2008, OHSAS 18001:2007 and ISO 14001:2004 to develop a sustainable performance-oriented culture with an emphasis on pursuing continuous improvement rather than adopting a short-term and project based approach.

We place strong emphasis on quality control as we believe completing works that meet or exceed our employer's requirements is crucial not only for building safety, but also for job reference and future business opportunities. To ensure our works meet the required standards, we normally assign a foreman on a full time basis at each of the construction sites as the first line of monitoring of the quality of works done by our own staff and, as the case may be, our subcontractors. The project manager who generally makes daily visits to construction sites is responsible for monitoring works quality and progress of works and ensure that works are completed according to schedule. Furthermore, our project team hold weekly meetings with our management during which our management monitors each of the projects' progress and discuss issues identified. Our management monitors closely the progress of each of the projects to ensure the works (i) meet our employer's requirements; (ii) are completed within the time stipulated in the contract and the budget allocated for the project; and (iii) comply with all relevant codes and regulations applicable to the works. Since remedies for defective piling works are often not possible once construction works for the superstructure have commenced, we and our employers conduct thorough testing of the piles before certification of completion of foundation works so as to ensure that our piling works meet or exceed the required standards prior to commencement of construction works of the superstructure.

With regards to raw materials, we generally procure them from our own approved list of suppliers which we have had satisfactory past business relationships. In certain projects (e.g. government projects), we may be required by the employer to procure raw materials from our employer's approved list of suppliers. To ensure a consistent quality in the raw materials used which meet the required standards, we may from time to time engage third party laboratories to conduct sample tests on the

strength of our two principal raw materials, i.e. steel and concrete. For projects where we are engaged as a subcontractor, our employer may also from time to time conduct their own testing of raw materials to ensure quality.

ENVIRONMENT

Our business is subject to certain 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. Our Directors believe that it is essential for us to act as an environmentally responsible contractor to meet the customers’ demands in environmental protection and the expectation of the community for a health living environment and in return it will ensure the healthy growth and development of our business.

We are committed to minimisation of any adverse impact on the environment resulting from our business activities to fulfill our responsibilities to both the community and environment. In addition, 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 and Sunley and Sunnic were awarded ISO 14001 certification in 2008 and 2009, respectively. We allocate resources to update our environment management system and maintain our ISO 14001 certification in order to reduce our risks related to environmental issues. We also require our subcontractors to comply with our environmental protection policy and encourage our staff to contribute towards sustainability by adopting environmentally friendly construction method and planning their works to efficiently eliminate waste to the maximum extent with the view to achieving long-term cost savings.

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 minimize disturbances to residents in the vicinity of our construction sites. Due to the nature of percussive piles which involve the driving of piles by percussive means (e.g. hammering), this type of piling works is perceived to generate a substantial amount of noise and vibration while the machines are in operation. On the other hand, our other main piling type bored piles generate comparatively less noise and vibration than percussive piles. However, the use of bored piles may be restricted by the size of the construction site as the machinery involved generally require much more space than those used by percussive piles. As such, use of bored piles may not be possible on small construction sites such as certain redevelopment sites within high density urban areas. The hours of operation during which foundation works are permitted are set out in the construction noise permit issued by the Environmental Protection Department. 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 are permitted to operate for only 3 hours a day in urban areas. Works are generally not permitted on Sunday and public holidays. Under certain circumstances, we may apply for special extension to carry out works during prohibited hours but such special extension would only be granted on the basis that works carried out will not disturb others, e.g. for construction sites located at remote areas with no nearby residents. 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 relevant authorities and the person making the complaint with the aim of introducing measures (e.g. installing sound proofing) to mitigate the disturbances caused.

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During the Track Record Period, the annual cost of compliance with applicable environmental laws and regulations in Hong Kong were approximately HK\$0.3 million, HK\$1.1 million and HK\$1.4 million respectively. The increase in the annual cost of compliance for the year ended 31 March 2011 was mainly attributable to the acquisition of Sunnic by our Group during that year. Our Group expects such cost going forward would be at similar level as the annual cost for the year ended 31 March 2012. During the Track Record Period, we were in full compliance with applicable environmental laws and regulations.

SAFETY AND INSURANCE

Safety

Our Directors are of the view that if safety is not managed properly, it can be extremely costly not only in human terms, but in monetary terms as well. Therefore, safety is treated as the highest priority during the delivery of our services and we are committed to providing a safe and healthy working environment for the benefit of our staff, our subcontractors and the general public. Our Directors believe that our corporate image as a quality foundation contractor could be enhanced through continual improvement in safety performance. We established a safety and health management and audit system in accordance with the requirements of OHSAS 18001 and Sunley was accredited with OHSAS 18001:2007 certification in 2009.

Our safety system is documented in written procedures and supplemented with oral instructions, training and demonstration. We require strict implementation of our safety system with supervision by our Group's or the subcontractors' management staff. In addition, we have employed qualified safety officers approved by the Labour Department in Hong Kong to monitor and implement our safety system. Our Group hires a consultancy company for conducting safety risk assessment, performing safety inspection, providing safety training, preparing safety plan for our Group and preparing underground utility detection report for construction sites. We will continue to put adequate resources and effort to uphold and improve our safety management system in order to reduce our risks related to safety issues. The safety measures adopted by our Group are set out in the paragraph headed "Litigation, arbitration and potential claims" under this section.

Due to the nature of works in the construction industry, risks of accidents or injuries to workers are inherent. Although our Group has implemented various safety measures to mitigate such safety risks, the occurrence of accidents or fatal injuries to workers on our construction sites cannot be completely eliminated. For the three years ended 31 March 2012 and the period between 1 April 2012 and the Latest Practicable Date, we recorded four, eight, four, three accidents respectively, involving four, nine, seven and three workers who were either employed by our Group or by our subcontractor(s) respectively. The above information includes the accident cases of Sunnic and Full Gain, although they were acquired by our Group in the year ended 31 March 2011. We have taken out insurance for our workers as required by contracts and/or the Employment Ordinance. During the Track Record Period, no material injury and fatal accidents have happened in the sites for which we were responsible, and no prosecution has been laid against us by any relevant authorities in respect of violation of applicable laws or regulations of safety and health.

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In March 2012, an accident occurred on one of our Group's construction site which has resulted in serious injury and there is pending litigation in relation to charges laid by the Labour Department in connection with the accident. Further details of the accident and the charges laid by the Labour Department are set out in the paragraph headed "Litigation, arbitration and potential claims" and "Compliance" under this section.

A table comparing the construction industry average rate against our Group in regards 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)
2009		
accident rate per 1,000 workers	54.6	30.7
fatality rate per 1,000 workers	0.376	—
2010		
accident rate per 1,000 workers	52.1	55.4
fatality rate per 1,000 workers	0.163	—
2011		
accident rate per 1,000 workers	49.7	17.7
fatality rate per 1,000 workers	0.367	—

Note 1: Occupational Safety and Health Statistics Bulletin Issue No. 12 (July 2012) by Occupational Safety and Health Branch Labour Department.

Note 2: Our Group's accident rate is calculated as the occurrence of accident during the year divided by the daily average construction site workers in Sunley's and Sunnic's construction sites during the year. The daily average construction site workers includes employees of Sunley, Sunnic and their subcontractors.

Based on the above, our Directors believe that the accident rate of our Group is similar to the industry average and our fatality rate is lower than the industry average.

In 2009, 2010 and 2011, our Group recorded no fatal injuries at our construction sites. In 2010, the accident rate at our construction sites was slightly higher than the construction industry in Hong Kong, while the accident rate at our construction sites in 2009 and 2011 was noticeably lower than the construction industry.

Our Directors confirmed that we have complied with all the relevant laws, rules and regulations relating to safety and health. Upon perusal of the necessary documents relating to the existing projects undertaken by our Group, our legal adviser as to litigation in Hong Kong confirms that it is not aware of any 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 contractual term between the relevant main contractor and a customer, 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 subcontractors. However, the subcontractors 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 which, depending on the terms of the relevant contracts, are taken out either by the main contractors (in the case of us being a subcontractor) or us. When acting as a subcontractor, we 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 subcontracting 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 which is on a per incident basis. Our Group considers such insurance coverage is sufficient for its liabilities under employees' compensation claims and personal injuries actions. For machinery acquired under finance leases, the banks also require 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.

COMPETITION

Our Directors believe that competition in the foundation industry is not as keen as that in other parts of the construction industry as the barrier of entry is relatively high.

Public sector

In the public sector, contractors undertaking foundation works must be listed under the Works Branch and/or the Housing Authority, and/or other public organisations. Please refer to the section headed "Laws and Regulations" in this prospectus for further details.

The following table sets out the license or registration categories for public sector works under which our Group is approved for and the number of approved contractors so approved in each of these categories as at 17 September 2012:

License or registration	Number of approved contractors
Specialist List Group II in large diameter bored pile (with bell-out)	14
Specialist List Group II in mini pile	19
Specialist List Group II in rock-socketed steel H-pile in pre-bored hole	22
Specialist List Group II in steel H-pile	20
Housing Authority List of Piling Contractors (Large Diameter Bored Piling Category)	9

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As at 17 September 2012, there were 35 approved Specialist List Group II contractors (with a majority of them registered in more than 1 category) under the land piling work category of the Development Bureau's list of approved specialist contractors for public works. There were only six specialist contractors that are eligible for undertaking piling works by all of the four methods which our Directors consider to be common in the industry: (i) large diameter bored pile (with bell-out), (ii) rock-socketed steel H-pile in pre-bored hole, (iii) steel H pile, and (iv) minipile. With only 35 approved Specialist List Group II contractors for land piling work, and even fewer specialist contractors that are eligible for undertaking piling works by all of the four common methods competing for all piling and related foundation works in public projects in Hong Kong, the environment of competition in the public projects foundation industry is likely to be less intense than in other sectors of the construction industry. Our Directors consider that our Group's major competitors in the public sector are China State Construction Engineering (Hong Kong) Limited (subsidiary of Hong Kong listed company), Gammon Construction Limited, Tysan Foundation Limited (subsidiary of Hong Kong listed company) and Kin Wing Engineering Company Limited and based on our Directors' industry knowledge, we believe these competitors can achieve better economy of scale through higher construction capacity than our Group.

As mentioned in the subsection headed "Overview" in the section headed "Business" of this prospectus, the construction contracts income of our Group for the year ended 31 March 2012 represented approximately 2.5% of the gross value of piling and related foundation works performed by main contractors at construction sites in Hong Kong. Since our construction contracts income generated from public projects represented approximately 9.9% of our Group's total construction income for the year ended 31 March 2012, our Group's market share for public sector foundation works for the year ended 31 March 2012 was estimated to be insignificant. As illustrated in the chart titled "Gross value of construction works performed by main contractors at construction sites in Hong Kong" set out in the subsection headed "Construction industry in Hong Kong" in the section headed "Industry Overview" in this prospectus, both public and private sector construction outputs in 2011 were at comparable levels. Accordingly, we consider that the above is a fair estimate of our Group's market share in the public sector foundation works.

Private sector

In the private sector, the Buildings Department requires contractors undertaking foundation works, site formation and ground investigation field works to be registered under the Buildings Ordinance as a registered specialist contractor. Please refer to the section headed "Laws and Regulations" in this prospectus for further details.

The following table sets out the license or registration categories for private sector works in which our Group is registered under and the number of contractors so registered in each of these categories as at 17 September 2012:

License or registration	Number of approved contractors
Registered specialist contractors under the foundation works category	129
Registered specialist contractors under the site formation category	170
Registered specialist contractors under the ground investigation field works category	42

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Comparatively, there were 647 registered general building contractors that were permitted to undertake any general building works as at 17 September 2012. Our Directors consider that our Group's major competitors in the private sector are Gammon Construction Limited, Tysan Foundation Limited (subsidiary of Hong Kong listed company) and Kin Wing Engineering Company Limited and based on our Directors' industry knowledge, we believe these competitors can achieve better economy of scale through higher construction capacity than our Group.

As mentioned above, the construction contracts income of our Group for the year ended 31 March 2012 represented approximately 2.5% of the gross value of piling and related foundation works performed by main contractors at construction sites in Hong Kong. Since approximately 90.1% of our construction contracts income was generated from private projects for the year ended 31 March 2012, our Group's market share for private sector foundation works for the year ended 31 March 2012 was estimated to be more than 2.5%. Having considered the construction outputs of the public and private sectors as discussed in the above paragraph headed "Public sector", we consider that the above is a fair estimate of our Group's market share in our private sector foundation works.

Entry barriers

Our Directors believe that the foundation works business, in particular, large diameter bored piling works, is technology and capital intensive. Accordingly, it requires specialist knowledge and substantial initial and continual capital for setting up and maintaining the specialised machinery, thus creating a barrier to entry in the bored piling industry. With our own machinery, specialist knowledge and sound working capital, our Directors believe that we are at a very competitive position in the industry. A thorough understanding and knowledge of the ground conditions of Hong Kong is essential for producing a competitive foundation design and an effective and efficient construction method. In this respect, the foundation business is unlike superstructure/building construction. Our Directors believe that these requirements have created barriers against international and local contractors who wish to take part in the foundation construction business in Hong Kong.

INTELLECTUAL PROPERTY RIGHTS

We have marketed our business in Hong Kong using  and Sunley as our brand name, and the registration of our trademarks in Hong Kong has been granted on 11 October 2011. Detailed information of our intellectual property rights is set out in the section headed "Intellectual property rights of our Group" in Appendix V to this prospectus.

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EMPLOYEES

As at 31 July 2012, we had a total of 164 full-time employees that were directly employed by our Group. A breakdown of our employees by function as at the same date is set forth below:

	As at 31 July 2012
Project management	23
Administration, accounting and finance	12
Design engineering	6
Direct workers	<u>123</u>
Total	<u><u>164</u></u>

Our Directors believe that the relationship and co-operation between our management and our employees has been good and we have not experienced any incidence of work stoppage or labour dispute, nor have we experienced any significant turnover in employees during the Track Record Period.

We believe that our employees are important assets to our Group. New employees are required to undergo training to familiarise themselves with the rules and regulations of our Group and the requirements of their job before they start work. They are also subject to a 3-month probation period. At the end of the probation period, they will be confirmed as full-time employees if their respective supervisors are satisfied with their performance during the probationary period.

We also place emphasis on the continuing education and training of our staff. In particular, we focus on training our management and key personnel to develop their management and decision-making abilities to enhance their work performance. We encourage a culture of learning and education in our Group and we sponsor our employees to attend external training programmes to acquire advanced knowledge and skills in technology and management.

The remuneration package we offer to our employees includes salary, bonuses and allowances. In general, we determine employee salaries based on the individual's qualifications, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions. Our employee benefits expense including Directors' emoluments (including salaries, wages and allowances and retirement benefit costs) amounted to approximately HK\$8.0 million, HK\$38.7 million and HK\$63.8 million for each of the years ended 31 March 2010, 2011 and 2012 respectively.

PROPERTIES

We do not own any property and lease all of the premises occupied by us. As at the Latest Practicable Date, we had three leased properties located in Hong Kong. Two of these properties are occupied by us as our offices while the remaining one is occupied by us for storage of machinery and equipment. Save for the office space leased from Super Ease and Sunnic Holdings, the details of which are set out under the section headed "Connected Transaction", the landlords of the remaining premises are Independent Third Parties. Please refer to the section headed "Property Valuation" in Appendix III to this prospectus for further information of our leased properties.

LITIGATION, ARBITRATION AND POTENTIAL CLAIMS

In the ordinary and usual course of our Group's business, it is not uncommon for our Group to have disagreements with our customers in relation to, for example, the final contract sum due to the complex contractual terms, uncertainties in the underground situation of constructions sites and natural elements such as inclement weather which may delay the progress of construction works. These disagreements with customers are usually resolved through negotiations between our Group and our customers. Our Group had certain disputes with a single customer in relation to the First Project and the Second Project which were completed in 2001 and 2003 respectively which were resolved through recovery proceedings. The disputes in relation to the First Project had certain financial impacts on our Group before the Track Record Period, while the disputes in relation to the Second Project had certain financial impacts on our Group before and within the Track Record Period. Further information of such financial impacts are discussed in the section headed "Financial Information" of this prospectus. Save for the contractual disputes in relation to the Second Project, neither the Company nor any of our Group's members had material dispute, arbitration or legal proceedings with other customers during the Track Record Period.

In respect of the First Project, there were a series of stringent measures implemented by the customer for supervising the construction works which were not set out in the contract document of the First Project. Due to the additional works carried out by our Group as a result of the above measures, there were much delays and additional costs incurred by our Group. Contractual disputes in relation to the First Project (the "**First Contractual Dispute**") arose in different stages mainly due to the variation works and extension of time claims in relation to the First Project performed by our Group resulting in disputes over the outstanding balance due under the final account of the First Project. Both in 2006, formal demand for the outstanding balance due under the final account of the First Project amounting to approximately HK\$59 million which mainly represented the value of the additional works performed were made by our Group to the customer and liquidated damages amounting to approximately HK\$94 million were alleged by the customer against our Group on the ground that the works were not completed within the time for completion as prescribed under the contract of the First Project. The recovery proceedings in relation to the First Contractual Dispute commenced in late 2006 and were settled in late 2008. For the First Project, prior to the Track Record Period, our Group had recognised the total revenue as agreed in the original contract amounted to approximately HK\$73.7 million and the relevant construction costs incurred for the project upon the completion of the construction work in 2001. For the financial year ended 31 March 2009, as a result of the recovery measures, our Group reversed the claim provision of HK\$35 million made in prior years and recorded the amount of HK\$20 million finally yielded by our Group as revenue.

In respect of the Second Project, there were similarly much delays and additional costs incurred by our Group caused by, amongst others, the unforeseen adverse ground conditions and the substantial increase in pre-boring works. Contractual disputes in relation to the Second Project (the "**Second Contractual Dispute**") arose mainly on the variation works and refund of liquidated damages relating to the Second Project resulting in disputes over the outstanding balance due under the final account of the Second Project. The outstanding amount due and payable by the customer under the Second Project as alleged by our Group amounting to approximately HK\$49.8 million which comprised mainly additional works and refund of liquidated damages. On the other hand, the customer alleged against our Group for an amount of approximately HK\$28.3 million mainly for additional liquidated damages on the ground that the works were not completed within the time for completion as prescribed under the

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contract of the Second Project. The recovery proceedings in relation to the Second Contractual Dispute commenced in late 2006 and were settled in mid 2011. For the Second Project, prior to the Track Record Period, our Group had recognised the total revenue as agreed in the original contract amounted to approximately HK\$157.0 million and the relevant construction costs incurred for the project upon the completion of the construction work in 2003. For the financial year ended 31 March 2009, our Group recorded a net expense of HK\$11.2 million as provision for claims. For the financial year ended 31 March 2011, our Group reversed the provision for claims of HK\$11.2 million and recorded an estimated additional income of HK\$6.4 million after taking into account the advice from our legal counsel and contract consultant about the likelihood of success of the recovery measures. Further information of the financial impact are discussed in the section headed “Financial information” of this prospectus.

To minimise the chances of, and to protect our Group’s interest in the event of any possible disputes arising in the future, our Director, Mr. Ho Chi Ling, has obtained a Master of Arts in Arbitration and Dispute Resolution in 2009 and our Group from time to time engages a construction contracts consultant company to assist our Group in handling potential claims or disputes. The construction contracts consultant company provides consultancy services to our Group for dealing with variations, extension of time claims and monetary claims by reviewing the relevant correspondences, contract documents and providing contractual and commercial advice. Save for the contractual disputes in relation to the Second Project, we did not have any material disputes, arbitrations or legal proceedings with other customers during the Track Record Period. Our Directors and the Sponsor are of the view that such measures are reasonably adequate to protect our Group’s interest should a future dispute arise.

Set out below are the details of the outstanding and potential claims, litigations and arbitrations against our Group as at the Latest Practicable Date and the claims, litigations and arbitrations against our Group settled (whether by way of court judgment or award or settlement) during the Track Record Period and up to the Latest Practicable Date apart from the recovery proceedings in relation to the Second Project. Save for one miscellaneous claim in relation to debt of which the settled amount was not significant, all of the following claims and litigations are related to employees’ compensation claims and personal injuries claims arising out of our Group’s ordinary and usual course of business and are not related to any disputes with the customers of our Group. Save as disclosed below, our Directors and our legal advisers as to litigation in Hong Kong confirmed that there are no other claims against our Group during the Track Record Period and up to the Latest Practicable Date.

Our Group’s liabilities in a case of personal injury include those under (i) the Employees’ Compensation Ordinance (“ECO”); and (ii) common law, i.e. personal injury claim.

ECO is a no fault system and gives employees the right to compensation in respect of (i) injuries or death caused by accidents arising out of and in the course of employment, or (ii) by prescribed occupational diseases under the ECO. In assessing compensation the Court is not concerned with whether the employers are to be blamed for the accident and will apply the formulae as stipulated in the ECO. The relevant factors are the age of the injured, his monthly earnings, and in non-fatal cases, the percentage of permanent loss of earning capacity.

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Claim for damages under common law arises if our Group is at fault. In assessing common law claims damages, the principle is to award a sum of money which will put the party who has been injured to the same position as he would have been in if he had not sustained the wrong. The Court will take into account, among others, hospital expenses, pain and suffering and loss of amenities, loss of pre-trial earnings, prospect of resumed employment and loss of future earnings. In cases of very serious injuries, the Court will also assess the future needs of the plaintiff, such as medical and special accommodation needs. Lastly, the damages awarded under common law claims shall be reduced by the value of the compensation paid or payable under the ECO in any event. In regard to any potential, outstanding or settled claims and litigations, our Group regards employees' compensation claims and personal injuries claims for damages under common law as a whole in assessing the amount of claims. Our Group did not incur legal expenses associated with the employee's compensation and personal injuries claims as such legal expenses are covered by our Group's insurance policies.

(I) Outstanding employees' compensation claims and personal injuries claims arising from accidents against our Group as at the Latest Practicable Date:

- | | |
|---|--|
| 1. Court Action Number: | HCPI 363/2012 |
| Names of Plaintiff(s)/
Claimant(s): | Younas Mehboob |
| Names of Defendant(s)/
Respondent(s): | Sunnic Engineering Limited
Chun Sing Engineering Company Limited |
| Circumstances given rise to: | On site worker personal injuries for an accident occurred on 6 May 2010. |
| Amount of Claim/
Estimated Quantum of
Damages Claimed: | The amount claimed is not available. |
| Status: | The proceedings are still in progress and therefore have not been settled. There is a written confirmation by the insurer of its taking over of the proceedings. |
| 2. Court Action Number: DCCJ 4903/2009 | |
| Names of Plaintiff(s)/
Claimant(s): | Ho Fat Machinery Hired and Transportation Company Limited
c/o Lau Chan & Ko |
| Names of Defendant(s)/
Respondent(s): | Sunley Engineering and Construction Company Limited
Lui Yuk Kwan |
| Circumstances given rise to: | On site worker personal injuries for an accident occurred on 19 November 2003. |
| Amount of Claim/
Estimated Quantum of
Damages Claimed: | HK\$228,702.57 |

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Status:

The writ of summons was issued on 18 November 2009, which was after the Plaintiff's dissolution on 4 May 2007. Our legal advisers as to litigation in Hong Kong advised that this court action was commenced irregularly and therefore our Group's liability will not materialize. Further, since the relevant statutory limitation period had expired, there will not be any other proceedings against Sunley in relation to this incident. As such, Sunley will not be liable for any compensation, legal costs and other expenses.

Notes:

- (1) The employees' compensation claims and personal injuries claims under this category (other than the above court action which was commenced irregularly) were fully covered by insurance. The claims are dealt with and handled by the insurers and our Group does not have the details of the claims except the particulars set out above according to its best knowledge, information and belief.
- (2) The number of employees of our Group involved in each of the above outstanding claims is one.

(II) Potential employees' compensation claims and personal injuries claims arising from accidents against our Group as at the Latest Practicable Date:

As confirmed by our Directors, as at the Latest Practicable Date, there were 21 potential claims. Among these 21 potential claims, 19 are in relation to our Group's employees, and the remaining two potential claims are in relation to employees of our subcontractors. They were still on sick leave for their injuries (the period of occurrence of the relevant incidents was from 17 September 2009 to 3 July 2012). To the best and latest knowledge of the Directors, one of these 21 employees suffered a serious injury caused by equipment handling (included as item 5 in the summary below), which may be a material claim. Since no civil action relating to the serious injury has been commenced as at the Latest Practicable Date, the claimed amount cannot be ascertained and is therefore only included as one of the potential claims herein. Our Group considers "material claim" to be claims with amount in excess of HK\$1,000,000. Out of the 21 potential claims, the employees' compensation claims of 11 injured employees had been fully settled in the aggregate amount of HK\$660,740.45 while one was settled by court judgement in the amount of HK\$120,000, but the relevant personal injuries actions have not been commenced. As for the other nine injured employees, the employees' compensation claims and/or personal injuries actions have both not been commenced. Such claims are within the limitation period of three years from the date of the relevant incidents. As such claims have not been commenced, we are not in a position to assess the likely quantum of such potential claims. In any event, our Group has insurance cover for its liabilities of all these potential claims and outstanding claims as at the Latest Practicable Date, notices of all the accidents had been given to the insurers. For the 21 potential claims for which the injured were deemed employees of our Group, either directly employed by our Group or by our Group's sub-contractors, they would be fully covered by the mandatory insurance. As the potential liability under each claim would be less than the statutory minimum insurance coverage of HK\$100 million, which is on a per incident basis, under Section 40 and Fourth Schedule of the ECO, our Directors confirmed that our Group's liabilities under all the outstanding and potential employees' compensation claims and personal injuries actions are

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sufficiently covered by insurance. These accidents were caused during the usual and ordinary business of our Group and have not caused disruption to our Group's business. No penalty was imposed by the government authority on our Group, directors or senior management as a result of these injuries. Summary of the potential claims are as follows:

Item	Nature	No.
<i>Employees' compensation claims had been settled but personal injuries action has not been commenced</i>		
1.	Injured by equipment handling	7
2.	Slipped and fell	5
<i>Neither employees' compensation claim nor personal injuries action have been commenced</i>		
3.	Fell from working platform	2
4.	Slipped and fell	1
5.	Injured by equipment handling	4
6.	Injured by falling object	2

Note: The number of employees involved in each of the above potential claims is one.

Our Directors confirmed that the injuries suffered by the employees under the said 21 potential claims generally arose from two major causes, (1) accidents; and (2) failure by subcontractors to take adequate steps to ensure safety of employees. For safety guidance, our Group may provide to our subcontractors a copy of our "*Safety Rules*".

Subject to the latest safety regulations as stipulated by the relevant governmental departments, details of the "*Safety Rules*" are summarised as follows:

- (i) safety gears such as helmets, footwear, safety belts must be provided to all subcontractors' employees;
- (ii) plants and equipment must be handled in accordance with the laws of Hong Kong, electrical wires must be properly hung up and earthed, moving parts of all machineries must be fitted with protective guards;
- (iii) dangerous or chemical substances must be stored in a safe and ventilated place;
- (iv) if guardrails, chains and folding doors are required to be removed for the ease of carrying out of works, they must be reinstalled immediately after removal;

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- (v) prior to their use, all machineries must be examined to ensure compliance with the statutory requirements;
- (vi) regular safety report forms must be submitted for works involving foundation excavation, machinery delivery, scaffolding, etc., in accordance with the laws of Hong Kong;
- (vii) one full time safety supervisor must be on-site for every site with 20 staff;
- (viii) all accidents must be reported immediately;
- (ix) site safety meetings must be attended;
- (x) the sub-contractor's staff must attend the Labour Department's "*Mandatory Safety Training*" and our Group's training session;
- (xi) regular inspections shall be conducted and administrative fees shall be levied in case of non-compliance; and
- (xii) all the workers will check the safety equipment when they start working every day, and the supervisors will inspect the safety equipment during the bi-weekly site inspection.

(III) Employees' compensation claims and personal injuries claims arising from accidents against our Group fully settled by our Group (whether by way of court judgment or award or settlement) during the Track Record Period and up to the Latest Practicable Date:

During the Track Record Period and up to the Latest Practicable Date, our Group had settled four claims and litigations arising from accidents with an aggregate settled amount of HK\$912,492.50. Among these four claims, three cases were in relation to our Group's employees, and one claim was in relation to an employee of our subcontractor. These four cases were fully covered by insurance. Two of these four claims involved accidents that occurred before the Track Record Period. Set out below are the details of the settled claims:

Item	Nature	Settled Amount HK\$
1.	Employees' compensation claim for worker's onsite injuries	130,000.00
2.	Employees' compensation claim for worker's onsite injuries	120,000.00
3.	Employees' compensation claim and common law claim for worker's onsite injuries	147,492.50
4.	Employees' compensation claim and common law claim for worker's onsite injuries	515,000.00
		Total: <u><u>\$912,492.50</u></u>

Note: The number of employee involved in each of the above claims is one.

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Apart from the above, since the Track Record Period and up to the Latest Practicable Date, our Group had settled one miscellaneous claim in relation to debt. The amount settled was not significant. There was no claim, litigation and arbitration which was individually or collectively material to our Group and not in the ordinary and usual course of our Group's business. No Directors/senior management of our Group were/would be held liable to those claims, litigations and arbitrations.

Our Directors are of the view, and the Sponsor concurs, that occurrences of personal injuries, property damages or fatal incidents is not uncommon in the construction industry.

Our Group has put in place various measures to enhance safety standard, avoid work related accidents and minimise our risk in breaches of statutory provisions. These measures implemented by our Group include (i) implementation of "*Safety Rules*" to all construction sites (the details of which are summarised above); (ii) provision of internal training sessions as there are new update on safety regulations to all employees of our Group and sub-contractors of all tiers by supervisors attending external safety and accident prevention training course organised by the Occupation Safety and Health Council; (iii) deployment of site staff to conduct regular bi-weekly site inspections to ensure compliance with statutory provisions; (iv) the safety manager and/or the safety supervisor conducts daily inspection to confirm the works are carried out according to safety requirements; (v) safety induction training for all labours (including subcontractors') before they can commence work on site; (vi) specific trainings such as fire drill, first aid drill and chemical leak drill conducted once every three months; (vii) tool box talks which focus on specific trades or activities such as safe lifting and working at height generally given by the safety manager and/or the safety supervisor to workers on a weekly basis to enhance safety and health awareness amongst labours; and (viii) risk assessment for piling works carried out by the safety manager and/or the safety officer before commencement of works to identify hazards and methods to control such risk.

Since September 2012, our Group has hired a full time safety manager and an assistant safety officer who are in charge of safety at our construction sites. In addition, our Group also has 17 employees who have completed safety supervisor training to compliment the safety supervision by our safety manager and assistant safety officer. In case of the occurrence of accident, both the site agent and the safety manager bear the responsibility of handling the case.

Furthermore, since 2005 our Group has engaged a safety, health, environment and quality consultant company which provided a competent person during each project period to, amongst other things, (a) conduct underground utility detection report(s); (b) provide detection equipment; (c) conduct site visits and surveys; and (d) prepare and endorse cable detection report(s). The competent person provided is a person approved by the director of the Electrical and Mechanical Services Department ("**EMSD**"). Pursuant to section 3 of the Electricity Supply Lines (Protection) Regulations (Cap 406H) ("**ESLR**"), that competent person (i) has attended and passed a course approved by the EMSD for the purpose of ESLR; and (ii) has a minimum of 6 months practical experience in locating underground utilities; or (iii) has been approved by the EMSD of having the knowledge and practical experience capable of carrying out the work of locating underground electricity cables in a competent manner.

Prior to hiring the safety manager, the consultant company has provided a safety officer on an ongoing basis to (1) maintain site safety, and (2) assist in (i) preparing risk assessment, (ii) conducting safety inspection, (iii) providing safety training, (iv) preparing safety plan, (v) conducting accident report and (vi) following up with the Labour Department for safety issues. After the hiring of our Group's safety manager, the consultant company has provided the safety officer as required by our Group to supplement the work of the safety manager. Each of the safety manager and safety officer is a

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person approved by the Commissioner for Labour of the Labour Department, pursuant to the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations (Cap. 59), and who holds a (i) recognised degree or post-graduate diploma in occupational safety and health and relevant experience of not less than 1 year; or (ii) a degree in science or engineering, and a recognised certificate, diploma or higher diploma in occupational safety and health, and relevant experience of not less than 1 year; or (iii) a recognised certificate, diploma or higher diploma in occupational safety and health, and relevant experience of not less than 2 years, of which 1 year must be obtained after the academic qualification; or (iv) a recognised certificate in construction safety and relevant experience of not less than 2 years, of which 1 year must be obtained after the academic qualification.

The competent persons and safety officers provided are employees of the consultant company and are not employees of our Group.

In March 2012, an accident occurred on one of our Group's construction sites which has resulted in serious injury to 1 worker and non-serious injury to 3 other workers. The accident arose out of a widely adopted industry practice to carry out a procedure for many years. Subsequent to the accident, our Group has, together with the Labour Department and the consultant company, worked out a revised method to carry out the relevant procedure which has been approved by the Labour Department. Furthermore, our Group has organised a special safety training in April 2012 after this accident to specifically discuss with frontline workers on improving the method of construction and additional safety measures with regard to the aforementioned accident and our Group has applied the revised method to all of our current construction sites (where applicable) to further mitigate the safety risks. Our Group expects similar special safety meetings will be held after the occurrence of incidents of similar magnitude. Also in response to the aforementioned accident, our Group has hired a full time safety manager in September 2012 to further strengthen our Group's safety systems and measures. Our Group has received two summonses dated 29 August 2012 for respective charges laid by the Labour Department in relation to the aforementioned accident. Please refer to the paragraph headed "Compliance" in this section for further details.

Going forward, we will continue to adhere to these measures to prevent future breaches of statutory provisions.

Although accidents still occurred subsequent to the engagement of the safety, health, environment and quality consultant company in 2005, having considered that (i) due to the nature of works in the construction industry, risks of accidents or injuries to workers are inherent; (ii) no safety measure can completely eliminate the occurrence of accidents or injuries to workers; (iii) no fatal accident has occurred on the sites for which we were responsible; (iv) the accident rate for injuries on our site was generally lower than that of the construction industry as illustrated by the figures set out under the paragraph headed "Safety and insurance" in this section; and (v) save for the pending litigation in relation to charges laid by the Labour Department in connection with the accident that occurred in March 2012 which has not resulted in conviction as at the Latest Practicable Date, our Group has not faced any statutory breaches after 2005, our Directors and the Sponsor are of the view that measures implemented by our Group are adequate and effective.

Save as disclosed above and the paragraph headed "Compliance" of this section, 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.

CONNECTED TRANSACTIONS

During the Track Record Period, we have entered into a number of related party transactions, details of which are set out in note 29 to the accountant's 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. These related party transactions, if continue after the Listing, may constitute connected transactions under the Listing Rules.

Following the Listing, the following transactions will continue between our Group and the relevant connected persons (as defined in the Listing Rules), which will constitute continuing connected transactions under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM THE REPORTING, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

Since each of the applicable percentage ratios (other than the profits ratio) for the below transactions is less than 5% with annual aggregate values of below HK\$1,000,000, the below transactions constitute *de minimus* continuing connected transactions, which are exempted from the reporting, announcement and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules.

Super Ease Lease Agreement

On 1 June 2011, Sunnic and Super Ease entered into a property lease agreement pursuant to which Sunnic agreed to lease from Super Ease the office situated at Office Unit No. 14, 12th Floor, Chevalier Commercial Centre, No. 8 Wang Hoi Road, Kowloon, Hong Kong for a term commencing on 1 June 2011 and ending on 31 May 2014 at the monthly rental of HK\$23,770 (the "**Super Ease Lease Agreement**").

Super Ease is wholly-owned by Sunnic Holdings, which is an associate of Mr. Cheng, an executive Director and the chief executive of the Company. Therefore, Super Ease is our connected person for the purpose of the Listing Rules. The transaction contemplated under the Super Ease Lease Agreement will constitute continuing connected transaction for us under Chapter 14A of the Listing Rules upon the Listing.

Sunnich Holdings Lease Agreement

On 1 June 2011, Sunnic and Sunnic Holdings entered into a property lease agreement pursuant to which Sunnic agreed to lease from Sunnic Holdings the office situated at Office Unit No. 15, 12th Floor, Chevalier Commercial Centre, No. 8 Wang Hoi Road, Kowloon, Hong Kong for a term commencing on 1 June 2011 and ending on 31 May 2014 at the monthly rental of HK\$23,770 (the "**Sunnich Holdings Lease Agreement**").

Sunnich Holdings is an associate of Mr. Cheng, an executive Director and the chief executive of the Company. Therefore, Sunnic Holdings is our connected person for the purpose of the Listing Rules. The transaction contemplated under the Sunnic Holdings Lease Agreement will constitute continuing connected transaction for us under Chapter 14A of the Listing Rules upon the Listing.

Our Directors (including our independent non-executive Directors) and the Sponsor have confirmed that the terms of the Super Ease Lease Agreement and the Sunnic Holdings Lease Agreement are on normal commercial terms and in the interests of our Company and Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board comprises of 7 Directors, among which there are three executive Directors, one non-executive Director and three independent non-executive Directors. Sets forth below is the information regarding our Directors:

Name	Date of Appointment as Director	Position in our Company	Responsibilities in our Group
Dr. Ho	15 April 2011	Executive Director and Chairman of the Board	Overall business development, commercial and projects matters
Mr. Cheng	15 April 2011	Executive Director and the chief executive	Overall administration, strategic planning, tendering, finance and site supervision and a member of the nomination committee
Mr. Ho	11 September 2012	Executive Director	Execution of the foundation projects and a member of the remuneration committee
Mr. Leung	2 August 2012	Non-executive Director	Sales and marketing and maintaining client relationship
Mr. Chuck Winston Calptor	11 September 2012	Independent non-executive Director	The chairman of the remuneration committee and a member of the audit committee
Mr. Ching Kwok Hoo, Pedro	11 September 2012	Independent non-executive Director	The chairman of the nomination committee and a member of the audit committee and the remuneration committee
Mr. Tam Tak Kei, Raymond	11 September 2012	Independent non-executive Director	The chairman of the audit committee and a member of the nomination committee

Executive Directors

Dr. Ho, aged 63, is our executive Director and the Chairman of the Board. He joined our Group in January 1995 and was appointed as our Director on 15 April 2011 and redesignated as our executive Director and appointed as the Chairman on 11 September 2012. He is responsible for the overall business development, commercial and projects matters of our Group. He worked for several major construction and engineering companies in Hong Kong for more than 30 years, involving in civil engineering and building projects, specialising in foundation works of various nature. He worked for

DIRECTORS AND SENIOR MANAGEMENT

Gammon Construction Limited as project manager, manager and contracts manager from 1979 to 1990, responsible for execution of various projects in a supervisory role involving building, foundation, site formation, demolition and civil engineering works in Hong Kong. He was a director and a managing director from 1990 to 1994 in Chee Shing Foundation Limited (now known as Tysan Foundation Limited) responsible for general management and supervision of various contracts as project director in charge and was an executive Director of Chee Shing Holdings Limited (stock code: 687, now known as Tysan Holdings Limited) upon its Listing on the Stock Exchange in 1991.

He holds a Bachelor of Science in Engineering and a Doctor of Philosophy from the University of Hong Kong awarded in November 1972 and November 1976 respectively, and a diploma in Management for Executive Development from The Chinese University of Hong Kong awarded in September 1989.

He is a fellow member of the Institution of Structural Engineers and the Institution of Civil Engineers in the United Kingdom and the Hong Kong Institution of Engineers. He is a Registered Professional Engineer (Civil, Structural and Geotechnical disciplines) in Hong Kong.

In the past three years, Dr. Ho has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Cheng, aged 56, is our executive Director and chief executive. He joined our Group in June 2010 and was appointed as our Director on 15 April 2011 and redesignated as our executive Director and appointed as the chief executive by the Company on 11 September 2012. He is responsible for the overall administration, strategic planning, tendering, finance and site supervision of our Group. He has over 30 years experience in the engineering and construction industry. Prior to establishing Sunnic in 1993, he had worked as a structural engineer for Sun Hung Kai Engineering Company Limited from 1980 to 1982 and had worked for Leung Kee Construction Company Limited (now known as Up Energy Development Group Limited (stock code 307, listed on the Main Board)), a construction company specialised in substructure and site formation works for approximately 10 years with his last position held as a managing director.

He holds a Bachelor of Applied Science from the University of Toronto awarded in June 1980.

Mr. Cheng is a member of the nomination committee of our Company. In the past three years, Mr. Cheng has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas. Mr. Cheng did not have any involvement in the management of our Group prior to its acquisitions of Sunnic and Full Gain in June 2010.

Mr. Ho, aged 48, is our executive Director. He joined our Group in July 1997 and was appointed as our executive Director on 11 September 2012. He is responsible for execution of the foundation projects of our Group. He has 26 years experience in the engineering and construction industry. Prior to joining our Group in 1997, he had worked for major contractors and engineering consultants in Hong Kong for 12 years, involving in civil engineering and building projects including drainage, foundation, water mains, and site formation.

He holds a Bachelor of Engineering in Civil and Environmental Engineering from the University of Newcastle upon Tyne (now known as Newcastle University) in the United Kingdom awarded in July 1992, a Master of Science in Project Management from the Hong Kong Polytechnic University which

DIRECTORS AND SENIOR MANAGEMENT

was completed largely via online course modules with degree awarded in December 2005 and a Master of Arts in Arbitration and Dispute Resolution from The City University of Hong Kong awarded in February 2009. He is a member of the Hong Kong Institution of Engineers and a Registered Professional Engineer (Civil discipline) in Hong Kong. Mr. Ho is a member of the remuneration committee of our Company.

In the past three years, Mr. Ho has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Non-executive Director

Mr. Leung, aged 68, is our non-executive Director. He joined our Group in January 1995 and was appointed as our non-executive Director on 2 August 2012. Mr. Leung's responsibilities within our Group only involves participation in sales and marketing and maintaining client relationship for our Group alongside our executive Directors on a non-full time basis and he will not participate in the daily management of our Group. He has over 40 years of experience in the construction industry. In 1974, Mr. Leung established Chee Shing Engineering Company which was engaged in crane hiring and subcontracting pile driving works. In 1983, Mr. Leung acted as a director of Chee Shing Engineering Company Limited. Mr. Leung became the chairman and executive director of Chee Shing Holdings Limited (stock code: 687, now known as Tysan Holdings Limited) ("**Chee Shing**") upon its listing on the Stock Exchange in 1991. At Chee Shing, Mr. Leung was principally responsible for formulating the overall policy and the general management of the Chee Shing group's business. Mr. Leung left Chee Shing in 1994 and he joined our Group in 1995, acting as a director of Sunley. From 1995 to 2008, Mr. Leung was mainly responsible for the general site supervision of Sunley. Since 2009, Mr. Leung's responsibilities within our Group involve sales and marketing and maintaining client relationship for our Group. Mr. Leung's responsibilities in our Group's operations have not changed as a result of his appointment as a non-executive Director on 2 August 2012.

Mr. Leung, the then chairman and controlling shareholder of Chee Shing at the material time, was involved in an inquiry instituted by the Insider Dealing Tribunal in 1997 mainly due to (i) on 21 June 1993 and at the request of the another person, Mr. Leung's procuring of Mr. Robert Law, the then non-executive director of Chee Shing, to sell his 10,874,000 shares of Chee Shing to another person; and (ii) Mr. Leung's entering into of a sale and purchase agreement to sell approximately 116.5 million shares of Chee Shing, representing approximately 39% of Chee Shing's total issued share capital, on 2 July 1993. An announcement was made on 25 June 1993 stating that an approach had been made by an independent third party to Chee Shing's major shareholder and that negotiations were taking place but no agreement had been reached.

According to the Insider Dealing Tribunal, any prior knowledge (prior, that is, to 25 June 1993) regarding the identity of the potential buyer was considered as relevant information. The Insider Dealing Tribunal concluded in March 1998 that Mr. Leung was not identified as an insider dealer on the basis that, among others, the Insider Dealing Tribunal was not satisfied that the information Mr. Leung had at the material time (i.e. on 21 June 1993) was relevant information as defined in section 8 of the Ordinance, and that he knew its relevance and that Mr. Leung was not part of the take-over team nor was he privy to the negotiations. In view of the above, the Sponsor considers that Mr. Leung's involvement in the insider dealing case does not cast doubt on his integrity and he is suitable to act as a Director under Rules 3.08 and 3.09 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

In the past three years, Mr. Leung has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Independent non-executive Directors

Mr. Chuck Winston Calptor, aged 56, joined our Group and appointed as our independent non-executive Director on 11 September 2012. Mr. Chuck graduated from University of Western Ontario in Canada with a bachelor of arts in economics in June 1978. He was admitted as a solicitor of Hong Kong in 1982. Mr. Chuck acted as consultant in a law firm since 2000. Mr. Chuck is the chairman of the remuneration committee and a member of the audit committee of our Company.

Mr. Chuck also acts as an independent non-executive director of ITC Corporation Limited (stock code: 372) since November 2001 and Starlight International Holdings Limited (stock code: 485) since September 2004. Save for the above, Mr. Chuck has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Ching Kwok Hoo, Pedro, MBE, aged 69, joined our Group and appointed as our independent non-executive Director on 11 September 2012. Mr. Ching was awarded the MBE in 1997. He has worked in the Hong Kong Police Force for over a 30-year period up to 1997 with his last position being director of management services. After his retirement from the Hong Kong Police Force, Mr. Ching has taken senior management role in the commercial field. Mr. Ching is the chairman of the nomination committee and a member of the audit committee and the remuneration committee of our Company. In the past three years, Mr. Ching has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas. Mr. Ching was the director of Grandstar Management Limited (“Grandstar”), a company incorporated in Hong Kong on 5 May 1999. Grandstar was placed into creditors’ voluntary liquidation on 30 May 2000 and was dissolved on 17 December 2003. As advised by Mr. Ching, Grandstar was principally engaged in property holding and according to the liquidator’s statements of account filed to the companies registry, Grandstar was solvent before its dissolution.

Mr. Tam Tak Kei, Raymond, aged 49, joined our Group and appointed as our independent non-executive Director on 11 September 2012. Mr. Tam graduated from University of Kent at Canterbury in the United Kingdom with a bachelor of arts degree in accounting with computing in July 1985. He has been a member of The Institute of Chartered Accountants in England and Wales since 1990 and an associate member of the Hong Kong Institute of Certified Public Accountants since 1995. Mr. Tam acted as financial controller at international law firms in the past nine years and has over 20 years of professional accounting experience and is currently the company secretary of Branding China Group Limited (stock code: 8219). Mr. Tam is the chairman of the audit committee and a member of the nomination committee of our Company.

Mr. Tam also acts as an independent non-executive director of Vision Fame International Holding Limited (stock code: 1315) since December 2011, Tianjin Tianlian Public Utilities Company Limited (stock code: 1265, formerly 8290) since February 2011 and Sun Innovation Holdings Limited (stock code: 547) since September 2009. Save for the above, Mr. Tam has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Ho Wing Hong, Oswald, aged 44, joined our Group in January 1995 and is a design manager of Sunley. He is responsible for the design of construction works for the projects undertaken by Sunley. He has been involved intensively in the design of various foundation systems including bored pile, socketed H-pile, steel sheet pile wall, and diaphragm wall. He holds a Bachelor of Engineering in Civil Engineering from The Hong Kong Polytechnic University awarded in November 2001. Over the past 3 years, Mr. Ho has not been a director of any listed companies.

Mr. Fung Tze Fan, aged 41, joined our Group in December 2010 and is a senior project manager and quality control manager of Sunley. He is responsible for the overall quality control for materials, contract documents and construction works, and construction and safety management for the projects undertaken by Sunley. Prior to joining our Group, he has worked for major contractors and engineering design offices in Hong Kong for 13 years, involving in construction works and engineering design works of various nature. He holds a Bachelor of Engineering in Engineering (Civil) from the University of London awarded in August 1995. Over the past 3 years, Mr. Fung has not been a director of any listed companies.

Mr. Tsui, aged 64, joined our Group in June 2010 and is a director of Sunley, Sunnic and Full Gain. He is responsible for coordinating the design of foundation works for various design-and-build projects and the management of in house design team. He has over 40 years of experience in the engineering and construction industry. Prior to joining Sunnic in 1993, he has worked for Chau Lam Architect & Associates Limited for over 20 years, for which, he was a director from 1986 to 1992, involving in structural design and supervision of various types of projects. He was an executive director of Leung Kee Holdings Company Limited (now known as Up Energy Development Group Limited (stock code 307, listed on the Main Board)), a construction company specialised in substructure and site formation works at the material time, from 1992 to 1993. Over the past 3 years, Mr. Tsui has not been a director of any listed companies.

He holds a diploma in civil engineering from the Hong Kong Baptist College (now known as the Hong Kong Baptist University) awarded in July 1969 and an associateship in civil and structural engineering from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) awarded in November 1985.

He is an Authorised Person and a Registered Structural Engineer under the Buildings Ordinance, a Chartered Engineer registered under the Institution of Structural Engineers in the United Kingdom, and a registered Architect in Hong Kong under the Architects Registration Board. He is also a member of the Hong Kong Institution of Engineers, a member of the Institution of Structural Engineers in the United Kingdom, and a member of the Institution of Civil Engineers in the United Kingdom.

Mr. Wong, aged 67, joined our Group in June 2010 and is a director of Sunnic and Full Gain responsible for all cost control, site management and supervision. He has over 40 years of experience in the construction industry. Prior to joining Sunnic in August 1993, he was a project director of Leung Kee Construction Company Limited from 1969 to 1993 and has intensive experience in tendering, estimating, cost control, site management and supervising subcontractors. Over the past 3 years, Mr. Wong has not been a director of any listed companies.

DIRECTORS AND SENIOR MANAGEMENT

FINANCIAL CONTROLLER AND COMPANY SECRETARY

Mr. Tai Man Hin, Tony, aged 35, joined our Group in January 2011, is our financial controller and the company secretary of our Company. He is responsible for overseeing accounting activities of our Group. He has more than 8 years of experience in accounting field. He had worked for various multinational companies such as American International Assurance, Olympus Hong Kong & China Limited and Hong Kong CSL Limited. He holds a Bachelor of Business Administration in Accounting from the Hong Kong University of Science and Technology awarded in 1999. He is an associate member of each of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants.

AUDIT COMMITTEE

We have established an audit committee in compliance with Rules 3.21 and 3.22 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system and to provide advice and comments to the Board.

The audit committee consists of three members, namely, Mr. Tam Tak Kei, Raymond, Mr. Chuck Winston Calptor, and Mr. Ching Kwok Hoo, Pedro. Mr. Tam Tak Kei, Raymond was appointed as the chairman of the audit committee.

REMUNERATION COMMITTEE

We have established a remuneration committee which considers and recommends to the Board the framework of remuneration for the Board and executive officers and recommends to the Board specific remuneration packages for each Director and senior management.

The remuneration committee consists of three members, namely, Mr. Chuck Winston Calptor, Mr. Ching Kwok Hoo, Pedro, and Mr. Ho. Mr. Chuck Winston Calptor was appointed as the chairman of the remuneration committee.

NOMINATION COMMITTEE

We have established a nomination committee with primary duties of establishing procedures for and making recommendations to the Board on all board appointments.

The nomination committee consists of three members, namely, Mr. Ching Kwok Hoo, Pedro, Mr. Tam Tak Kei, Raymond and Mr. Cheng. Mr. Ching Kwok Ho, Perdo was appointed as the chairman of the nomination committee.

DIRECTORS' REMUNERATION

Each of the executive Directors has entered into a service agreement with us commencing from the Listing Date for an initial fixed term of three years respectively and will continue thereafter until terminated by either party by serving on the other party a three-month prior written notice. Under the service agreements, the executive Directors are entitled to an aggregate annual basic remuneration of approximately HK\$2.87 million. Each of the executive Directors is also entitled to a discretionary bonus

DIRECTORS AND SENIOR MANAGEMENT

as recommended by the remuneration committee of the Company by reference to his performance and the performance of our Group. Particulars of the terms of the above service agreements are set out in the paragraph headed “Particulars of service agreements” in Appendix V to this prospectus.

The aggregate amount of fees, salaries, bonuses, housing allowances, other allowances, benefits in kind and contributions to pension schemes paid to our Directors by us in respect of the three years ended 31 March 2010, 2011 and 2012 were approximately nil, HK\$1.5 million and HK\$2.1 million respectively.

In respect of the three years ended 31 March 2010, 2011 and 2012, no remuneration was paid to our Directors as an inducement to join or upon joining our Group. No compensation was paid to, or receivable by, our Directors or past Directors for each of the three years ended 31 March 2010, 2011 and 2012 for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments for each of the years ended 31 March 2010, 2011 and 2012.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the year ending 31 March 2013 will be approximately HK\$3.43 million.

Of the five individuals with the highest emoluments, none of them are directors for the year ended 31 March 2010 and two of them are directors whose emoluments are disclosed above for each of the year ended 31 March 2011 and 2012. The emoluments in respect of the five highest paid individuals for the year ended 31 March 2010 and the remaining three individuals for the two years ended 31 March 2011 and 2012 were approximately HK\$2.3 million, HK\$2.2 million and HK\$3.1 million respectively.

In respect of the three years ended 31 March 2010, 2011 and 2012, no remuneration was paid to the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by such individuals for each of the three years ended 31 March 2010, 2011 and 2012 for the loss of any office in connection with the management of the affairs of any member of our Group.

Save as disclosed above, no other payments have been paid or are payable in respect of the three years ended 31 March 2010, 2011 and 2012 to our Directors by our Group.

COMPLIANCE ADVISER

We have appointed Ample Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules.

Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us on the following matters:

- (i) the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

DIRECTORS AND SENIOR MANAGEMENT
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- (iii) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry with us regarding unusual movements in the price or trading volume of the Shares of our Company.

The term of the appointment shall commence on the Listing Date and end on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the Listing Date (i.e. the date of despatch of the annual report of our Company in respect of its results for the financial year ending 31 March 2014), subject to extension by mutual agreement.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer, Mr. Leung and Dr. Ho will through Join Together and BVI Holdco control more than 30% of our issued share capital, irrespective of whether the Offer Size Adjustment Option is exercised partially or fully, or at all. For the purpose of the Listing Rules, Mr. Leung, Dr. Ho, Join Together and BVI Holdco are our Controlling Shareholders. Each of Mr. Leung, Dr. Ho, Join Together 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. Mr. Leung has confirmed to our Company that he has not given and will not give directions or instructions in relation to the corporate affairs of our Group to our executive Directors.

Interests of Mr. Leung

Within our Group and our holding companies, Mr. Leung is a 70% shareholder of Join Together, which in turn owns a 70% interest in BVI Holdco, a 75% shareholder of our Company upon completion of the Share Offer and the Capitalisation Issue. Mr. Leung is a director of Join Together and BVI Holdco and subsidiaries of our Company including One Million, Sunley, Sunnic and Full Gain.

Outside our Group and our holding companies, Mr. Leung owns 50% shareholding interest in and is a director of Billion Vantage Industrial Limited (“**Billion Vantage**”), a company incorporated in Hong Kong whose principal asset is a motor vehicle used by Mr. Leung and his family. Apart from owning the aforesaid motor vehicle, Billion Vantage does not conduct any other business activities. Save for the above, Mr. Leung did not have any directorship/employment/interests in any business/entities outside our Group as at the Latest Practicable Date.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE 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 associates or any other parties, taking into account the following factors:

(i) Financial independence

Our Group has an independent financial system and makes financial decisions according to our 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. For the two years ended 31 March 2012, our Group has relied principally on cash generated from operations, bank borrowings and finance lease to carry on its business and this is expected to continue after the Listing.

As at 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 by the Controlling Shareholders and their associates will be released on or before the Listing Date.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

(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 associates. No services, premises and facilities will be provided by the Controlling Shareholders and/or their associates to our Group. As we have independent contractors capable of carrying out site formation and foundation construction works, our Group is able to operate independently from the Controlling Shareholders after the Listing.

(iii) Independence of management

Our management and operational decisions are made by the Board and our team of senior management. The Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Leung, Dr. Ho, Mr. Cheng, Mr. Ho and Mr. Tsui are also directors of BVI Holdco, a Controlling Shareholder and solely an investment vehicle of Mr. Leung, Dr. Ho, Mr. Cheng, Mr. Tsui and Mr. Wong in holding the Shares. Save as disclosed above, none of our Directors or senior management serves any executive or management role in BVI Holdco.

Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Group is capable of managing its business independently from our Controlling Shareholders and their respective associates after the Listing.

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 any contract or arrangement or other proposal in which he or any of his associates is materially interested unless a majority of the independent non-executive Directors expressly require him to attend;
- (ii) our independent non-executive Directors will review on an annual basis the compliance with the Deed of Non-competition (as defined below) by the Covenantors (as defined below);

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (iii) the Covenantors (as defined below) undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition (as defined below);
- (iv) we will disclose in the “corporate governance report” section of our subsequent annual reports on how the Deed of Non-competition (as defined below) has been complied with;
- (v) we will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance of the Deed of Non-competition (as defined below) by the Covenantors (as defined below) in our subsequent annual reports; and
- (vi) the Covenantors (as defined below) will make an annual statement on compliance with the Deed of Non-competition (as defined below) 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, the Directors believe that the interest of the Shareholders will be protected.

COMPETING INTEREST

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, directly or indirectly, with our Group’s business, and would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between our Group and each of Mr. Leung, Dr. Ho, Join Together and BVI Holdco (the “**Covenantors**”), the Covenantors have executed a deed of non-competition on 11 September 2012 in favour of us (for ourselves and for the benefit of each member of our Group) (the “**Deed of Non-competition**”). Pursuant to the Deed of Non-competition, during the period that the Deed of Non-competition remains effective, 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 independent non-executive Directors (who do 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

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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 independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Our Board will establish a committee comprising all the independent non-executive Directors which will be delegated with the authority to review on an annual basis the above undertakings from the Covenantors. The Covenantors also undertake to provide all information necessary for the enforcement of the Deed of Non-competition as requested by the committee from time to time.

The undertakings mentioned above are conditional upon the fulfilment of the conditions stated in the paragraph headed “Conditions of the Share Offer” under the section headed “Structure of the Share 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.

The Deed of Non-competition shall terminate on the earliest of the date on which (i) a Covenantor, whether individually or taken together with his/its associate, ceases to hold in aggregate 30 per cent. or more of the entire issued share capital of our Company or otherwise ceases to be a controlling shareholder (as defined under the Listing Rules from time to time) of our Company; or (ii) the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of the Shares on the Stock Exchange due to any reason).

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of the Shares which may be taken up under the Share Offer or any exercise of the Offer Size Adjustment Option), 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	Approximate percentage of shareholding
BVI Holdco	Beneficial owner (Note 1)	225,000,000	75%
Join Together	Interest in controlled corporation (Note 2)	225,000,000	75%
Mr. Leung	Interest in controlled corporation (Note 3)	225,000,000	75%
Dr. Ho	Interest in controlled corporation (Note 3)	225,000,000	75%
Ms. Ho Suk Hing	Interest of spouse (Note 4)	225,000,000	75%
Ms. Ng Chi Ling	Interest of spouse (Note 5)	225,000,000	75%

Notes:

- (1) BVI Holdco is a company incorporated in the BVI and is owned by Join Together as to 70%. The remaining shareholding in BVI Holdco is owned as to 10% by each of Mr. Cheng, Mr. Wong and Mr. Tsui respectively. Mr. Leung, Dr. Ho, Mr. Cheng, Mr. Ho and Mr. Tsui are directors of BVI Holdco.
- (2) Join Together is a company incorporated in the BVI and owns 70% shareholding in BVI Holdco, which in turn owns 75% shareholding in our Company. Therefore, Join Together is deemed or taken to be interested in all the Shares which are beneficially owned by BVI Holdco for the purpose of the SFO. Mr. Leung and Dr. Ho are the directors of Join Together.

SUBSTANTIAL SHAREHOLDERS

- (3) Each of Mr. Leung and Dr. Ho owns 70% and 30% of the issued share capital of Join Together respectively, which in turn owns 70% shareholding in BVI Holdco, the beneficial owner holding 75% shareholding in our Company. Therefore, each of Mr. Leung and Dr. Ho is deemed or taken to be interested in all the Shares which are beneficially owned by BVI Holdco for the purpose of the SFO.
- (4) Ms. Ho Suk Hing is the spouse of Mr. Leung. Therefore, Ms. Ho Suk Hing is deemed or taken to be interested in all the Shares which are interested by Mr. Leung for the purpose of the SFO.
- (5) Ms. Ng Chi Ling is the spouse of Dr. Ho. Therefore, Ms. Ng Chi Ling is deemed or taken to be interested in all the Shares which are interested by Dr. Ho for the purpose of the SFO.

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 (taking no account of the Shares which may be taken up under the Share Offer or any exercise of the Offer Size Adjustment Option), 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.

SHARE CAPITAL

Assuming the Offer Size Adjustment Option is not exercised at all, and 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	20,000,000
<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>
1,000,000	Shares in issue at the date of this prospectus	10,000
224,000,000	Shares to be issued pursuant to the Capitalisation Issue	2,240,000
<u>75,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>750,000</u>
<i>Total:</i>		
<u><u>300,000,000</u></u>	Shares	<u><u>3,000,000</u></u>

Assuming the Offer Size Adjustment Option is exercised in full, and 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	20,000,000
<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>
1,000,000	Shares in issue at the date of this prospectus	10,000
224,000,000	Shares to be issued pursuant to the Capitalisation Issue	2,240,000
75,000,000	Shares to be issued pursuant to the Share Offer	750,000
	Shares to be issued upon exercise of the Offer Size Adjustment Option in full	
<u>11,250,000</u>		<u>112,500</u>
<i>Total:</i>		
<u><u>311,250,000</u></u>	Shares	<u><u>3,112,500</u></u>

SHARE CAPITAL

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 11 September 2012, 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 224,000,000 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 10 September 2012 (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\$2,240,000 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 “Conditions of the Share Offer” under the section headed “Structure of the Share 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 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 the Offer Size Adjustment Option, 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 under the Offer Size Adjustment Option or 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 “General Mandate to Repurchase Shares” 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

SHARE CAPITAL

- (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 section headed “Further Information about our Company — Written resolutions of our sole Shareholder passed on 11 September 2012” in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on conditions as stated in paragraph headed “Conditions of the Share Offer” under the section headed “Structure of the Share Offer” of 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 under the Offer Size Adjustment Option or 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 section headed “Further Information about our Company — Repurchases of our Shares by our Company” in Appendix V to this prospectus.

The general mandate to repurchase Shares 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 this general mandate, please refer to the section headed “Further Information about our Company — Written resolutions of our sole Shareholder passed on 11 September 2012” in Appendix V 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 “Share Option Scheme” as set out in Appendix V 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.

FINANCIAL INFORMATION

You should read this section in conjunction with our Group's audited combined financial information, including the notes thereto, as set out in the Accountant's Report set out in Appendix I to this prospectus. Our Group's combined financial statements have been prepared in accordance with HKFRSs. You should read the entire Accountant's Report and not merely rely on the information contained in this section.

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

OVERVIEW

Our Group is principally engaged in the foundation business and machinery leasing business in Hong Kong. This business is generally undertaken by our principal operating subsidiaries, Sunley, Sunnic and Full Gain, as main contractor or subcontractor in various construction projects. During the Track Record Period, revenue from construction works represented approximately 88.0%, 99.8% and 96.6% of our total revenue for each of the years ended 31 March 2010, 2011 and 2012, respectively. In addition to undertaking construction works in Hong Kong, we also lease our unutilised machines to third party machinery company and contractors. For each of the years ended 31 March 2010, 2011 and 2012 revenue from machinery leasing represented approximately 12.0%, 0.2% and 3.4% of our total revenue, respectively.

The following table sets forth a breakdown of our revenue by activities for the Track Record Period:

	Year ended 31 March					
	2010		2011		2012	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Revenue						
Construction contracts income from TRP						
Projects	45,148	88.0	250,605	97.3	302,571	96.6
Construction contracts income from						
the Second Project (note)	—	—	6,398	2.5	—	—
Machinery leasing	<u>6,158</u>	<u>12.0</u>	<u>502</u>	<u>0.2</u>	<u>10,551</u>	<u>3.4</u>
	<u>51,306</u>	<u>100</u>	<u>257,505</u>	<u>100</u>	<u>313,122</u>	<u>100</u>

Note: Revenue from construction works included the amount of HK\$6,398,000 for the year ended 31 March 2011 being the ultimate total revenues finally yielded by recovery measures from one prior year foundation construction contact which was completed prior to the Track Record Period.

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SUMMARY OF HISTORICAL COMBINED FINANCIAL INFORMATION

The selected financial information from our combined statements of financial position as of 31 March 2010, 2011 and 2012 and our combined statements of comprehensive income and combined statements of cash flows for the years ended 31 March 2010, 2011 and 2012 set forth below are extracted from our Accountant's Report included in Appendix I to this prospectus, and should be read in conjunction with the Accountant's Report set forth in Appendix I to this prospectus.

Summary of Combined Statements of Comprehensive Income

	Year ended 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Revenue			
— TRP Projects	51,306	251,107	313,122
— Prior year project (<i>note</i>)	—	6,398	—
	<u>51,306</u>	<u>257,505</u>	<u>313,122</u>
Cost of sales			
— TRP Projects	(32,516)	(197,903)	(253,452)
— Reversal of provision for claims from prior year project (<i>note</i>)	—	11,243	—
	<u>(32,516)</u>	<u>(186,660)</u>	<u>(253,452)</u>
Gross profit	18,790	70,845	59,670
Other income and net gains	651	4,093	122
Administrative expenses	<u>(6,207)</u>	<u>(31,492)</u>	<u>(25,813)</u>
Operating profit	13,234	43,446	33,979
Finance costs	<u>(52)</u>	<u>(426)</u>	<u>(2,097)</u>
Profit before income tax	13,182	43,020	31,882
Income tax expense	<u>(2,351)</u>	<u>(7,656)</u>	<u>(6,126)</u>
Profit and total comprehensive income for the year attributable to equity holders of the Company	<u>10,831</u>	<u>35,364</u>	<u>25,756</u>
Dividend	<u>—</u>	<u>—</u>	<u>9,300</u>

Note: The revenue and reversal of provision for claims arising from prior year project represents income arising from the Second Project.

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Summary of Combined Statements of Financial Position

	As at 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	83,946	171,118	185,533
Current assets	24,249	126,083	137,405
Current liabilities	<u>35,720</u>	<u>70,094</u>	<u>59,840</u>
Net current (liabilities)/assets	<u>(11,471)</u>	<u>55,989</u>	<u>77,565</u>
Total assets less current liabilities	72,475	227,107	263,098
Non-current liabilities	<u>17,558</u>	<u>78,112</u>	<u>97,647</u>
Net assets	<u><u>54,917</u></u>	<u><u>148,995</u></u>	<u><u>165,451</u></u>
Total equity	<u><u>54,917</u></u>	<u><u>148,995</u></u>	<u><u>165,451</u></u>

Summary of Combined Cash Flows Statements

	Year ended 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Net cash generated from operating activities	11,599	26,975	37,013
Net cash used in investing activities	(32,905)	(57,230)	(42,525)
Net cash generated from financing activities	<u>18,356</u>	<u>73,088</u>	<u>7,461</u>
Net (decrease)/increase in cash and cash equivalents	(2,950)	42,833	1,949
Cash and cash equivalents at 1 April	<u>4,777</u>	<u>1,827</u>	<u>44,660</u>
Cash and cash equivalents at 31 March	<u><u>1,827</u></u>	<u><u>44,660</u></u>	<u><u>46,609</u></u>

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BASIS OF PRESENTATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law on 15 April 2011. Pursuant to the Reorganisation as more fully explained in the paragraph headed “Corporate Reorganisation” under the section headed “Statutory and General Information” in Appendix V to the prospectus, our Company became the holding company of the companies now comprising our Group. The combined financial information of our Group has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 “Prospectus and the Reporting Accountant” issued by the HKICPA. The combined statements of financial position, the combined statements of comprehensive income, the combined cash flows statements and the combined statements of changes in equity of our Group for the Track Record Period have been prepared using the financial information of the companies now comprising our Group for the Track Record Period as if the current group structure had been in existence throughout the Track Record Period, or since the date when the combining companies first came under the control of Mr. Leung and Dr. Ho (collectively, the “**Continuing Controlling Shareholders**”), whichever is a shorter period. The net assets and results of our Group were combined using the existing book values from the Continuing Controlling Shareholders’ perspective.

For companies acquired from or disposed of to third parties during the Track Record Period, they are included in or excluded from the financial information of our Group from the respective dates of acquisition or disposal.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on combination.

The combined financial information, which is presented in HK Dollar, have been prepared in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of Listing Rules. HKFRSs include Hong Kong Accounting Standards and interpretations.

FIRST PROJECT AND SECOND PROJECT

Our Group adopted Hong Kong Accounting Standard 11 “Construction Contracts” (“**HKAS 11**”) and recognises revenue and cost of construction in accordance with our accounting policies as stated in Note 2 (y) of the Accountant’s Report set out in Appendix I to this prospectus.

Paragraph 22 of HKAS 11 states that when the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period.

Paragraph 23 of HKAS 11 states that the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- (a) total contract revenue can be measured reliably;
- (b) it is probable that the economic benefits associated with the contract will flow to the entity;

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- (c) both the contract costs to complete the contract and the stage of contract completion at the end of the reporting period can be measured reliably; and
- (d) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

Paragraph 11 of HKAS 11 states that contract revenue shall comprise (a) the initial amount of revenue agreed in the contract and (b) variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Paragraph 17 of HKAS 11 states that contract costs that relate directly to a specific contract include, inter-alia, claims from third parties.

The nature of our Group's business involves complex contractual terms, uncertainties in the underground situation of construction sites and environmental elements, such as bad weather, which may delay the progress of construction projects at which extension of time claims may be invoked by the contractors and variation of works may be subsequently requested by customers. Consequently, construction contracts typically provide for circumstances when (i) extra payments are to be made by the property developers to the contractors if certain variation work has been carried out by them; and (ii) liquidated damages are to be borne by the contractors if the project cannot be completed on schedule. Initial disagreements in the final contract sum between customers and contractors during the preparation of final accounts and negotiation on the final contract sum are common in the construction industry, and prolonged negotiation on the final contract sum are not uncommon for moderate and large scale construction contracts. Accordingly, our Directors consider, with which the Sponsor concurs, that in the event that our Group is indeed involved in a dispute with its customers, the ensuing negotiations, legal proceedings (if any), and dispute resolutions are considered to be activities conducted in the ordinary and usual course of business of our Group and the relevant profit arising from such construction contracts entered into by our Group as our core business would also be considered to be generated from our ordinary and usual course of business.

Our Group had certain disputes with a single customer in relation to the First Project and the Second Project which were completed in 2001 and 2003 respectively. The disputes in relation to the First Project had certain financial impacts on our Group before the Track Record Period while the disputes in relation to the Second Project had certain financial impacts on our Group before and within the Track Record Period.

For the First Project, prior to the Track Record Period, our Group had recognised the total revenue as agreed in the original contract amounted to HK\$73.7 million and the relevant construction costs incurred for the project upon the completion of the construction work in 2001. However, our Group had certain disputes with the customer in relation to the First Project. Our Group claimed the customer for variation works while the customer claimed us for liquidated damages. The dispute was finally settled and the corresponding financial effect of such settlement had been recorded in our Group's financial prior to the Track Record Period. For the financial year ended 31 March 2009, as a result of the recovery measures, our Group reversed the claim provision of HK\$35 million made in prior years and recorded the amount of HK\$20 million finally yielded by our Group as revenue.

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For the Second Project, prior to the Track Record Period, our Group had recognised the total revenue as agreed in the original contract amounted to HK\$157.0 million and the relevant construction costs incurred for the project upon the completion of the construction work in 2003. However, our Group also had certain disputes with the customer in relation to the Second Project. Our Group claimed the customer mainly for extra/additional works and refund of liquidated damages in the sum of approximately HK\$49.8 million while the customer claimed us mainly for additional damages in the sum of approximately HK\$28.3 million. After taking into consideration the status of the disputes and the advice from our contract consultant, our management believed that there were significant uncertainties on the amounts of revenue and claims. Therefore the conditions stated in paragraph 23 of HKAS 11 were not met. Accordingly, no further revenue or cost was recognised.

During the financial year ended 31 March 2009, as the dispute and the recovery measures progressed, the management reassessed the possible outcome. After studying the basis of calculation of the variation works adopted by our Group and the basis of calculation of claims adopted by the customer, analysing the latest information collected and the arguments put forward by the customer and our Group, and taking the advice from our contract consultant, our Group recorded net expenses of HK\$11.2 million as provision for claims, as management considered that the conditions as stated in paragraphs 22 and 23 of HKAS 11 were met.

During the financial year ended 31 March 2010, no significant triggering event took place.

For the financial year ended 31 March 2011, as the dispute and the recovery measures progressed, and taking into account the advice from our legal counsel and contract consultant about the likelihood of success of the recovery measures, our Group reversed the provision for claims of HK\$11.2 million and recorded an estimated additional income of HK\$6.4 million arising out of successful recovery measures as the management considered that the conditions as stated in paragraphs 22 and 23 of HKAS 11 were met for the year ended 31 March 2011. Legal expenses of approximately HK\$1.1 million and HK\$11.6 million were incurred by our Group for each of the years ended 31 March 2010 and 2011 respectively solely for the Second Project.

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The Second Project had the following financial impact on our Group's combined statements of comprehensive income for each of the year ended 31 March 2010 and 2011:

	Year ended 31 March	
	2010	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue — construction contracts income from the Second Project	—	6,398
Cost of sales — reversal of provision for claims in relation to the Second Project	—	11,243
Administrative expenses — legal expenses	<u>(1,122)</u>	<u>(11,608)</u>
Impact before taxation	(1,122)	6,033
Taxation	<u>185</u>	<u>(995)</u>
Impact after taxation	<u><u>(937)</u></u>	<u><u>5,038</u></u>
Profit and total comprehensive income for the year attributable to equity holders of the Company excluding the impact of the Second Project	<u><u>11,768</u></u>	<u><u>30,326</u></u>

Had the financial impact of the Second Project been excluded from our Group's combined statements of comprehensive income, our net profit would have been approximately HK\$11.8 million and HK\$30.3 million for the years ended 31 March 2010 and 2011 respectively.

Set out below is the chronology of events leading to the settlement of the Second Contractual Dispute:

Month/Year	Event
July 2001	Commencement of the Second Project
October 2001	Our Group appointed external contract consultant for handling contract administration and contractual claims
July 2003	Certification of substantial completion
July 2003–July 2004	Preparation of the draft final account by the customer while our Group was actively involved in the provision of inputs and negotiations with the customer in the meantime
July 2004	The consultant quantity surveyor appointed by the customer issued the draft final account
July 2004–August 2006	Exchange/submission of reports/information by the parties, assessments of the claims by the customer, negotiations of the disputes between our Group and the customer

<h2 style="text-align: center;">FINANCIAL INFORMATION</h2>
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Month/Year	Event
Late 2006	Commencement of the recovery measures initiated by our Group
Late 2006–August 2008	Exchange of documents in relation to the recovery measures
August 2008– March 2009	Negotiations of the disputes between our Group and the customer
Mid 2009–Mid 2011	Continuance of the recovery measures, exchange of documents in relation to the recovery measures and conclusion of the recovery measures
Mid 2011	Settlement of the recovery measures

The Sponsor is of the view that the time required for the negotiation and settlement of the Second Project is in line with the normal time frame of the industry.

FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The Directors consider the factors set forth below may have affected our Group's business and historical financial results and may also affect its future financial results.

Market demand

Our results of operations are directly affected by our revenue, which in turn is a function of market demand and our construction capacity. Market demand is in turn significantly affected by factors including the Hong Kong government's investment in housing and infrastructure projects, general demand for properties in Hong Kong, supply of land and the economic environment in Hong Kong. In addition, our results are influenced by general social and economic conditions in Hong Kong. During the Track Record Period, our revenue was significantly influenced by the size and number of construction projects carried out by us.

Pricing of our foundation or construction services

Contractors for foundation or construction projects are generally selected using a competitive tender process pursuant to which we must calculate our expected costs and submit a bid to project owner or main contractor. We determine our tender price taking into the considerations of factor such as technical constraints, project size, projected costs, target profit margin and the existing utilisation of our machinery and manpower. While it is our objective to charge a reasonable price to maximize the shareholders' value, offering an uncompetitive tender price higher than our competitors may render our tender unsuccessful. Offering a tender price below the actual cost may on the other hand erode or eliminate our gross profit and affect our financial results. Failure to balance the various factors in determining tender price will adversely affect our financial performance and results of operation.

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Unexpected fluctuations in cost of sales

Construction contracts are normally awarded through competitive tendering process. We need to estimate the construction time and costs in order to determine the tender price. The actual costs of service may deviate from our estimation. There may be fluctuations in the costs of sales during the actual implementation of the project, which usually takes less than 12 months to complete. In the event that the cost of sales increases unexpectedly to the extent that our Group has to incur substantial extra costs without sufficient compensations, the financial performance and profitability of our Group will be adversely affected.

Recoverability of progress payment and retention money

We normally receive progress payment from our customers on a monthly basis, with reference to the value of works done, and a portion of contract value is usually withheld by our customers as retention money. If progress payment is not paid to us on time and in full, or the retention money or any future retention money is not remitted by our customers to us on a timely basis and in full or that the level of bad debt arising from such payment practice can be maintained at the same level as in the Track Record Period, our future liquidity position may be adversely affected.

Determination of price of variation works

Our customers may, in the course of project implementation, make “variation order” to our Group and request our Group to alter the scope of works or perform additional works on top of the terms and scope of original construction contracts by way of “variation order”. Disagreements may arise in relation to the fees, costs and scope of variation of work. In the event our Group and the surveyor authorised by the customer failing to reach agreement on the rate at which the variation works are determined, the surveyor authorised by the customer shall fix the rate as shall in his opinion be reasonable. In the event our Group disagreeing the rates fixed by surveyor authorised by the customer, contractual disputes with our customers may arise, and our results of operation, liquidity and financial position may be adversely affected.

CRITICAL ACCOUNTING POLICIES

Our Group has identified certain accounting policies that are significant to the preparation of the combined financial statements in accordance with HKFRSs. These significant accounting policies are important for an understanding of the financial condition and results of operation of our Group and such accounting policies are set forth in the Accountant’s Report in Appendix I to this prospectus. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgment related to accounting items such as assets, liabilities, income and expenses. We base our estimates on historical experience and other assumptions which our management believes to be reasonable under the circumstances. Results may differ under different assumptions and conditions. Our management has identified below accounting policies that are most critical to the preparation of our combined financial statements.

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Revenue recognition

Revenue comprises the fair value of the consideration received or receivables for the sale of services in the ordinary course of our Group's activities. Revenue is shown after eliminating sales within our Group.

(a) Construction contracts income

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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.

Revenue from contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established by reference to the construction works certified by an independent surveyor.

(b) Rental income on machinery

Operating lease rental income is recognised on a straight-line basis over the term of the lease.

(c) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

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 item will flow to our Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to profit or loss during the financial year in which they are incurred.

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Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Over the remaining lease term
Building	Shorter of remaining lease term or useful life
Machinery	10%–20%
Office equipment	20%
Motor vehicles	20%–30%
Furniture and fixtures	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of all property, plant and equipment are the difference between the net disposal proceeds and the carrying amount of the relevant asset, and are recognised in profit or loss on the date of retirement or disposal within "Other income and net gains/(losses)" in the combined statement of comprehensive income.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of our Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

Leases and hire purchase contracts

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Our Group as lessee

Assets held under finance lease are recognised as assets of our Group at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as an obligation under finance lease. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance

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charges are charged directly to profit or loss, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with our Group's general policy on borrowing costs.

When a sale and leaseback results in a finance lease, any gain on sale is deferred and recognised as an income over the lease term. Any loss on sale is immediately recognised as an impairment loss when the sale occurs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivables as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Construction contracts in progress

Contracting 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 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. 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).

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

Revenue represents the gross contract receipts on construction contracts and rental income on machinery in the ordinary course of business. Construction contracts income is recognised based on the stage of completion of the contracts. The stage of completion of a contract is established by reference to the construction works certified by an independent surveyor. The portion of total contract revenue that is certified to have been completed in a period is recognised as revenue of our Group in the respective period. Operating lease rental income is recognised on a straight-line basis over the term of the lease. The revenue in the years ended 31 March 2011 and 2012 included the revenue generated by the newly

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acquired subsidiaries, Sunnic and Full Gain, during the period. The following table sets out the turnover by source of income during the Track Record Period:

	Year ended 31 March		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue			
Construction contracts income from TRP Projects	45,148	250,605	302,571
Construction contracts income from the Second Project (<i>Note</i>)	—	6,398	—
Rental income on machinery	<u>6,158</u>	<u>502</u>	<u>10,551</u>
	<u><u>51,306</u></u>	<u><u>257,505</u></u>	<u><u>313,122</u></u>

Note: Revenue from construction works includes the amount of HK\$6,398,000 for the year ended 31 March 2011 being the ultimate total revenues finally yielded by recovery measures from one prior year foundation construction contract which was completed prior to the Track Record Period.

Our Group also recognised construction contracts income of HK\$6,398,000 from the Second Project in the year ended 31 March 2011. Our Group did not record any additional construction contracts income from prior year project in the years ended 31 March 2010 and 2012.

All or the majority of our Group's construction contracts income was derived from TRP Projects for each of the years ended 31 March 2010, 2011 and 2012. The construction contracts income from TRP Projects amounted to approximately HK\$45.1 million, HK\$250.6 million and HK\$302.6 million respectively for each of the years ended 31 March 2010, 2011 and 2012. Some of our Group's construction contracts income was derived from the Second Project for a customer and it was completed in 2003. A revenue of approximately HK\$6.4 million was recorded in the year ended 31 March 2011 in accordance with HKFRSs based on the assessment of the probable outcome of the recovery of income variation works from the customer in relation to the Second Project.

During the Track Record Period, our Group leased unutilised machinery to third party machinery company and contractors under short term operating leases. The rental income on machinery was recognised as our Group's revenue.

Cost of sales

Cost of sales primarily consists of (i) construction materials costs; (ii) subcontracting charges; (iii) staff costs; (iv) depreciation expenses for machinery; and (v) reversal of provision for claims. Construction material costs primarily include direct costs for the purchase of materials such as steel and concrete, and consumables such as diesel, spare parts and transportation costs that are directly attributed to project works. Subcontracting charges represent direct costs paid to our Group's subcontractors for various services such as steel bar fixing, concrete coring, excavation, pile cap construction, site investigation, foundation layout design, etc. Before the acquisition of Sunnic and Full Gain during the year ended 31 March 2011, our Group also subcontracted certain foundation work involving socketed H-pile to Sunnic which was then an Independent Third Party. Prior to acquisition of Sunnic and Full Gain, subcontracting fees payable to Sunnic was also recognised as our subcontracting charges. The reversal of provision for claims arose from the provision for claims previously made for the Second Project in

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the year ended 31 March 2009 before the Track Record Period. Staff costs represent compensation and benefits provided to direct workers involved in construction projects. Depreciation expenses for machinery which is used in generating our Group's revenue are recognised as part of the cost of sales. The cost of sales in the year ended 31 March 2011 included the cost of sales incurred by the newly acquired subsidiaries, Sunnic and Full Gain, since their acquisition by our Group on 8 June 2010 and 15 July 2010. In addition, our Group also recognised a reversal of provision for claims of approximately HK\$11.2 million in relation to the Second Project in the year ended 31 March 2011.

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

	Year ended 31 March		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of sales for TRP Projects			
Construction materials costs	16,665	91,872	115,442
Subcontracting charges	2,078	57,931	56,638
Staff costs	5,561	27,985	54,234
Depreciation	8,212	20,115	27,138
	32,516	197,903	253,452
Cost of sales for the Second Project			
Reversal of provision for claims	—	(11,243)	—
	32,516	186,660	253,452

The amount of each of the elements of cost of sales and the composition of cost of sales depend on various factors. The amount of construction material costs depends on the volume and price of materials used in construction projects. The amount of subcontracting charges depends on the complexity and skills involved in the subcontracting works in our Group's construction projects. When a construction project requires construction procedures or techniques that are beyond our Group's expertise or permitted areas, subcontractors are engaged and more subcontracting charge is incurred in general. Staff costs are primarily related to the number of direct workers of our Group. Depreciation arises from machinery which is used directly in generating our Group's revenue.

Some of our Group's cost of sales arose from the Second Project. Based on the then assessment of the probable outcome of the negotiation of the dispute of the Second Project and all documents available to the management of our Group, our Group recorded approximately HK\$11.2 million as cost of sales in the year ended 31 March 2009 before the Track Record Period. The provision for claims of approximately HK\$11.2 million recorded as cost of sales in the year ended 31 March 2009 were subsequently reversed in the year ended 31 March 2011 based on the assessment of the probable outcome of the recovery of income on variation works from the customer in relation to the Second Project.

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Other income and net gains

Other income and net gains mainly includes gain on disposal of fixed assets and a gain on disposal of interest in a subsidiary. During the Track Record Period, our Group disposed of certain fixed assets. These fixed assets, which mainly included machines, were disposed of with sales proceeds, leading to gain on disposal of fixed assets. On 17 December 2010, our Group disposed of its entire equity interest in its subsidiary, Super Ease, which was engaged in property holding business, to Sunnic Holdings at a consideration of HK\$342,000. The then carrying amount of the net assets of Super Ease was approximately HK\$6,000. A gain on disposal of interest in a subsidiary of approximately HK\$336,000 was accordingly recognised in the year ended 31 March 2011.

The following table sets out the summary of other income and net gains during the Track Record Period:

	Year ended 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Gain on disposal of fixed assets	529	3,318	64
Gain on disposal of a subsidiary	—	336	—
Interest income	1	1	37
Others	121	438	21
	<u>651</u>	<u>4,093</u>	<u>122</u>

Administrative expenses

Administrative expenses consist primarily of legal expenses, staff costs, operating lease rental on land and buildings, transportation expenses and depreciation expenses. The following table sets out administrative expenses by nature during the Track Record Period:

	Year ended 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Legal expenses	1,122	11,608	—
Staff costs, including Directors' emoluments	2,401	10,735	9,561
Other professional fees	183	617	5,362
Operating lease rental on land and buildings	610	1,841	2,615
Transportation	429	1,553	1,975
Repair and maintenance	25	864	1,405
Depreciation	332	1,030	1,005
Insurance	168	346	821
Auditor's remuneration	101	837	730
Entertainment	105	443	443
Printing and stationery	72	398	391
Building management fee	194	286	303
Other expenses	465	934	1,202
	<u>6,207</u>	<u>31,492</u>	<u>25,813</u>

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Significant legal expenses of approximately HK\$1.1 million and HK\$11.6 million were incurred by our Group for each of the years ended 31 March 2010 and 2011 respectively solely for the Second Project. Other professional fees mainly represented expenses for retaining professional parties, etc. in the year ended 31 March 2012 for our Company's intended listing. Staff costs represented compensation and benefits provided to the Directors, our Group's senior management and administrative staff. Operating lease rental on land and buildings represented rental expenses for one warehouse and one office unit rented by Sunley in the Track Record Period, and rental expenses for one warehouse and one office unit rented by Sunnic in the years ended 31 March 2011 and 2012. Transportation expenses were incurred for transportation of our Group's machinery. Specialised transportation companies were engaged to transport our Group's machinery between construction sites and warehouses as specialised vehicles with heavy loading are required. Transportation expenses that were classified under administrative expenses represented the costs of transportation that were not incurred directly in construction works. Depreciation expenses for office equipment, motor vehicles and furniture and fixtures which were not directly involved in construction projects were recognised as an administrative expense. Repair and maintenance was mainly incurred to keep our Group's machines in good condition. Insurance expense was incurred mainly for our Group's construction projects.

Finance costs

Finance costs represent interest expenses on bank borrowings and finance lease liabilities. Interest on finance lease liabilities was incurred for some of our Group's machines that were acquired under finance leases in each of the years ended 31 March 2010, 2011 and 2012. Our Group purchased those machines from suppliers, sold them to a bank and the bank leased back those machines to our Group for lease terms ranging from two to five years. Interest on finance leases was determined by reference to HIBOR. Interest on bank borrowings was incurred by Sunnic for bank loans raised by it and was determined by reference to HIBOR or current prime rate.

Income tax

Our Group's revenue during the Track Record Period was derived in Hong Kong, and our Group was subject to profits tax in Hong Kong. Provision for Hong Kong profits tax is provided at the statutory profits tax rate of 16.5% of the estimated assessable profits for the Track Record Period. The effective tax rates of our Group for each of the years ended 31 March 2010, 2011 and 2012 were approximately 17.8%, 17.8% and 19.2%.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 March 2012 compared to year ended 31 March 2011

Revenue

Our Group's revenue for the year ended 31 March 2012 increased by more than 20% to approximately HK\$313.1 million as compared to the year ended 31 March 2011. The surge in revenue was due to the growth of revenue arising from both Sunley's and Sunnic's TRP Projects. Our Group recognised construction income of HK\$6,398,000 from the Second Project in the year ended 31 March 2011 while our Group did not record any additional construction contracts income from prior year project in the year ended 31 March 2012. During the year ended 31 March 2012, our Group experienced an increase in construction activity and worked on four Major Projects that generated over HK\$30

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million revenue during the year, namely Fung Yuen, Bonham Strand, Lan Kwai Fong and 72 Mount Kellett Road. These four Major Projects contributed a total of revenue of approximately HK\$149.4 million, representing 47.7% of our revenue during the year. In the year ended 31 March 2012, our Group worked on a total of 28 construction projects, deriving average construction income of approximately HK\$10.8 million. Whereas in the year ended 31 March 2011, our Group also worked on a total of 26 construction projects, but deriving average construction income of approximately HK\$9.6 million only.

Our Group also leased certain idle machines to third parties to earn additional rental income, and our Group earned rental income on machinery of approximately HK\$10.6 million for the year ended 31 March 2012.

Cost of sales

Our Group's cost of sales surged from approximately HK\$186.7 million for the year ended 31 March 2011 to HK\$253.5 million for the year ended 31 March 2012. The sharp increase in cost of sale was due to the increase in construction materials costs, staff costs and depreciation expenses. The construction materials costs increased by 25.7% for the year ended 31 March 2012 as compared with the previous year, generally in line with the percentage increase in revenue of 21.6% for the same period. The percentage increase in depreciation charges of 34.9% was also in line with the growth of fixed assets of our Group. The net book value of our machinery grew continuously from approximately HK\$83.1 million at the beginning of the year ended 31 March 2011 to approximately HK\$170.9 million as at 31 March 2012.

The staff costs increased by 93.8% from approximately HK\$28.0 million in the year ended 31 March 2011 to approximately HK\$54.2 million in the year ended 31 March 2012, and surpassed the 21.6% increase in revenue in the year ended 31 March 2012 as compared with the previous year. This was partly due to the fact that Sunnic and Full Gain, which had more direct workers than Sunley, were acquired by our Group in June and July 2010 respectively. As at 31 March 2011, Sunley had a total of 54 direct workers, while Sunnic and Full Gain had a total of 75 direct workers. For the year ended 31 March 2011, the staff costs for direct workers of Sunnic and Full Gain for a period of seven to nine months since their acquisition by our Group were reflected. The increase in staff costs was also attributed to the wage increment during the year and the fact that our Group hired additional direct workers to cope with our project demand in the year ended 31 March 2012.

Besides, our Group recognised reversal of provision for claims for the Second Project of approximately HK\$11.2 million for the year ended 31 March 2011. No such reversal of provision for claims was recognised for the year ended 31 March 2012.

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Gross profit and gross profit margin

The following table sets out our gross profit and gross profit margin by nature of service:

	Year ended 31 March	
	2011	2012
Gross profit (HK\$'000)		
Attributed to:		
— TRP Projects	52,702	49,119
— Second Project	17,641	—
— Rental income on machinery	502	10,551
	70,845	59,670
Gross profit margin		
Attributed to TRP Projects (<i>note</i>)	21.0%	16.2%
Attributed to TRP Projects and rental income on machinery (<i>note</i>)	21.2%	19.1%
Overall	27.5%	19.1%

Note: In the gross profit margin analysis throughout this prospectus, it is assumed that depreciation expenses for machinery were attributed to the TRP Projects, even though certain machines were leased to customers and rental income on machinery was generated.

Our Group's total gross profit dropped by 15.8% from approximately HK\$70.8 million for the year ended 31 March 2011 to approximately HK\$59.7 million for the year ended 31 March 2012. The decrease was mainly attributable to the recognition of gross profit of approximately HK\$17.6 million in the year ended 31 March 2011, arising from the recording of additional revenue and reversal of the provision for claims in respect of the Second Project. Had it not been for the additional gross profit arising from the Second Project, our gross profit would have grown by approximately HK\$6.5 million for the year ended 31 March 2012. Such growth was attributable to the increase in rental income on machinery by approximately HK\$10.1 million.

However, due to the increase in cost of sales, particularly the direct staff cost, the gross profit margin attributed to the TRP Projects slipped by 4.8 percentage point, down to 16.2% for the year ended 31 March 2012. The direct staff cost as a percentage of construction contracts income from the TRP Projects inflated from 11.2% for the year ended 31 March 2011 to 17.9% for the year ended 31 March 2012, mainly caused by the wage increment during the year and the fact that our Group hired additional direct workers to cope with our demand in the year ended 31 March 2012. For the reasons stated above, and the fact that our Group did not recognise any income from prior year project in the year ended 31 March 2012, the overall gross profit margin dropped from 27.5% to 19.1% in the year ended 31 March 2012. The gross profit margin attributed to TRP Projects and rental income on machinery dropped from 21.2% for the year ended 31 March 2011 to 19.1% for the year ended 31 March 2012 because of the increase in direct staff cost.

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Other income and net gain

Our Group recorded other income and net gains of only HK\$122,000 for the year ended 31 March 2012, and our Group's other income and net gains for the year ended 31 March 2011 amounted to approximately HK\$4.1 million, including mainly net gain on disposal of fixed assets of approximately HK\$3.3 million. More crawler cranes were disposed of during the year ended 31 March 2011, leading to the decrease in net gain on disposal of fixed assets for the year ended 31 March 2012.

Administrative expenses

The amounts of administrative expenses dropped from approximately HK\$31.5 million for the year ended 31 March 2011 to approximately HK\$25.8 million for the year ended 31 March 2012 mainly because our Group incurred legal expenses of approximately HK\$11.6 million for the year ended 31 March 2011 for the Second Project, partially offset by the increase in other professional fees. Our Group did not incur any legal expense for the Second Project for the year ended 31 March 2012. In the year ended 31 March 2012, our Group incurred other professional fees of approximately HK\$5.0 million for retaining professional parties in connection with the intended listing of our Company. Our operating lease rental on land and building increased by 42.0% to approximately HK\$2.6 million for the year ended 31 March 2012 mainly because more rental expense was incurred after the acquisition of Sunnic and Full Gain by our Group in the year ended 31 March 2011. The repair and maintenance expense increased by 62.6% to approximately HK\$1.4 million mainly because of the intensified use of our expanding portfolio of machinery.

Finance costs

The amounts of interest on bank borrowings and finance lease liabilities increased from approximately HK\$426,000 for the year ended 31 March 2011 to approximately HK\$2.1 million in the year ended 31 March 2012. Part of our investment in machinery was financed by bank borrowings and finance leases. The carrying amount of finance lease liabilities thus grew from approximately HK\$18.4 million as at 31 March 2010 to approximately HK\$77.5 million as at 31 March 2011 and further to approximately HK\$98.1 million as at 31 March 2012. We had no bank borrowing as at 31 March 2010 and the carrying amount of our bank borrowings also increased to approximately HK\$10.6 million as at 31 March 2012, thus the interest on bank borrowings and finance lease liabilities increased sharply.

Income tax

The effective tax rates for each of the years ended 31 March 2011 and 2012 were approximately 17.8% and 19.2% respectively. The effective tax rates for both years ended 31 March 2011 and 2012 were higher than the statutory profits tax rate of 16.5% because additional depreciation expense in relation to the acquisition of machinery of Sunnic and Full Gain was not deductible for tax.

Profit for the year

Our Group's profit for the year was approximately HK\$25.8 million, slipped by 27.2% for the year ended 31 March 2012 as compared with the previous year, mainly because (i) our Group recorded additional income from prior year project of approximately HK\$17.6 million for the year ended 31 March 2011; (ii) for the year ended 31 March 2012 our Group incurred additional professional fees in

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connection with the intended listing of our Company, amounting to approximately HK\$5.0 million; and (iii) there was a gain on disposal of fixed assets of approximately HK\$3.3 million for the year ended 31 March 2011.

Year ended 31 March 2011 compared to year ended 31 March 2010

Revenue

Our Group's revenue for the year ended 31 March 2011 increased fourfold to approximately HK\$257.5 million in the year ended 31 March 2011 from approximately HK\$51.3 million in the year ended 31 March 2010. The surge in revenue was due to (i) the growth of revenue arising from Sunley's own TRP Projects ; and (ii) the acquisition of Sunnic and Full Gain during the year ended 31 March 2011. In addition, our Group recognised construction income of approximately HK\$6,398,000 from the Second Project in the year ended 31 March 2011.

Our Group's subsidiary, Sunley, experienced an increase in construction activity in the year ended 31 March 2011. During the year ended 31 March 2011, Sunley worked on nine projects with an average construction contracts income (arising from TRP Projects) of approximately HK\$15.2 million per project (note 1). In comparison, during the year ended 31 March 2010, Sunley worked on six projects with an average construction contracts income (arising from TRP Projects) of approximately HK\$7.5 million only. During the year ended 31 March 2010, Sunley endeavoured to broaden our customer base, causing the number of customers to increase in the year ended 31 March 2011. Sunley also worked on a major and large scale project, the Fung Yuen project, which contributed construction contracts income of approximately HK\$71.6 million to Sunley in the year ended 31 March 2011, causing the average construction contracts income of Sunley to increase in the year ended 31 March 2011.

The acquisition of Sunnic and Full Gain by our Group brought considerable contribution to our Group's revenue. The construction contracts income attributable to Sunnic and Full Gain (note 1) amounted to approximately HK\$114.5 million. Sunnic and Full Gain worked on 20 projects bringing an average construction contracts income of approximately HK\$5.7 million to our Group after they had been acquired by our Group during the year ended 31 March 2011.

Note 1: During the year ended 31 March 2011, Sunley subcontracted a project to Sunnic and Sunnic subcontracted certain projects to Sunley. In the meantime, Sunnic also subcontracted certain projects to Full Gain. After the acquisition of Sunnic and Full Gain by our Group, construction contracts income is recorded in all subsidiaries that have taken part in carrying out a particular project. Such double-counting of construction contracts income is eliminated in our Group's combined financial statements. For the purpose of the above disclosure of construction contracts income attributable to respective subsidiaries, it is assumed that the portion of revenue associated with the work was earned by the subsidiary that has actually performed the construction work, rather than the subsidiary that subcontracted the work to another subsidiary.

Cost of sales

Our Group's cost of sales surged from approximately HK\$32.5 million in the year ended 31 March 2010 to HK\$186.7 million in the year ended 31 March 2011. The sharp increase in cost of sales was due to (i) the increase of cost of sales arising from the increase in number and value of Sunley's own TRP Projects ; and (ii) the acquisition of Sunnic and Full Gain during the year ended 31 March 2011, offset by the reversal of provision for claims in relation to the Second Project.

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Our Group's subsidiary, Sunley, experienced an increase in construction activity in the year ended 31 March 2011. It worked on nine projects during the year ended 31 March 2011 whereas it only worked on six projects during the year ended 31 March 2010. Due to the increase in construction activity, the cost of sales (arising from TRP Projects) attributable to Sunley (note 2) increased from approximately HK\$32.5 million in the year ended 31 March 2010 to approximately HK\$99.4 million in the year ended 31 March 2011. Besides, projects carried out in the year ended 31 March 2010 were mostly bored piles projects and no extensive subcontracting was needed, thus subcontracting charges were exceptionally low in the year ended 31 March 2010.

The acquisition of Sunnic and Full Gain by our Group has resulted in a significant increase in cost of sales arising from the construction activities of Sunnic and Full Gain. The cost of sales attributable to Sunnic and Full Gain (note 2) amounted to approximately HK\$98.5 million. Sunnic and Full Gain, collectively, worked on 20 projects in the year ended 31 March 2011 since they have been acquired by our Group. The significant increase in staff costs from approximately HK\$5.6 million in the year ended 31 March 2010 to approximately HK\$28.0 million in the year ended 31 March 2011, was attributable to the acquisition of Sunnic and Full Gain. As at 31 March 2011, Sunley had a total of 54 direct workers, while Sunnic and Full Gain had a total of 75 direct workers. The amount of depreciation also increased from approximately HK\$8.2 million in the year ended 31 March 2010 to approximately HK\$20.1 million in the year ended 31 March 2011. The depreciation expense arising from machinery of Sunnic and Full Gain in the year ended 31 March 2011 amounted to approximately HK\$6.7 million. The depreciation expense arising from Sunley's machinery also increased to approximately HK\$13.4 million in the year ended 31 March 2011 due to the acquisition of machines by Sunley during the year.

Note 2: During the year ended 31 March 2011, Sunley subcontracted a project to Sunnic and Sunnic subcontracted certain projects to Sunley. In the meantime, Sunnic also subcontracted certain projects to Full Gain. After the acquisition of Sunnic and Full Gain by our Group, cost of sales is recorded in all subsidiaries that have taken part in carrying out a particular project. Such double-counting of cost of sales is eliminated in our Group's combined financial statements. For the purpose of the above disclosure of cost of sales attributable to respective subsidiaries, it is assumed that the portion of cost associated with the work was incurred by the subsidiary that has actually performed the construction work, rather than the subsidiary that subcontracted the work to another subsidiary.

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Gross profit and gross profit margin

The following table sets out our gross profit and gross profit margin by nature of service:

	Year ended 31 March	
	2010	2011
Gross profit (HK\$'000)		
Attributed to:		
— TRP Projects	12,632	52,702
— Second Project	—	17,641
— Rental income on machinery	<u>6,158</u>	<u>502</u>
	<u>18,790</u>	<u>70,845</u>
Gross profit margin		
Attributed to TRP Projects (<i>note</i>)	28.0%	21.0%
Attributed to TRP Projects and rental income on machinery (<i>note</i>)	36.6%	21.2%
Overall	36.6%	27.5%

Note: In the gross profit margin analysis throughout this prospectus, it is assumed that depreciation expenses for machinery were attributed to TRP Projects, even though certain machines were leased to customers and rental income on machinery was generated.

Our Group's total gross profit jumped by 277.0% from approximately HK\$18.8 million in the year ended 31 March 2010 to approximately HK\$70.8 million in the year ended 31 March 2011. The sharp increase is mainly attributable to (i) the increase in construction activities of Sunley and the acquisition of Sunnic and Full Gain during the year ended 31 March 2011 leading to the increase in gross profit in respect of TRP Projects by approximately HK\$40.0 million; (ii) the gross profit of approximately HK\$17.6 million arising from the recording of additional revenue and reversal of the provision for claims previously recognised in the cost of sales in respect of the Second Project; and (iii) the drop in rental income on machinery from approximately HK\$6.2 million in the year ended 31 March 2010 to approximately HK\$0.5 million in the year ended 31 March 2011.

Our Group's gross profit margin has dropped from 36.6% in the year ended 31 March 2010 to 27.5% in the year ended 31 March 2011. Our Group's gross profit margin attributed to TRP Projects dropped from 28.0% in the year ended 31 March 2010 to 21.0% in the year ended 31 March 2011, mainly due to the acquisition of Sunnic and Full Gain during the year ended 31 March 2011. For the revenue contributed by Sunnic and Full Gain to our Group since their acquisition during the year ended 31 March 2011, the respective gross profit margin attributed to Sunnic and Full Gain was 14.0% (note 3), which was lower than the gross profit margin attributed to from TRP Projects of Sunley of 27.2% (note 3). There was no material change in the gross profit margin attributed to TRP Projects of Sunley which approximated to 28.0% in the year ended 31 March 2010. The gross profit margin attributed to TRP Projects and rental income on machinery dropped from 36.6% for the year ended 31 March 2010 to 21.2% for the year ended 31 March 2011 because of the acquisition of Sunnic and Full Gain during the year ended 31 March 2011.

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Note 3: During the year ended 31 March 2011, Sunley subcontracted a project to Sunnic and Sunnic subcontracted certain projects to Sunley. In the meantime, Sunnic also subcontracted certain projects to Full Gain. After the acquisition of Sunnic and Full Gain by our Group, revenue and cost of sales are recorded in all subsidiaries that have carried out a project. Such double-counting of revenue and cost of sales is eliminated in our Group's combined financial statements. For the purpose of the above disclosure of revenue and cost of sales attributable to respective subsidiaries, it is assumed that the portion of revenue and cost associated with the work was earned and incurred by the subsidiary that has actually performed the construction work, rather than the subsidiary that subcontracted the work to another subsidiary.

The gross profit margin of individual projects vary from one project to another, and is affected by numerous factors including, inter alia, market condition, technical complexities, project timeframe and foundation method. Different foundation methods affect construction cost differently. The cost features of various foundation works and ancillary services are set out in the sub-section "Description of Business" in the section headed "Business" of this prospectus. As compared with other piling systems, bored piles are generally marked by relatively higher fixed plant cost. Sunley is specialised in bored-piles foundation works while Sunnic and Full Gain are specialised in other piling system such as percussive piles and socketed H-piles. As compared with percussive piles and socketed H-piles, bored piling is relatively more capital intensive. Bored piling makes use of large-scaled machines such as oscillators and reverse circulation drills, and bears a high fixed cost on machinery if the machines are under-utilised. Yet the average cost on machinery is reduced if the machines are well-utilised. In the tender bidding process of bored piling works, Sunley generally set the bidding price a target gross profit ratio of not lower than 30% (before any machinery depreciation expense), generally higher than that of other piling systems with a view to recovering the high plant cost. From the experience of our Group, our Directors observed that projects for bored piles completed by our Group during the Track Record Period in general had a higher gross profit margin before machinery depreciation expense on average than that of projects for other piling systems. Our Directors thus believe that gross profit margin for projects for bored piles would in general be higher if the machines for bored-piles are well-utilised.

Our Directors believe that, as Sunley experienced an increase in construction activity in the year ended 31 March 2011, the machines for bored-piles were well-utilised during the year, thus achieved a lower average cost on machinery and a higher gross profit margin than Sunnic and Full Gain. Our Directors confirm that Sunley's major machines for bored piles, namely crawler crane, oscillator and reverse circulation drill did not stay idle in our warehouse for more than one month in the year ended 31 March 2011. On this basis, our Directors confirm that the machines for bored-piles were generally well-utilised in the year ended 31 March 2011.

We either directly purchase our machines or acquire them by way of finance leases. All the machines acquired under finance leases were accounted for as our Group's assets at cost as if it was purchased by our Group. Hence, the method of acquisition of a machine does not affect the amount of its depreciation charge and the gross profit margin of our Group.

The overall gross profit margin of our Group was also affected by the Second Project. With the recording of revenue of approximately HK\$6.4 million and the reversal of provision for claims of approximately HK\$11.2 million in respect of the Second Project in the year ended 31 March 2011, a gross profit for the Second Project of approximately HK\$17.6 million was recorded in the year ended 31 March 2011.

Furthermore, the drop in rental income on machinery also contributed to the drop in gross profit margin as there is no direct cost for the rental income other than depreciation.

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Other income and net gain

Our Group's other income and net gains in the year ended 31 March 2011 amounted to approximately HK\$4.1 million and included mainly net gain on disposal of fixed assets of approximately HK\$3.3 million. More crawler cranes were disposed of during the year ended 31 March 2011, leading to the increase in net gain on disposal of fixed asset. Our Directors believe that some of those disposed fixed assets had low efficiencies and were not suitable to future development of our Group.

Administrative expenses

The amounts of administrative expenses increased from approximately HK\$6.2 million in the year ended 31 March 2010 to approximately HK\$31.5 million in the year ended 31 March 2011 mainly due to (i) the increase in legal expenses from approximately HK\$1.1 million to HK\$11.6 million for the Second Project, and (ii) the increase in amounts of other items of administrative expenses mostly because of the acquisition of Sunnic and Full Gain during the year ended 31 March 2011. In particular, our Group's staff costs for Directors, senior management and administrative staff increased more than threefold from approximately HK\$2.4 million in the year ended 31 March 2010 to approximately HK\$10.7 million in the year ended 31 March 2011, as our Group's number of senior management and administrative staff grew from 11 as at 31 March 2010 to 29 as at 31 March 2011. Our Group's operating lease rental on land and buildings also increased twofold from approximately HK\$0.6 million in the year ended 31 March 2010 to approximately HK\$1.8 million in the year ended 31 March 2011. During the year ended 31 March 2010, our Group leased two properties, one as an office unit and one as a warehouse for its machinery. With the acquisition of Sunnic and Full Gain, our Group had a total of four leased properties, two as office units and two as warehouses, as at 31 March 2011. Transportation expense increased by more than twofold to approximately HK\$1.6 million in the year ended 31 March 2011 mainly due to the acquisition of Sunnic and Full Gain during the year. During the year, Sunnic and Full Gain incurred transportation expense of approximately HK\$1.0 million. Sunnic and Full Gain generally incurred more transportation expense than Sunley as Sunnic and Full Gain worked on more number of projects and thus transportation of machines was generally more frequent. In the year ended 31 March 2011, Sunnic and Full Gain worked on 20 projects, whereas Sunley worked on nine projects only. In the year ended 31 March 2011 Sunnic incurred entertainment expense of approximately HK\$314,000 as it had more number of customers than Sunley, leading to the considerable increase in overall entertainment expense of our Group. Repair and maintenance expense increased from approximately HK\$25,000 for the year ended 31 March 2010 to HK\$0.9 million for the year ended 31 March 2011 mainly due to the acquisition of Sunnic and Full Gain during the year, which incurred a considerable amount of repair and maintenance expense on machinery in warehouse.

Finance costs

Finance costs for each of the years ended 31 March 2010 and 2011 represented interest on bank borrowings and finance lease liabilities. The amounts of interest on bank borrowings and finance lease liabilities increased from approximately HK\$52,000 for the year ended 31 March 2010 to approximately HK\$426,000 for the year ended 31 March 2011. Part of our investments in machinery were financed by bank borrowings and financial leases, and the net book amount of machinery held under finance leases as at 31 March 2010 and 2011 was approximately HK\$22.8 million and HK\$88.5 million respectively. The carrying amount of finance lease liabilities thus grew from approximately HK\$18.4 million as at 31

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March 2010 to approximately HK\$77.5 million as at 31 March 2011, and the carrying amount of our bank borrowings amounted to approximately HK\$14.3 million as at 31 March 2011, thus the interest on bank borrowings and finance lease liabilities increased sharply during the same periods. Our Group had no bank borrowing as at 31 March 2010.

Income tax

The effective tax rates for each of the years ended 31 March 2010 and 2011 were both approximately 17.8%. There was no material change in the effective tax rate during the periods.

Profit for the year

Our Group's profit for the year improved significantly for the year ended 31 March 2011, increasing from approximately HK\$10.8 million for the year ended 31 March 2010 to approximately HK\$35.4 million for the year ended 31 March 2011. The significant improvement was mainly due to the increase in gross profit from approximately HK\$18.8 million for the year ended 31 March 2010 to approximately HK\$70.8 million for the year ended 31 March 2011, offset by the increase in administrative expenses from approximately HK\$6.2 million for the year ended 31 March 2010 to approximately HK\$31.5 million for the year ended 31 March 2011.

LIQUIDITY AND CAPITAL RESOURCES

Our Group had met its liquidity requirements principally through a combination of internal resources, bank borrowings, finance lease and advances from related parties during the Track Record Period. Our Group's principal uses of cash have been, and are expected to continue to be, operational costs and investing activities.

Cash flows

The following table sets forth the cash flows for the periods indicated:

	Year ended 31 March		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	11,599	26,975	37,013
Net cash used in investing activities	(32,905)	(57,230)	(42,525)
Net cash generated from financing activities	<u>18,356</u>	<u>73,088</u>	<u>7,461</u>
Net (decrease)/increase in cash and cash equivalents	(2,950)	42,833	1,949
Cash and cash equivalents at 1 April	<u>4,777</u>	<u>1,827</u>	<u>44,660</u>
Cash and cash equivalents at 31 March	<u><u>1,827</u></u>	<u><u>44,660</u></u>	<u><u>46,609</u></u>

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As our Group acquired Sunnic, Full Gain and Super Ease and our Group disposed of Super Ease during the year ended 31 March 2011, our Group's cash flows for the year ended 31 March 2011 include the cash flows of these subsidiaries during the period since they were controlled by our Group.

Net cash generated from operating activities

Our net cash flow generated from operating activities reflects our profit before income tax, as adjusted for non-cash items, such as depreciation and the effects of changes in working capital.

For the year ended 31 March 2012, we had net cash from operating activities of approximately HK\$37.0 million, primarily as a result of profit before income tax of approximately HK\$31.9 million, adjusted for depreciation of approximately HK\$28.1 million and the increase in trade and other receivables by approximately HK\$10.5 million. The balance of trade and other receivables increased as several Major Projects were in progress as at 31 March 2012 or had been completed shortly before 31 March 2012, resulting in a significant unpaid trade receivable balance as at 31 March 2012.

For the year ended 31 March 2011, we had net cash from operating activities of approximately HK\$27.0 million, primarily as a result of profit before income tax of approximately HK\$43.0 million, adjusted for depreciation of approximately HK\$21.1 million, decrease in trade and other receivables of approximately HK\$10.8 million, decrease in balances with shareholders of approximately HK\$22.7 million and decrease in trade and other payables (including provision for claims) of approximately HK\$27.8 million. The balances of both trade and other receivables, and trade and other payables (including provision for claims) decreased as Sunnic had less projects in-progress as at 8 June 2010 (date of acquisition of Sunnic by our Group) than that as at 31 March 2011. Sunnic had 10 projects in-progress as at 8 June 2010, while it only had four projects in-progress as at 31 March 2011, resulting in reduction of trade and other receivables, and trade and other payables (including provision for claims) as at 31 March 2011 compared to that as at 8 June 2010. The balances with shareholders decreased as our Group repaid the amount due to shareholders brought forward from our Group as at 31 March 2010 and Sunnic as at 8 June 2010.

For the year ended 31 March 2010, we had net cash from operating activities of approximately HK\$11.6 million, primarily as a result of profit before income tax of approximately HK\$13.2 million, adjusted for depreciation of approximately HK\$8.5 million, increase in trade and other receivables of approximately HK\$13.7 million, net payment from a shareholder and Director, Mr. Leung, of approximately HK\$20.0 million and decrease in trade and other payables (including provision for claims) of approximately HK\$11.3 million. Our trade and other receivables increased during the year ended 31 March 2010 because the amount of trade receivables was exceptionally low as at 31 March 2009 as the Tai Kok Tsui project, our Group's major project in the year ended 31 March 2009, has been completed in December 2008 and much of the contract sum has been received by 31 March 2009. Mr. Leung, a shareholder and Director, made a net payment of approximately HK\$20.0 million to our Group as our working capital during the year. Our trade and other payables (including provision for claims) dropped significantly because, as at 31 March 2009, we had a significant amount of accruals for purchase of machines of HK\$15.3 million representing the amount of machines acquired by our Group which have not been billed to us by 31 March 2009 but have been subsequently paid by us during the year ended 31 March 2010.

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Net cash used in investing activities

For the year ended 31 March 2012, we had net cash used in investing activities of approximately HK\$42.5 million, representing the amounts of property, plant and equipment, mainly machinery, purchased by our Group of approximately HK\$42.6 million.

For the year ended 31 March 2011, we had net cash used in investing activities of approximately HK\$57.2 million, representing the amounts of property, plant and equipment, mainly machinery, purchased by our Group of approximately HK\$76.7 million, the net cash outflow arising from acquisition of subsidiaries of approximately HK\$0.3 million, offset by proceeds from disposal of old property, plant and equipment of approximately HK\$19.8 million.

For the year ended 31 March 2010, we had net cash used in investing activities of approximately HK\$32.9 million, representing the amounts of property, plant and equipment, mainly machinery, purchased by our Group of approximately HK\$36.6 million, offset by proceeds from disposal of old property, plant and equipment of approximately HK\$3.7 million.

Net cash generated from financing activities

For the year ended 31 March 2012, we had net cash generated from financing activities of approximately HK\$7.5 million, which mainly represented the inception of finance lease of approximately HK\$37.0 million, offset by the repayment of finance lease of approximately HK\$16.5 million, repayment of bank borrowing of approximately HK\$3.7 million and payment of dividend of HK\$9.3 million. During this year, our Group continued to finance our Group's investment in fixed assets by finance leases and make repayment of finance lease and bank borrowings according to the respective payment schedules.

For the year ended 31 March 2011, we had net cash generated from financing activities of approximately HK\$73.1 million, which mainly represented inception of finance lease of approximately HK\$80.0 million and drawdown of bank borrowings of approximately HK\$14.5 million, offset by repayment of finance lease of approximately HK\$20.8 million and repayment of bank borrowings of approximately HK\$0.6 million in the year. During this year, our Group financed the majority of our Group's continuous investment in fixed assets by finance leases and bank borrowings.

For the year ended 31 March 2010, we had net cash generated from financing activities of approximately HK\$18.4 million, which mainly represented the inception of finance lease of approximately HK\$20.0 million. During this year, our Group financed the majority of our Group's continuous investment in fixed assets by finance leases.

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ANALYSIS OF VARIOUS ITEMS FROM THE STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Net book value	Land and buildings <i>HK\$'000</i>	Machinery <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2010	—	83,125	800	21	—	83,946
At 31 March 2011	—	155,765	511	1,705	—	157,981
At 31 March 2012	—	170,903	219	1,305	—	172,427

Our Group's property, plant and equipment mostly consist of machinery. Most of our works require the use of machinery, such as crawler crane, oscillator and reverse circulation drill, etc. The carrying amount of our Group's machinery increased from approximately HK\$83.1 million as at 31 March 2010 to HK\$155.8 million as at 31 March 2011 and HK\$170.9 million as at 31 March 2012. Our Group invested continuously in machinery during the Track Record Period. For each of the years ended 31 March 2010, 2011 and 2012, our Group acquired additional machines, such as crawler crane and oscillator, at the cost of approximately HK\$36.6 million, HK\$75.8 million and HK\$42.3 million respectively. In the acquisition of Sunnic and Full Gain during the year ended 31 March 2011, our Group also acquired additional machinery at a fair value of approximately HK\$33.4 million.

Goodwill

The goodwill as at 31 March 2011 and 2012 of approximately HK\$13.0 million arose from the acquisition of Sunnic and Full Gain during the year ended 31 March 2011. The amounts of goodwill were arrived at the excess of cost acquisition of Sunnic and Full Gain over the fair value of our Group's share of the net identifiable assets of Sunnic and Full Gain at the dates of acquisition. Goodwill is tested annually for impairment. The goodwill was tested for impairment on 31 March 2011 and 2012 and no impairment to goodwill was made.

Trade and other receivables

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 and occasionally on a milestone basis with reference to the value of works done. A progress certificate certifying the works progress is issued by authorised persons (such as the architects or quantity surveyors employed by the customers). Upon issuance of such certificates which normally takes about 21 to 30 days, the progress revenue is billed to customers and then become payable by customers, and the progress revenue is accounted for as contract receivables. Generally, payment from customers is due 14–30 days after the issue of the progress certificate. The retention receivables represent the retention money held up by our customers for construction projects. The retention money for each project ranges from 1% to 5% of the

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total contract sum. Generally, in private contracts, 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 guaranteed maintenance period. The following table sets out the breakdown of trade and other receivables as at each reporting date:

	As at 31 March		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract receivables	14,578	45,908	59,398
Retention receivables	<u>1,016</u>	<u>22,334</u>	<u>19,452</u>
Total trade receivables	15,594	68,242	78,850
Other receivables, deposits and prepayments	<u>3,123</u>	<u>9,266</u>	<u>9,184</u>
	<u><u>18,717</u></u>	<u><u>77,508</u></u>	<u><u>88,034</u></u>

The total trade receivables increased from approximately HK\$15.6 million as at 31 March 2010 to approximately HK\$68.2 million as at 31 March 2011 and increased further to approximately HK\$78.9 million as at 31 March 2012. The total trade receivables soared significantly from approximately HK\$15.6 million as at 31 March 2010 to HK\$68.2 million as at 31 March 2011 mainly due to the acquisition of Sunnic and Full Gain by our Group during the year ended 31 March 2011 as well as the increase in both contract receivables and retention receivables of Sunley during the year. The contract receivables of Sunley (before any consolidation adjustment) increased from approximately HK\$14.6 million as at 31 March 2010 to approximately HK\$33.3 million as at 31 March 2011, and the retention receivables of Sunley (before any consolidation adjustment) surged from approximately HK\$1.0 million as at 31 March 2010 to approximately HK\$10.2 million as at 31 March 2011. Much of the contract receivables and retention receivables of Sunley as at 31 March 2011 was attributed to Fung Yuen project, one of our Group's Major Projects in the Track Record Period. Contract receivables and retention receivables for the Fung Yuen project amounted to approximately HK\$17.2 million and HK\$7.2 million respectively as at 31 March 2011. The Fung Yuen project lasted from September 2010 to November 2011, and gave rise to significant contract receivable and retention receivable balances due to its substantial contract sum. The Fung Yuen project was our Group's largest project in the year ended 31 March 2011 and contributed 27.8% of the total revenue of our Group in the year.

The trade receivables rose further to approximately HK\$78.9 million as at 31 March 2012, of which the contract receivables rose to approximately HK\$59.4 million. Much of the contract receivables as at 31 March 2012 was attributed to the Tsun Yip Street project, the Bonham Strand project, the Lan Kwai Fong project and the Caritas Medical Centre project. These projects were in progress as at 31 March 2012 or had just been completed shortly before 31 March 2012. The contract receivables in relation to these projects amounted to approximately HK\$28.0 million as at 31 March 2012, leading to the increase in overall trade receivable balance.

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The following table sets forth the turnover days of the 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 the days in the period) for the periods indicated:

	Year ended 31 March		
	2010	2011	2012
Trade receivable turnover day	<u>71.3 days</u>	<u>59.4 days</u>	<u>85.7 days</u>

The trade receivable turnover days dropped from 71.3 days for the year ended 31 March 2010 to 59.4 days for the year ended 31 March 2011. Sunnic and Full Gain was acquired by our Group on 8 June 2010 and 15 July 2010 respectively, and thus revenue of Sunnic for more than nine months and the revenue of Full Gain for more than eight months for the year ended 31 March 2011 were recognised by our Group. With the inclusion of proportionately longer period of revenue amount of Sunnic and Full Gain recognised by our Group and lower average trade receivable balance (due to lower beginning trade receivable balance before acquisition of Sunnic and Full Gain), the average of trade receivables as at 31 March 2010 and 2011 increased proportionately less and thus the trade receivable turnover day dropped to 59.4 days for the year ended 31 March 2011.

The trade receivable turnover days rebounded from 59.4 days for the year ended 31 March 2011 to 85.7 days for the year ended 31 March 2012. As explained in the above paragraph, the average of trade receivables as at 31 March 2010 and 2011 increased proportionately less than the amount of revenue of Sunnic and Full Gain as consolidated in our Group's total revenue for the year ended 31 March 2011 and thus the trade receivable turnover day for that year was lower than usual.

Our trade receivable turnover day during the Track Record Period was relatively high in general as the calculation of trade receivable turnover days includes retention receivable such that the trade receivable turnover day should naturally be higher than the normal credit period. Secondly, although payment is due 14–30 days after the issue of the progress certificate, there is generally a period of time for the architect or surveyor of the employer or main contractor to calculate the work done of the construction project at cut-off date before issuing the progress certificate. The amount of additional time involved depends on the complexity of the project and the practice of the employer/main contractor. Because of the additional time involved before the outstanding balances are settled, the trade receivable turnover day is significantly longer than the credit period. Our Group recognises construction contracts income and the relevant trade receivable based on stage of completion of the contracts, with reference to the construction works certified by an independent surveyor. For details of our Group's accounting policies on revenue recognition, please refer to Note 2(y) of the Accountant's Report set out in Appendix I to this prospectus.

All contract receivables as at 31 March 2012 were subsequently settled up to 31 July 2012, while 81.2% of the balance of trade receivables as at 31 March 2012 was subsequently settled up to 31 July 2012.

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The following table illustrates the aging analysis of the contract receivables based on invoice date as of the end of each of the reporting dates:

	As at 31 March		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	13,578	44,440	58,706
31–60 days	—	662	353
61–90 days	—	—	—
Over 90 days	<u>1,000</u>	<u>806</u>	<u>339</u>
	<u>14,578</u>	<u>45,908</u>	<u>59,398</u>

Retention receivables were not yet past due as at 31 March 2010, 2011 and 2012 and are thus excluded in the above aging analysis.

The majority of our Group's contract receivables ages between 0–30 days. All overdue trade receivables as at 31 March 2010, 2011 and 2012 have been subsequently settled. Our Group did not incur any bad debt expense during the Track Record Period.

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 increased significantly from approximately HK\$3.1 million as at 31 March 2010 to approximately HK\$9.3 million as at 31 March 2011, which was primarily due to the payment of approximately HK\$2.4 million for prepayments of listing expenses during the year ended 31 March 2011 and the other receivables, deposits and prepayments arising from the business and operation of Sunnic and Full Gain.

Amounts due from customers for contract work

Revenue from contract work is recognised based on the stage of completion of the contracts. The stage of completion of a contract is established by reference to the gross billing value of contract work to date as compared to the total contract sum receivable under the contracts. It normally takes 21 to 30 days for the progress certificates to be issued and thus, the following amounts due from customers for contract work mainly represent the value of work performed by our Group before the end of each reporting period of which the progress certificate had yet been obtained at the end of each reporting period:

	As at 31 March		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from customers for contract work	<u>3,319</u>	<u>3,856</u>	<u>2,762</u>

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The amounts due from customers for contract work are usually affected by the volume and value of work performed by our Group in the last month of each reporting period and the timing of making the progress certificates, and thus vary from period to period.

Trade and other payables, including provision for claims

Trade payables principally comprise payables to the suppliers of materials and the subcontractors of our Group. The provision of claims represents the net amount provided for the customer of the Second Project. Accruals for construction costs mainly represent accrued subcontracting charges and construction materials costs. Other accruals mainly represent accruals for purchase of machines and the net accrued amounts due to the customer for the Second Project. The following table sets out a breakdown of our trade and other payables (including provision for claims) as at each reporting date:

	As at 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Trade payables	2,056	12,508	25,499
Provision for claims	5,513	—	—
Accruals for construction costs	1,209	6,965	1,372
Other accruals	<u>6,567</u>	<u>14,856</u>	<u>2,013</u>
	<u>15,345</u>	<u>34,329</u>	<u>28,884</u>

The balance of trade payables increased sharply from approximately HK\$2.1 million as at 31 March 2010 to approximately HK\$12.5 million as at 31 March 2011, and further to approximately HK\$25.5 million as at 31 March 2012. The balance of trade payables increased to approximately HK\$12.5 million as at 31 March 2011 mainly because of the growth of construction activities of our Group and the acquisition of Sunnic and Full Gain during the year ended 31 March 2011. The trade payables has doubled and reached approximately HK\$25.5 million as at 31 March 2012 mainly because of (i) the increase in construction materials cost and subcontracting charges by 14.8% for the year as compared with the previous year; and (ii) the drop in accruals for construction costs due to the improvement in job progress estimation for the year. With the improvement in job progress estimation, our construction materials costs and subcontracting charges are billed on a more timely basis and thus our trade payables increased. The following table sets out the turnover day of trade payables (calculated as the average of beginning and ending trade payables balances for the period, divided by cost of sales (including only construction materials costs and subcontracting charges) for the period, multiplied by the number of days in the period) for the period indicated:

	Year ended 31 March		
	2010	2011	2012
Trade payable turnover day	<u>50.9 days</u>	<u>17.7 days</u>	<u>40.3 days</u>

The trade payable turnover day dropped significantly from 50.9 days in the year ended 31 March 2010 to 17.7 days in the year ended 31 March 2011. Sunnic and Full Gain was acquired by our Group on 8 June 2010 and 15 July 2010 respectively, and thus cost of sales of Sunnic for more than nine

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months and cost of sales of Full Gain for more than eight months in the year ended 31 March 2011 were recognised by our Group. With the inclusion of proportionately longer period of cost of sales of Sunnic and Full Gain by our Group and lower average trade payable balance (due to lower beginning trade payable balance before acquisition of Sunnic and Full Gain), the average of trade payables as at 31 March 2010 and 2011 increased proportionately less and thus the trade payable turnover day dropped to an exceptionally low level of 17.7 days in the year ended 31 March 2011. Furthermore, our Group did not have substantial subcontracting for projects carried out in the year ended 31 March 2010, leading to the exceptionally low subcontracting charges and thus high trade payable turnover day recorded in the year ended 31 March 2010. The trade payable turnover day returned to a normal level of approximately 40.3 days in the year ended 31 March 2012, and is within the range of credit terms granted by our suppliers and subcontractors.

Our suppliers of construction materials normally grant credit period of 14 to 60 days to us, while credit terms granted by subcontractors normally range from 14–30 days after issuance of progress certificate. Some subcontractors do not grant any credit term and the sum is due immediately upon issuance of progress certificate. The subsequent settlement of the Company's trade payables as at 31 March 2012 was 94.6% up to 31 July 2012.

The amount of provision for claims mainly represents the provision for claims of approximately HK\$11.2 million in relation to the Second Project made in the year ended 31 March 2009 offset by the contract sum due from and withheld by the same customer of approximately HK\$5.5 million. The provision for claims of approximately HK\$11.2 million in relation to the Second Project was made in the year ended 31 March 2009 and reversed in the year ended 31 March 2011. The contract sum due from and withheld by the same customer of approximately HK\$5.5 million was settled and received also during the year ended 31 March 2011.

The amount of accruals for construction costs increased from approximately HK\$1.2 million as at 31 March 2010 to approximately HK\$7.0 million as at 31 March 2011 mainly due to (i) the acquisition of Sunnic and Full Gain during the year ended 31 March 2011; (ii) the sharp increase in the aggregate amount of construction materials costs and subcontracting charges from approximately HK\$18.7 million in the year ended 31 March 2010 to approximately HK\$149.9 million in the year ended 31 March 2011.

The amount of other accruals increased from approximately HK\$6.6 million as at 31 March 2010 to approximately HK\$14.9 million as at 31 March 2011. The sharp growth of other accruals in the year ended 31 March 2011 was mainly due to the significant amount of accruals for purchase of machines of approximately HK\$10.6 million, which was mainly attributed to the substantial acquisition of machines of approximately HK\$75.8 million for the year ended 31 March 2011. The amount of other accruals dropped to approximately HK\$2.0 million as at 31 March 2012 as there was no purchase of major machine near the year end of the financial year.

Amount due from/to related companies and an ultimate holding company

As at 31 March 2011, our Group had an amount due from a related company, Sunnic Holdings, of approximately HK\$59,000. The balance arose as our Group disposed of Super Ease to Sunnic Holdings at a consideration of HK\$342,000 during the year ended 31 March 2011. The disposal was not settled by cash. Instead the amount due from Sunnic Holdings was offset by the amounts payable to Super Ease arising from office rental which our Group occupied.

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It is our Directors' view that these related party transactions were conducted on normal commercial terms and in the ordinary and usual course of our Company's business. These balances has been fully settled as at 31 March 2012.

NET CURRENT ASSETS/(LIABILITIES)

The following table sets forth the breakdown of our Group's current assets and liabilities as at 31 March 2010, 2011 and 2012 and 31 July 2012:

	As at 31 March			As at
	2010	2011	2012	31 July
	HK\$'000	HK\$'000	HK\$'000	2012
				HK\$'000
				(unaudited)
Current assets				
Trade and other receivables	18,717	77,508	88,034	80,364
Amounts due from customers for contract work	3,319	3,856	2,762	11,720
Amount due from a related company	—	59	—	—
Tax recoverable	386	—	—	—
Cash and cash equivalents	<u>1,827</u>	<u>44,660</u>	<u>46,609</u>	<u>25,562</u>
	24,249	126,083	137,405	117,646
Current liabilities				
Trade and other payables,				
including provision for claims	15,345	34,329	28,884	20,656
Amount due to a shareholder	10,430	—	—	—
Borrowings	9,945	29,399	28,874	43,466
Tax payable	<u>—</u>	<u>6,366</u>	<u>2,082</u>	<u>1,572</u>
	<u>35,720</u>	<u>70,094</u>	<u>59,840</u>	<u>65,694</u>
Net current (liabilities)/assets	<u>(11,471)</u>	<u>55,989</u>	<u>77,565</u>	<u>51,952</u>

We had net current liabilities of approximately HK\$11.5 million as at 31 March 2010. Our net current liabilities as at 31 March 2010 principally reflected trade and other payables (including provision for claims), an amount due to a shareholder and the current portion of finance lease liabilities. Our net current liabilities position as at 31 March 2010 was predominantly affected by the provision for claims recorded during the year ended 31 March 2009.

As at 31 March 2010, we had provision for claims of approximately HK\$5.5 million. The amount of provision for claims mainly represented the gross provision for claims of approximately HK\$11.2 million in relation to the Second Project made in the year ended 31 March 2009, offset by the contract sum due from and withheld by the same customer of approximately HK\$5.5 million. The gross provision for claims of approximately HK\$11.2 million in relation to the Second Project was made in the year ended 31 March 2009 and reversed in the year ended 31 March 2011, and thus had never been paid by

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our Group. Although the gross provision for claims of approximately HK\$11.2 million was recorded in our Combined Statements of Financial Position as at 31 March 2010, there had not been any payment in respect of this gross provision for claims. Our Group in fact generated net cash from operating activities of approximately HK\$11.6 million in the year ended 31 March 2010.

During the year ended 31 March 2010, we made substantial investments in machinery. We made purchase of machinery of approximately HK\$36.6 million in each of the year ended 31 March 2010, utilising considerable amounts of working capital. In the year ended 31 March 2010 we had net cash used in investing activities of approximately HK\$32.9 million. This has contributed to our net current liabilities position of approximately HK\$11.5 million as at 31 March 2010. In the year ended 31 March 2010 our Group started to take finance leases to finance its investment in machinery.

In the years ended 31 March 2011 and 2012, our liquidity position improved as we continued to raise finance lease and bank borrowings. In the year ended 31 March 2011, we raised finance lease and bank borrowings of approximately HK\$94.6 million to finance our investment in machinery which is non-current assets to match our portfolio of long-term assets and long-term debts. As at 31 March 2011 and 2012, our Group had net current assets of approximately HK\$56.0 million and HK\$77.6 million respectively. In the years ended 31 March 2011 and 2012, our Group maintained a continuous cash inflow from operating activities and had net cash generated from operating activities of approximately HK\$27.0 million and HK\$37.0 million respectively.

The net current assets as at 31 July 2012 decreased to approximately HK\$52.0 million, mainly as a result of the declaration and payment of dividend by a member of our group of HK\$20 million in May 2012.

WORKING CAPITAL

Our Directors confirm that taking into account the financial resources available to our Group, including the internally generated funds, the available bank facilities and the estimated net proceeds of the Share Offer, we are of the opinion that our Group has sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this prospectus.

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INDEBTEDNESS

The following table sets out our Group's indebtedness as at the respective financial position dates below.

	As at 31 March			As at 31 July
	2010	2011	2012	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current				
Bank borrowings	—	14,334	10,563	13,881
Finance lease liabilities	<u>9,945</u>	<u>15,065</u>	<u>18,311</u>	<u>29,585</u>
	9,945	29,399	28,874	43,466
Non-current				
Finance lease liabilities	<u>8,411</u>	<u>62,484</u>	<u>79,770</u>	<u>87,870</u>
	<u>18,356</u>	<u>91,883</u>	<u>108,644</u>	<u>131,336</u>

As of 31 July 2012, the date of the indebtedness statement for this prospectus, our Group's indebtedness consisted of bank borrowings of approximately HK\$13.9 million and finance lease liabilities of approximately HK\$117.4 million. There are no material covenants relating to our Group's outstanding debts. As at 31 March 2010, 2011 and 2012, our Group had total borrowings (comprising bank borrowings and finance lease liabilities) of approximately HK\$18.4 million, HK\$91.9 million and HK\$108.6 million respectively. The increase in total indebtedness over the Track Record Period was primarily due to our Group's financing needs for investment in machinery.

Our Group's primary objectives when managing capital (including indebtedness) are to safeguard our Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support our Group's stability and growth; to earn a margin commensurate with the level of business and market risks in our Group's operation and to maintain an optimal capital structure to reduce the cost of capital. Our Group monitors capital on the basis of the gearing ratio. Our Group's strategy, which was unchanged during the Track Record Period, was to maintain the gearing ratio to an acceptable level. Our Group had a gearing ratio of 33.4%, 61.7% and 65.7% as at 31 March 2010, 2011 and 2012 respectively. The gearing ratio is calculated based on the interest-bearing liabilities as at the respective year end divided by the total equity as at the respective year end. Our Group manages the indebtedness at an acceptable level to enable our Group to generate returns for shareholders.

In light of our net current liabilities position as at 31 March 2010, our Group has raised external financing through finance leases and bank borrowings, part of which are non-current in nature, to ease our needs for working capital and our long-term investment in fixed assets. With the increasing use of external financing in the years ended 31 March 2010, 2011 and 2012, our liquidity position improved with net current assets of approximately HK\$56.0 million and HK\$77.6 million as at 31 March 2011 and 2012 respectively.

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In choosing between finance lease arrangements and other financing sources such as bank borrowings, our Group takes account of a basket of factors including interest cost, availability of funds, repayment schedule and security requirements among which interest cost is an important factor. During the Track Record Period, our Group took on more finance leases than bank borrowings in terms of monetary value, and the average interest cost of finance leases was lower than that of bank borrowings during the Track Record Period. In the year ended 31 March 2011, the average interest rates were 1.39% per annum and 1.59% per annum for our finance leases and bank borrowings respectively. In the year ended 31 March 2012, the average interest rates were 2.23% per annum and 2.44% per annum for our finance leases and bank borrowings respectively. Average interest rate was calculated as finance cost divided by the average month-end balances of finance lease liabilities or bank borrowings during the period.

Our Directors intend to apply part of the net proceeds from the Share Offer to repay some of our outstanding indebtedness. Assuming that the Offer Size Adjustment Option is not exercised at all and assuming an Offer Price of HK\$0.89, being the mid-point of the proposed Offer Price range, our Group currently intends to apply approximately HK\$5.1 million (equivalent to approximately 10% of the net proceeds) to repay bank borrowings and finance lease liabilities; and approximately HK\$5.1 million (equivalent to approximately 10% of the net proceeds) for general working capital. Our Group's future plans and use of proceeds are set out in the section headed "Future Plans and Use of Proceeds" in this prospectus.

Subsequent to 31 July 2012 and up to the Latest Practicable Date, our Group raised additional bank borrowings of approximately HK\$2.8 million. Save for the above, our Group plans to raise additional borrowings of approximately HK\$9.8 million for the year ending 31 March 2013 for the acquisition of pilling machinery and equipment.

As at 31 July 2012, the gross finance lease liabilities that fall due between the next one to five years amounted to approximately HK\$125.8 million.

Our Directors have given personal guarantees in securing our banking facilities. These personal guarantees will be released on or before the Listing Date.

Finance leases

Our Group has certain finance lease arrangements with a bank for the purchase of certain machines, under which our Group purchased certain machines from suppliers, sold them to a bank and the bank leased back those machines to our Group as a lessee. The terms of these leases last for periods ranging from two years to five years. Since the terms of these leases transfer substantially all the risks and rewards of ownership of the machines to our Group as the lessee, these leases were classified as finance leases and the relevant machines were accounted for as our Group's assets under the category of property, plant and equipment. As at 31 March 2010, 2011 and 2012, the carrying amounts of finance lease liabilities amounted to approximately HK\$18.4 million, HK\$77.5 million and HK\$98.1 million respectively. These finance leases carried interest rate at 1.5% to 3.5% per annum above HIBOR respectively. These finance leases were used to finance our Group's investment in machinery. As at 31 March 2010, 2011 and 2012, our Group had machinery held under finance leases with net book value of approximately HK\$22.8 million, HK\$88.5 million and HK\$117.9 million respectively. As at 31 March 2012, our Group had gross finance lease liabilities of approximately HK\$105.2 million. As at 31 March 2012, the gross finance lease liabilities that fall due between the next one to five years amounted to

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approximately HK\$83.7 million. The amount of committed and available banking facilities for finance lease was approximately HK\$25.6 million, HK\$81.3 million and HK\$127.0 million as at 31 March 2010, 2011 and 2012 respectively. The amount of unutilised banking facilities for finance lease was approximately HK\$7.3 million, HK\$3.8 million and HK\$18.9 million as at 31 March 2010, 2011 and 2012 respectively.

As at 31 July 2012, the carrying amounts of finance lease liabilities amounted to approximately HK\$117.4 million. These finance leases carried interest rate at 2%–3.5% per annum above HIBOR.

As at 31 July 2012, our Group had machinery held under finance leases with net book value of approximately HK\$124.3 million. As at 31 July 2012, our Group had gross finance lease liabilities of approximately HK\$125.8 million. The following table sets out the maturity profile of our finance lease liabilities:

	As at 31 March			As at
	2010	2011	2012	31 July
	HK\$'000	HK\$'000	HK\$'000	2012
				HK\$'000
Gross finance lease liabilities				
— minimum lease payments				
Within 1 year	10,175	16,331	21,527	33,571
Later than 1 year and no later than 5 years	<u>8,482</u>	<u>64,972</u>	<u>83,696</u>	<u>92,190</u>
	18,657	81,303	105,223	125,761
Future finance charges on finance leases	<u>(301)</u>	<u>(3,754)</u>	<u>(7,142)</u>	<u>(8,306)</u>
Present value of finance lease liabilities	<u>18,356</u>	<u>77,549</u>	<u>98,081</u>	<u>117,455</u>

At the close of business on 31 July 2012, the date of the indebtedness statement for this prospectus, the amount of committed and available banking for finance lease was approximately \$141.8 million and the amount of unutilised banking facilities for finance lease was approximately HK\$24.4 million.

Bank borrowings

The amount of committed and available banking facilities for bank borrowings was nil, approximately HK\$14.4 million and HK\$14.4 million as at 31 March 2010, 2011 and 2012 respectively. The amount of unutilised banking facilities for bank borrowings was nil for each of the year ended 31 March 2010, 2011 and 2012.

Our Group had bank borrowings of approximately HK\$14.3 million and HK\$10.6 million as at 31 March 2011 and 2012 respectively, which were principally used to finance our Group's investment in machinery. As at 31 March 2012, approximately HK\$10.6 million of these bank borrowings were secured by some of our Group's machinery with net book value of approximately HK\$13.5 million. These bank borrowings carried interest rate of 2%–2.5% per annum above HIBOR or current prime rate. Our Group did not have any bank borrowings as at 31 March 2010.

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As at 31 July 2012, approximately HK\$13.9 million of these bank borrowings were secured by some of our Group's machinery with net book value of approximately HK\$8.1 million. These bank borrowings carried interest rate of 2%–3% per annum above HIBOR or current rate.

All bank borrowings are classified as current liabilities. According to the bank repayment schedule the bank borrowings would be repayable as follows:

	As at 31 March			As at
	2010	2011	2012	31 July
	HK\$'000	HK\$'000	HK\$'000	2012
				HK\$'000
Within 1 year	—	4,058	4,527	9,287
Between 1 and 2 years	—	4,199	4,225	3,382
Between 2 and 5 years	—	6,077	1,811	1,212
	<u>—</u>	<u>14,334</u>	<u>10,563</u>	<u>13,881</u>

At the close of business on 31 July 2012, the date of the indebtedness statement for this prospectus, the amount of committed and available banking facilities for bank borrowing was approximately HK\$24.4 million and the amount of utilised and unutilised banking facilities for bank borrowing was approximately HK\$13.9 million and HK\$10.5 million respectively.

These banking facilities carried interest rate of 2.0%–3.5% above HIBOR or current prime rate.

Contingent liabilities

As at 31 March 2012, our Group had contingent liabilities of approximately HK\$5.5 million, representing guarantees on performance bonds in respect of our construction contracts. In addition, as at 31 March 2012, our Group was involved in certain pending litigation cases, details of which are set out in Note 30(b) to the Accountant's Report as set out in Appendix I to this prospectus. Our Group has insurance cover for its liabilities of all these potential claims and outstanding claims as at the Latest Practicable Date.

As at 31 July 2012, our Group had contingent liabilities of approximately HK\$14.5 million representing guarantees on performance bonds in respect of our construction contracts. In addition, as at 31 July 2012, other than those pending litigation cases as at 31 March 2012 disclosed in Note 30(b) to the Accountant's Report as set out in Appendix I to this prospectus, our Group was involved in three additional pending litigation cases, details of which are set out in Note 31 to the Accountant's Report as set out in Appendix I to this prospectus. Our Group has insurance cover for its liabilities of all these potential claims and outstanding claims as at the Latest Practicable Date.

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Disclaimer

Save as aforesaid or as otherwise disclosed herein and apart from normal trade payables and accrued charges, our Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance lease liabilities or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at the close of business on 31 July 2012.

On 30 August 2012, two charges were laid by the Labour Department to our Group in relation to an accident which occurred on 5 March 2012 alleging our Group's failure to provide a safe environment to its workers working on site. No pleas have been taken for both summonses as at the Latest Practicable Date as our Group's first appearance at the Magistrates' Court will be held on 27 September 2012. Since our Group believes that it had, so far as reasonably practicable, provided safe environment to all its workers working on site, our Group will resist both charges. In the event our Group is unsuccessful and convicted, our Group may be subject to a fine at a maximum amount of HK\$1,000,000. Our management considers that it is too early to make a reliable estimate of the amount of liability, if any, in connection with the two charges. In addition, our Controlling Shareholders have entered into a deed of indemnity with and in favour of our Group to provide indemnities in respect of all claims, payments, suits, damages, settlements payments and any associated costs and expenses which would be incurred or suffered by our Group as a result of these two proceedings.

Save as aforesaid or as otherwise disclosed herein, the Directors have confirmed that there has not been any material change in the indebtedness, capital commitment and contingent liabilities of our Group since 31 July 2012 up to the date of this prospectus.

CAPITAL COMMITMENT

At the close of business on 31 March 2012, our Group had capital commitments contracted but not provided for in respect of acquisition of machinery of approximately HK\$20.1 million.

As at 31 July 2012, our Group had capital commitments contracted but not provided for in respect of acquisition of machinery of approximately HK\$9.6 million.

CAPITAL EXPENDITURES

The following table sets out our Group's capital expenditures for the periods indicated. Our capital expenditures were funded out of the proceeds of bank borrowings, finance leases and cash generated from operations.

	Year ended 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Machinery	36,614	75,827	42,276
Motor vehicles	—	855	330
	<u>36,614</u>	<u>76,682</u>	<u>42,606</u>

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Our Group plans to finance future capital expenditures primarily through the net proceeds of the Share Offer, bank borrowings as well as from cash flows generated from operations. As our Group continues to expand, we may incur additional capital expenditures. We expect that our future capital expenditures will be used primarily for purchases of machinery and equipment.

OTHER KEY FINANCIAL RATIOS

	As at/For the year ended 31 March		
	2010	2011	2012
Current ratio ¹	0.68 time	1.80 times	2.30 times
Gearing ratio ²	33.4%	61.7%	65.7%
Debt to equity ratio ³	30.1%	31.7%	37.5%
Interest coverage ⁴	255 times	102 times	16.2 times
Return on assets ⁵	10.0%	11.9%	8.0%
Return on equity ⁶	19.7%	23.7%	15.6%
Net profit margin ⁷	21.1% (22.9%)	13.7% (12.1%)	8.2%

Notes:

- ¹ Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year end.
- ² Gearing ratio is calculated based on the interest-bearing liabilities divided by the total equity as at the respective year end.
- ³ Debt to equity ratio is calculated by the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the respective year end and multiplied by 100%.
- ⁴ Interest coverage is calculated by the profit before interest and tax divided by the interest for the respective year.
- ⁵ Return on assets is calculated by the total comprehensive income for the year divided by the total assets as at the respective year end and multiplied by 100.0%.
- ⁶ Return on equity is calculated by the total comprehensive income for the year divided by the total equity as at the respective year end and multiplied by 100.0%.
- ⁷ Net profit margin is calculated by the total comprehensive income divided by the revenue for the respective year and multiplied by 100.0%. The figures in the brackets represent the relevant net profit margin assuming the financial impact of the Second Project has been excluded.

Current ratio

Our Group had a low current ratio of 0.68 as at 31 March 2010, and our current ratio improved considerably to 1.80 as at 31 March 2011 and 2.30 as at 31 March 2012. Although our Group had net cash generated from operating activities of approximately HK\$11.6 million for the year ended 31 March 2010, our Group also acquired fixed assets at the cost of approximately HK\$36.6 million for our Group's long term investment. These fixed assets were partially financed by finance leases, and the rest by our Group's internal resources, thus bringing our current ratio to a low level of 0.68 as at 31 March 2010. One of our shareholders and Directors, Mr. Leung, supported our Group by injecting net cash of approximately HK\$20.0 million for working capital in the form of an amount due to a shareholder during the year ended 31 March 2010. Besides, our Group had a provision for claims of approximately HK\$11.2 million for the Second Project as at 31 March 2010, which has never been paid and

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subsequently reversed during the year ended 31 March 2011. Thus, with the support of one of our shareholders and the reversal of the above provision for the claims, our Directors believe that our Group was in a good liquidity position in the year ended 31 March 2010 in spite of the low current ratio.

During the year ended 31 March 2011, our Group disposed of some property, plant and equipment with proceeds of approximately HK\$19.8 million. With the net cash generated from operating activities of approximately HK\$27.0 million and the additional cash proceeds from the disposal, our Group's liquidity position improved significantly and the current ratio increased to 1.80 as at 31 March 2011.

During the year ended 31 March 2012, our Group generated net cash from operating activities of approximately HK\$37.0 million, and used net cash of approximately HK\$42.6 million in the purchase of property, plant and equipment in the same period. As a number of major construction projects were in progress as at 31 March 2012 or have just been completed shortly before 31 March 2012, our trade and other receivables increased by 13.6% to approximately HK\$88.0 million as at 31 March 2012, leading to an increase in current assets and current ratio.

Gearing ratio

During each of the year ended 31 March 2010, 2011 and 2012, our Group acquired certain machines under finance leases and our finance lease liabilities increased. Our Group also had bank borrowings of approximately HK\$14.3 million and HK\$10.6 million as at 31 March 2011 and 2012 respectively, thus raising our Group's gearing ratio from 33.4% as at 31 March 2010 to 61.7% as at 31 March 2011. As our Group had new finance lease of approximately HK\$37.0 million during the year ended 31 March 2012, our gearing ratio increased further to 65.7% as at 31 March 2012.

Debt to equity ratio

During the year ended 31 March 2010, our Group acquired certain machines under finance leases leading to an increase in finance lease liabilities, thus our Group had a debt to equity ratio of 30.1% as at 31 March 2010.

During the year ended 31 March 2011, our Group acquired certain machines under finance leases and further increased the finance lease liabilities of our Group. Our Group also had bank borrowings of approximately HK\$14.3 million as at 31 March 2011, thus raising our Group's total borrowings from approximately HK\$18.4 million as at 31 March 2010 to approximately HK\$91.9 million as at 31 March 2011. The debt to equity ratio, however, only increased slightly from 30.1% as at 31 March 2010 to 31.7% as at 31 March 2011, due to the high cash level of approximately HK\$44.7 million as at 31 March 2011. Our Group's equity also increased considerably from approximately HK\$54.9 million as at 31 March 2010 to approximately HK\$149.0 million as at 31 March 2011 due to the increase in capital reserve from the acquisition of Sunnic and Full Gain.

The borrowing level increased moderately by 18.2% for the year ended 31 March 2012 and the total borrowings as at 31 March 2012 was approximately HK\$108.6 million. Our Group's equity also increased by 11.0% for the year ended 31 March 2012 by organic growth. As our Group's borrowing level increased proportionately more than its growth in equity, thus the debt to equity ratio increased further to 37.5% for the year ended 31 March 2012.

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Interest coverage

In the year ended 31 March 2010, our Group started to finance its acquisition of machines by finance lease of sale and leaseback. Our Group only incurred interest expense of approximately HK\$52,000 for the year ended 31 March 2010. The amount of interest expense was relatively insignificant compared to our Group's net profit and our Group's interest coverage was over 200 times for the year ended 31 March 2010.

During the year ended 31 March 2011, our Group continued to finance its acquisition of machines by finance lease of sale and leaseback and bank loans. Interest expense grew to approximately HK\$0.4 million as at 31 March 2011. Due to the low-interest environment and the good profitability in the year ended 31 March 2011, the interest coverage stayed at a comfortable level of 102 times for the year ended 31 March 2011.

Our Group had total borrowings of approximately HK\$91.9 million and HK\$108.6 million as at 31 March 2011 and 31 March 2012. With this level of total borrowings, the interest expense incurred by our Group grew to approximately HK\$2.1 million for the year ended 31 March 2012. Our Group's profit before interest and tax for the year ended 31 March 2012 was lower than that for the year ended 31 March 2011 due to (i) the decrease in gross profit margin of our Group from 27.5% for the year ended 31 March 2011 to 19.1% for the year ended 31 March 2012; and (ii) the additional other professional fees of approximately 5.0 million for our intended listing incurred for the year ended 31 March 2012. With the increase in interest expense and drop in profit before interest and tax, the interest coverage dropped to 16.2 times for the year ended 31 March 2012.

Return on assets

Our Group's return on assets improved during the year ended 31 March 2011 and increased from 10.0% in the year ended 31 March 2010 to 11.9% in the year ended 31 March 2011. This was mainly because one of our Group's subsidiaries, Sunley, experienced an increase in construction activities in the year ended 31 March 2011. Sunley's profitability improved as its construction activities, revenue and gross profit grew during the year ended 31 March 2011. According to the audited financial statements of Sunley, in the year ended 31 March 2011 it had a return on assets of 16.5%, which was higher than our Group's return on assets of 10.0% in the year ended 31 March 2010. Our Group's return on assets of 11.9% was lower than that of Sunley in the year ended 31 March 2011 due to the effect of the acquisition of Sunnic and Full Gain during the year.

Our Group's return on assets then dropped to approximately 8.0% for the year ended 31 March 2012, mainly because (i) the decrease in gross profit margin of our Group from 27.5% for the year ended 31 March 2011 to 19.1% for the year ended 31 March 2012; and (ii) the additional other professional fees of approximately 5.0 million for our Company's intended listing incurred for the year ended 31 March 2012. The gross profit decreased as (a) our Group did not record any additional income arising from prior year project for the year ended 31 March 2012; and (b) the gross profit margin attributed to the TRP Projects and rental income on machinery also dropped by a percentage point of 2.1 percentage point mainly due to increase in direct staff cost during the year.

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Return on equity

Our Group's return on equity increased from 19.7% for the year ended 31 March 2010 to 23.7% for the year ended 31 March 2011. This was mainly because one of our Group's subsidiaries, Sunley, experienced an increase in construction activity in the year ended 31 March 2011. Its profitability improved as its construction activity, revenue and gross profit grew during the year ended 31 March 2011. According to the audited financial statements of Sunley, for the year ended 31 March 2011 it had a return on equity of 37.7%, which is higher than our Group's return on equity of 19.7% for the year ended 31 March 2010. Our Group's return on equity of 23.7% was lower than that of Sunley for the year ended 31 March 2011 due to the acquisition of Sunnic and Full Gain during the year.

Our Group's return on equity then dropped to approximately 15.6% for the year ended 31 March 2012, mainly because (i) the decrease in gross profit margin of our Group from 27.5% for the year ended 31 March 2011 to 19.1% for the year ended 31 March 2012; (ii) the additional other professional fees of approximately 5.0 million for our Company's intended listing incurred for the year ended 31 March 2012; and (iii) the increase in equity base due to our Group's retained earnings. The gross profit decreased as (a) our Group did not record any additional income arising from prior year projects for the year ended 31 March 2012; and (b) the gross profit margin attributed to the TRP Projects and rental income on machinery also dropped by 2.1 percentage point to 19.1% mainly due to increase in direct staff cost during the year.

Net profit margin

We had a high net profit margin of 21.1% for the year ended 31 March 2010 since we achieved a gross profit margin of 36.6% for the year and kept administrative expenses at a low level at approximately HK\$6.2 million only.

The net profit margin for the year ended 31 March 2011 was 13.7%, which was lower than the net profit margin of 21.1% in the previous year. Our gross profit margin declined from 36.6% in the year ended 31 March 2010 to 27.5% for the year ended 31 March 2011, mainly due to the acquisition of Sunnic and Full Gain which had a lower gross profit margin than Sunley for that year partially compensated by the positive financial impact of the Second Project. The acquisition of Sunnic and Full Gain and the increase in construction activities of Sunley led to significant increase in administrative expense of our Group in the year. The decrease was also attributable to the drop in rental income on machinery from approximately HK\$6.2 million for the year ended 31 March 2010 to approximately HK\$0.5 million for the year ended 31 March 2011. Although our net profit margin dropped to 13.7% for the year ended 31 March 2011 or 12.1% if the financial impact of the Second Project was excluded, our Group recorded a net profit of HK\$35.4 million, or HK\$30.3 million if the financial impact of the Second Project was excluded, representing a significant improvement from the previous year. If the financial impact of the Second Project was excluded, the net profit margin would have dropped from approximately 22.9% for the year ended 31 March 2010 to approximately 12.1% for the year ended 31 March 2011, mainly because of the acquisition of Sunnic and Full Gain which had a lower gross profit margin than Sunley for the year ended 31 March 2011.

Our Group had a net profit margin of 8.2% in the year ended 31 March 2012, representing a decline from the year ended 31 March 2011, or net profit margin of 12.1% for the year ended 31 March 2011 if the financial impact of the Second Project was excluded. The net profit margin dropped because (i) the decrease in gross profit margin of our Group from 27.5% in the year ended 31 March 2011 to

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19.1% in the year ended 31 March 2012; (ii) our Group did not record any additional income arising from prior year project in the year ended 31 March 2012; and (iii) the additional other professional fees of approximately 5.0 million for our Company's intended listing incurred in the year ended 31 March 2012. The gross profit decreased as (a) our Group did not record any additional income arising from prior year project in the year ended 31 March 2012; and (b) the gross profit margin attributed to the TRP Projects and rental income on machinery also dropped by 2.1 percentage point mainly due to increase in direct staff cost during the year.

DIVIDEND POLICY

In the year ended 31 March 2012, a member of our Group declared and paid dividends of HK\$9.3 million representing approximately 36.0% of the year's net profit attributable to shareholders. In May 2012, a member of our Group declared and paid dividend of HK\$20 million from its working capital to shareholders. Our Directors consider that there is no material adverse impact on our Group's financial and liquidity position arising out of the dividend payments. No dividend was declared by members of our Group in the year ended 31 March 2010 and 2011.

The dividends were declared to reward the then shareholder's investments in our Group. Our Directors consider the level of distribution appropriate and in the best interests of our Group as a portion of the net profits from ordinary activities attributable to shareholders has also been retained to support our Group's expansion. Our Directors consider that it is beneficial to utilise a combination of retained profits and borrowings to finance our Group's working capital needs rather than to solely rely on retained profits for the following reasons:

- (i) it maximises the return on equity;
- (ii) it maintains the commercial relationship with banks; and
- (iii) it rewards the shareholders for their investments in our Company and shareholders may be inclined to invest further in our Company.

Dividends may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us; and other factors the Board may deem relevant. There will be no assurance that the Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Interest rate risk

Other than bank balances with variable interest rate, our Group has no other significant interest-bearing assets. Our management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

Our Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose our Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Our Group has not hedged its cash flow interest rate risks.

As at 31 March 2010, 2011 and 2012, if the interest rate on all borrowings had been 100 basis points higher/lower with all other variables held constant, our Group's profit after tax for the year would have been decreased/increased by approximately HK\$184,000, HK\$919,000 and HK\$1,086,000 respectively, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

Credit risk

Credit risk arises mainly from trade and other receivables, amounts due from customers for contract work, Directors and a related company and cash at bank. Our 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 receivables and amounts due from customers for contract work, 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, our 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 2010, 2011, 2012, there were 2 customers which individually contributed over 10% of the Group's trade and other receivables each year end date. The aggregate amount of trade and other receivables from these customers amounted to 20%, 47% and 76% of the Group's total trade and other receivables, respectively.

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Liquidity risk

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

The following table details the remaining contractual maturities at the year end dates during the Track Record Period of our Group's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the year end dates during the Track Record Period) and the earliest date our Group may be required to pay:

	Within one year <i>HK\$'000</i>	Between one and two years <i>HK\$'000</i>	Between two and five years <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2010				
Trade and other payables, including provision for claims	15,345	—	—	15,345
Amount due to a shareholder	10,430	—	—	10,430
Borrowings	<u>10,175</u>	<u>8,482</u>	<u>—</u>	<u>18,657</u>
	<u><u>35,950</u></u>	<u><u>8,482</u></u>	<u><u>—</u></u>	<u><u>44,432</u></u>
At 31 March 2011				
Trade and other payables, including provision for claims	34,329	—	—	34,329
Borrowings	<u>31,518</u>	<u>8,180</u>	<u>56,792</u>	<u>96,490</u>
	<u><u>65,847</u></u>	<u><u>8,180</u></u>	<u><u>56,792</u></u>	<u><u>130,819</u></u>
At 31 March 2012				
Trade and other payables, including provision for claims	28,884	—	—	28,884
Borrowings	<u>32,455</u>	<u>25,982</u>	<u>57,715</u>	<u>116,152</u>
	<u><u>61,339</u></u>	<u><u>25,982</u></u>	<u><u>57,715</u></u>	<u><u>145,036</u></u>

DISTRIBUTABLE AND STATUTORY RESERVE

As at 31 March 2012, our Company had no distributable reserves available for distribution to its Shareholders.

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UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of our Group which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis set out below is for illustrative purposes only, and is set out here to illustrate the effect of the Listing on the consolidated net tangible assets of our Group as at 31 March 2012 as if it had been taken place on 31 March 2012.

The unaudited pro forma adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Listing been completed as at 31 March 2012 as at any future dates.

	Audited combined net tangible assets of our Group attributable to equity holders of our Company as at 31 March 2012 HK\$'000	Estimated net proceeds from the Share Offer⁽²⁾ HK\$'000	Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company as at 31 March 2012⁽³⁾ HK\$'000	Unaudited pro forma adjusted net tangible assets per Share⁽⁴⁾ HK\$
Based on an Offer Price of HK\$0.83 per Share	152,429	51,272	203,701	0.68
Based on an Offer Price of HK\$0.94 per Share	152,429	59,357	211,786	0.71

Notes:

- (1) Our combined net tangible assets of our Group attributable to owners of the Company as at 31 March 2012 is extracted from the Accountant's Report of our Company as set out in Appendix I to this prospectus, which is based on the audited combined net assets of our Group attributable to equity holders of the Company as at 31 March 2012 of HK\$165,451,000 with an adjustment for the intangible asset as at 31 March 2012 of HK\$13,022,000.
- (2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$0.83 and HK\$0.94 per Share, respectively, after deduction of estimated related fees and expenses and takes no account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme.
- (3) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 March 2012, in particular, the unaudited pro forma adjusted net tangible asset value per Share has not been adjusted for the effect of a dividend of HK\$20.0 million declared and paid by our Group subsequent to 31 March 2012. Had the dividend been taken into account, the unaudited pro forma adjusted net tangible asset value per Share would be reduced to HK\$0.61 and HK\$0.64 based on the Offer Price of HK\$0.83 per Share and HK\$0.94 per Share respectively.
- (4) The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in note 2 above and on the basis that 300,000,000 Shares were in issue immediately following the completion of the Reorganisation, the Capitalisation Issue and the Share Offer but takes no account of any Shares which may be issued upon exercise of the Offer Size Adjustment Option or of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by the Company pursuant to the general mandate to issue Shares and the general mandate to repurchase Shares as described in the section headed "Share Capital" in this prospectus.

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DISCLOSURE UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since 31 March 2012 (being the date to which the latest audited combined financial statements of our Group were made up) up to the date of this prospectus.

PROPERTY INTERESTS

As at 31 March 2012, our property interests carried no commercial value. BMI Appraisals Limited, an independent property valuer, has valued interests of our properties as at 31 July 2012 at no commercial value. The full text of the letter, summary of valuation and valuation certificate with regard to such property interests are set out in Appendix III to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Our objective is to become a leading construction works contractor in Hong Kong with focus on undertaking foundation works in Hong Kong. Please refer to the section headed “Business — Business Strategies and Prospects” in the prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Share Offer, after deducting related underwriting fees and expenses payable by us in connection with the Share Offer, and assuming that the Offer Size Adjustment Option is not exercised at all and an Offer Price of HK\$0.89, being the mid-point of the Offer Price range, will be approximately HK\$50.7 million. Our Directors presently intend to apply such net proceeds as follows:

- approximately HK\$33.0 million or approximately 65% of the net proceeds for the acquisition of additional machinery and equipment including one crawler crane, one oscillator and related drilling equipment expected to take place in the year ending 31 March 2013 from German machinery suppliers for foundation works and building works to increase our construction capacity for expected extra works on the awarded projects;
- approximately HK\$7.6 million or approximately 15% of the net proceeds for the hiring of additional staff, including one project manager, four machinery operators, 10 riggers and two welders upon delivery of new machinery purchased which is expected to take place in the year ending 31 March 2013 to increase our construction capacity, and out of which approximately HK\$0.5 million will be used for providing staff training in safety and environmental protection;
- approximately HK\$5.1 million or approximately 10% of the net proceeds will be used for partial repayment of finance lease liabilities that will mature in March 2016 with interest rate of HIBOR +2.5% and outstanding amount of HK\$40 million as at Latest Practicable Date; and
- approximately HK\$5.1 million or approximately 10% of the net proceeds will be used as general working capital of our Group.

The total budget for acquisition of additional machinery and equipment and hiring of additional staff and staff training is approximately HK\$33.0 million and HK\$9.6 million respectively. The outstanding finance lease with total amount of HK\$40 million will follow the repayment schedule as agreed with the bank after the partial repayment from the net proceeds of the Share Offer.

In the event that the Offer Price is set at the high-end of the proposed Offer Price range, our Company will receive additional estimated net proceeds of the Share Offer of approximately HK\$3.7 million when compared to the net proceeds receivable by our Company with the Offer Price being determined at the mid-point of the range as stated in this prospectus, which will be used as additional general working capital of our Group.

FUTURE PLANS AND USE OF PROCEEDS

In the event that the Offer Price is set at the low-end of the proposed Offer Price range, the estimated net proceeds of the Share Offer will decrease by approximately HK\$4.4 million when compared to the net proceeds receivable by our Company with the Offer Price being determined at the mid-point of the range as stated in this prospectus. Under such circumstances, our Company intends to reduce its allocation of the net proceeds for general working capital by approximately HK\$4.4 million.

If the Offer Size Adjustment Option is exercised in full, our Company will raise additional estimated net proceeds of approximately HK\$9.8 million, assuming the Offer Price is HK\$0.89, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end of the indicative Offer Price range, the additional estimated net proceeds upon full exercise of the Offer Size Adjustment Option will increase by approximately HK\$0.6 million. If the Offer Price is set at the low-end of the indicative Offer Price range, the additional estimated net proceeds upon full exercise of the Offer Size Adjustment Option will decrease by approximately HK\$0.7 million. Our Directors intend to apply the additional net proceeds from the exercise of the Offer Size Adjustment as general working capital.

To the extent that the net proceeds of the Share Offer are not immediately applied for the above purposes, it is the present intention of our Directors that such net proceeds will be placed on short-term deposits with financial institutions in Hong Kong.

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

UNDERWRITING

UNDERWRITERS

Placing Underwriters

SBI E2-Capital Financial Services Limited
Astrum Capital Management Limited
Ample Orient Capital Limited
Cheong Lee Securities Limited
Sun International Securities Limited

Public Offer Underwriters

SBI E2-Capital Financial Services Limited
Astrum Capital Management Limited
Ample Orient Capital Limited
Cheong Lee Securities Limited
Sun International Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription of 7,500,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Public Offer Underwriters have agreed, severally, but not jointly, on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, but without limitation, the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

UNDERWRITING

Grounds for termination

The respective obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Joint Lead Managers (for themselves and on behalf of other Public Offer Underwriters) may in their absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to the Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the “**Termination Time**”) if:

- (i) there shall develop, occur, exist or come into effect:
 - (a) any change or prospective change (whether or not permanent) in the business or in the financial or trading position of our Group; or
 - (b) any change or development involving a prospective change or development, or any event or series of event resulting or representing or likely to result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, Macau or any other jurisdictions where any member of our Group is incorporated or operates (collectively, the “Relevant Jurisdictions”); or
 - (c) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or
 - (d) any new laws or any change or development involving a prospective change in existing Laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or
 - (e) a change or development or event involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares; or
 - (f) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or
 - (g) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, the Controlling Shareholders and the executive Directors under the Public Offer Underwriting Agreement pursuant to the indemnities contained herein; or

UNDERWRITING

- (h) (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or (ii) any moratorium on commercial banking activities or material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (i) the imposition of economic or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or
- (j) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, flooding, explosion, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or
- (k) any change or development involving a prospective change, or a materialization of any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (l) any change in the system under which the value of the Hong Kong dollar is linked to that of the U.S. dollar or a material devaluation of Hong Kong dollars against any foreign currency; or
- (m) any demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (n) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or applicable laws; or
- (o) a prohibition on our Company for whatever reason from allotting the Shares pursuant to the terms of the Share Offer; or
- (p) non-compliance of any of this prospectus or any aspect of the Share Offer with the Listing Rules or any other applicable laws; or
- (q) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto in respect of any member of our Group; or
- (r) any loss or damage sustained by any member of our Group; or
- (s) save as disclosed in this prospectus, any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group; or

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- (t) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from taking part in the management of a company; or
- (u) the chairman or president of our Company vacating his office; or
- (v) the commencement by any governmental, regulatory or judicial body or organisation of any action against a Director or an announcement by any governmental, regulatory or judicial body or organization that it intends to take any such action; or
- (w) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Public Offer Underwriting Agreement or there has been a material breach of any other provisions thereof;

which in the sole and absolute opinion of the Joint Lead Managers:

- (a) is or will or may individually or in the aggregate have a material adverse effect on the business, financial, trading or other condition or prospects of our Group taken as a whole; or
 - (b) has or will or may have a material adverse effect on the success of the Public Offer, the Placing and/or the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
 - (c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any material part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement, the Public Offer, the Placing and/or the Share Offer to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Public Offer, the Placing and/or the Share Offer on the terms and in the manner contemplated in this prospectus; or
- (ii) any of the Public Offer Underwriters shall become aware of the fact that, or have cause to believe that:
- (a) any of the warranties given by our Company, the Controlling Shareholders and the executive Directors under the Public Offer Underwriting Agreement or pursuant to the Placing Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated as determined by the Joint Lead Managers (in their respective sole and absolute discretion), or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect;
 - (b) any statement contained in this prospectus or the Application Forms was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if this prospectus were to be issued at that time, constitute a material omission therefrom as determined by the Sponsor (in their respective sole and absolute discretion), or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus and/or any announcements issued by our Company in

UNDERWRITING

connection with the Public Offer (including any supplemental or amendment thereto) are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or

- (c) there has been a material breach on the part of any of our Company, the Controlling Shareholders and the executive Director of any of the provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement as determined by the Joint Lead Managers (in their respective sole and absolute discretion).

Lock-up undertakings to the Public Offer Underwriters

Undertakings by our Company

Our Company has undertaken to the Sponsor and the Joint Lead Managers (as the joint bookrunners, joint lead managers and Public Offer Underwriters) and the other Public Offer Underwriters that our Company shall, and each of the Controlling Shareholders have undertaken to the Sponsor and the Joint Lead Managers (as the joint bookrunners, joint lead managers and Public Offer Underwriters) and the other Public Offer Underwriters to procure our Company that:

- (a) except pursuant to the Share Offer, the Capitalisation Issue, the exercise of the subscription rights attaching to the Offer Size Adjustment Option or share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules, not without the prior written consent of the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), and subject always to the provisions of the Listing Rules, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates (as defined in the Public Offer Underwriting Agreement)), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the period commencing from the date of the Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the “First Six-month Period”);
- (b) not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing, except pursuant to the Share Offer, the Capitalisation Issue

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or the exercise of the subscription rights attaching to the Offer Size Adjustment Option or share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules;

- (c) not at any time within the period of six months immediately following the expiry of the First Six-month Period (the “Second Six-month Period”) do any of the acts set out in (a) and (b) above such that any of the Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder of our Company (within the meaning defined in the Listing Rules);
- (d) in the event that our Company does any of the acts set out in clause (a) or (b) after the expiry of the First Six-month Period or the Second Six-month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Provided that none of the above undertakings shall (a) restrict our Company’s ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such Subsidiaries ceasing to be a subsidiary of our Company; or (b) restrict any of the subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that Subsidiary ceasing to be a subsidiary of our Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has represented, warranted and undertaken to the Sponsor and the Joint Lead Managers (as the joint bookrunners, joint lead managers and Public Offer Underwriters), the other Public Offer Underwriters and our Company that:

- (a) he or it shall not, without the prior written consent of the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), directly or indirectly, and shall procure that none of his or its associates (as defined in the Listing Rules) or companies controlled by him or it or any nominee or trustee holding in trust for him or it shall, offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest therein or any of the voting or other rights attaching thereto) in respect of which he or it is shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares (or any interest therein or any of the voting or other rights attaching thereto); or
- (b) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities,

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at any time during the First Six-month Period, save as provided under notes (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules, and in the event of a disposal of any Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities at any time during the Second Six-month period, (1) such disposal shall not result in any of the Controlling Shareholders ceasing to be the controlling shareholder (as defined in the Listing Rules) of our Company at any time during the Second Six-month Period; and (2) he or it shall take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Without prejudice to the Controlling Shareholders' undertaking above, each of the Controlling Shareholders hereby undertakes to the Sponsor and the Joint Lead Managers (as the joint bookrunners, joint lead managers and Public Offer Underwriters), the other Public Offer Underwriters and our Company that within the First Six-month Period and the Second Six-month Period he or it shall:

- (a) if and when he or it pledges or charges, directly or indirectly, any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities of our Company beneficially owned by him or it (or any beneficial interest therein), immediately inform our Company, the Sponsor and the Joint Lead Managers in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities in our Company (or any beneficial interest therein) pledged or charged by him or it will be disposed of, immediately inform our Company, the Sponsor and the Joint Lead Managers in writing of such indications.

Our Company shall notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

Lock-up undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and our Company that except pursuant to the Share Offer and the Offer Size Adjustment Option or as provided under note (2) to Rule 10.07(2) of the Listing Rules, it or he shall not, and shall procure that the relevant registered holder(s) shall not, (i) at any time during the period commencing from the date of this prospectus in which disclosure of his/its shareholding in our Company is made and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares in respect of which it or he is shown by this prospectus to be the beneficial owner; and (ii) at any time during the period of six months from the date on which the period referred to in (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to be our Controlling Shareholder.

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Our Controlling Shareholders have further undertaken to us and the Stock Exchange that it or he will, within a period of commencing from the date of this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of:

- (a) any pledges or charges of any shares or securities of our Company beneficially owned by any of our Controlling Shareholders, whether directly or indirectly, in favor of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, and the number of such shares or securities of our Company so pledged or charged; and
- (b) any indication received by it/him, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such securities will be disposed of.

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company have undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) may be issued or form the subject of any agreement or arrangement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Share Offer (including the exercise of the Offer Size Adjustment Option) and the Capitalisation Issue or in certain circumstances prescribed by Rule 10.08 of the Listing Rules which includes the grant of options and the issue of Shares pursuant to the Share Option Scheme.

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and the Controlling Shareholders will enter into the Placing Underwriting Agreement with the Sponsor, the Joint Lead Managers 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, agree to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the 67,500,000 Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and the Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Lock-up undertakings to the Public Offer Underwriters” above in this section.

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Our Company is expected to grant to the Placing Underwriters the Offer Size Adjustment Option exercisable by the Joint Lead Managers, on behalf of the Placing Underwriters, at any time before 5:00 p.m. on the business day before the date of announcement of the results of application and the basis of the Public Offer Shares or otherwise it will lapse, to require our Company to allot and issue up to an aggregate of 11,250,000 additional Shares, representing 15% of the Offer Shares, at the Offer Price per Offer Share under Placing, solely to cover over allocations, if any, in the Placing.

Commission and expenses

The Underwriters will receive an underwriting commission of 2.00% of the aggregate Offer Price payable for the Offer Shares in accordance with the terms of the Underwriting Agreements, out of which the Underwriters may pay any sub-underwriting commission in connection with the Share Offer. Based on the Offer Price of HK\$0.89 per Offer Share (being the mid-point of the indicative range of the Offer Price), the aggregate commission and fees payable to the Underwriters, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$16.0 million in total (assuming the Offer Size Adjustment Option is not exercised), which will be payable by us. We will also pay for all expenses in connection with any exercise of the Offer Size Adjustment Option.

SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sponsor will receive a documentation fee. The Joint Lead Managers and the other Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed "Commission and expenses" above.

We will appoint, before the Listing Date, Ample Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the year ending 31 March 2014.

Save as disclosed above, none of the Sponsor and the Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group or has any interest in the Share Offer.

The Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors and the Joint Lead Managers will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

STRUCTURE OF THE SHARE OFFER

DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on or before 5:00 p.m. on 9 October 2012.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lower than indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$0.94 per Offer Share and is expected to be not less than HK\$0.83 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, not later than the morning of the last day for lodging applications under the Public Offer.

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, where they consider appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of our Company, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day lodging applications under the Public Offer, cause there to be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.sunley-fdn.com.hk notices of reduction in the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice being published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.sunley-fdn.com.hk of a reduction in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If, for any reason, the Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Company are unable to enter into the Price Determination Agreement by the Price Determination Date, the Share Offer will not become unconditional and will not proceed.

Announcement of the Offer Price, together with indication of the level of interests in the Placing and the results of application under the Public Offer and basis of allocation of the Offer Shares is expected to be published on Wednesday, 17 October 2012.

STRUCTURE OF THE SHARE OFFER

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$0.94 per Offer Share and is expected to be not less than HK\$0.83 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum price of HK\$0.94 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy, amounting to a total of HK\$2,373.69 per board lot of 2,500 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum price of HK\$0.94 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

Further details are set out in the section headed “How to apply for Public Offer Shares” in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, among others, the satisfaction of all of the following conditions:

1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer and Shares which fall to be allotted and issued upon the exercise of the Offer Size Adjustment Option and upon the exercise of any options which may be granted under the Share Option Scheme (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

2. Underwriting Agreements

The obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s)) and such obligations not being terminated in accordance with the terms of the Underwriting Agreements.

3. Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or before the Price Determination Date.

If any of the conditions is not fulfilled or waived on or before the times specified above, the Share Offer will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the paragraph headed “Refund of your application money” in the Application Forms.

STRUCTURE OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of initially 75,000,000 Offer Shares will be made available under the Share Offer, of which 67,500,000 Placing Shares (subject to re-allocation and the Offer Size Adjustment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the Placing. The remaining 7,500,000 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 67,500,000 Placing Shares (subject to re-allocation and the Offer Size Adjustment Option) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer. The Placing is expected to be fully underwritten by the Placing Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

It is expected that the Placing Underwriters, or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price 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 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 Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Public Offer from investors who receive Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Shares under the Public Offer.

STRUCTURE OF THE SHARE OFFER

The Placing is expected to be subject to the conditions as stated in the paragraph headed “Conditions of the Share Offer” of this section.

The Public Offer

The Company is initially offering 7,500,000 Public Offer Shares for subscription (subject to re-allocation) 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\$0.94 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 subscription under the Public Offer will be increased to 22,500,000 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 30,000,000 Shares, representing 40% of the Offer Shares initially available for subscription under the Share Offer; and

STRUCTURE OF THE SHARE OFFER

- (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 37,500,000 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 Joint Lead Managers.

OFFER SIZE ADJUSTMENT OPTION

Our Company has granted the Offer Size Adjustment Option, exercisable by the Joint Lead Managers on behalf of the Placing Underwriters at any time before 5:00 p.m. on the business day immediately before the date of the announcement of the results of applications and the basis of the Public Offer Shares, to require our Company to allot and issue up to an aggregate of 11,250,000 additional Shares, representing 15% of the Offer Shares initially being offered under the Share Offer, on the same terms as those applicable to the Share Offer. The Offer Size Adjustment Option will not be used for price stabilisation purposes in the secondary market after listing of the Shares on the Stock Exchange and is not subject to the Securities and Future (Price Stabilising) Rules of the SFO. Any such additional Shares may be issued to cover any excess demand in the Placing and in the event that the Offer Size Adjustment Option is exercised, the Joint Lead Managers in their absolute discretion may decide to whom and proportions in which the additional Shares will be allotted. If the Offer Size Adjustment Option is exercised in full, the additional 11,250,000 Shares and the Offer Shares will represent approximately 3.6% and 27.7% respectively of our Company's enlarged share capital immediately after completion of the Share Offer and the exercise of the Offer Size Adjustment Option.

Our Company will disclose in the announcement of the results of the application and the basis of allotment of the Public Offer Shares whether, and to what extent, the Offer Size Adjustment Option has been exercised. In the event that the Offer Size Adjustment Option has not been exercised by the Joint Lead Managers, our Company will confirm in such announcement that the Offer Size Adjustment Option has lapsed and cannot be exercised at any future date.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

METHODS OF APPLYING FOR THE PUBLIC OFFER SHARES

To make an application for the Public Offer Shares, you may use a **WHITE** or **YELLOW** Application Form. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form.

You may apply for Public Offer Shares under the Public Offer or indicate an interest for Placing Shares under the Placing, but may not do both.

WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for Public Offer Shares if you or any person(s) for whose benefit you are applying are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States and will be acquiring the Public Offer Shares in an offshore transaction (as defined in Regulation S);
- are not a US Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors or those who have obtained approval from competent regulatory authorities).

If an application is made by a person duly authorised under a valid power of attorney, the Joint Lead Managers (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

Our Company, the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

The Public Offer Shares are not available to existing beneficial owners of Shares, our Directors, or chief executive officers or their respective associates or any other connected persons (as defined in Chapter 1 of the Listing Rules) of our Company or persons who will become connected persons (as defined in Chapter 1 of the Listing Rules) of our Company immediately upon completion of the Share Offer.

You should also note that you may apply for Shares under the Public Offer or indicate an interest for Shares under the Placing, but may not do both.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

WHICH APPLICATION METHOD YOU SHOULD USE

Use a **WHITE** Application Form if you want the Public Offer Shares to be issued in your own name.

Use a **YELLOW** Application Form if you want the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant.

Note: Except in the circumstances permitted under the Listing Rules, the Offer Shares are not available for subscription by existing beneficial owners of the Shares, the Directors or chief executive of our Company or any of its subsidiaries or the associates of any of them, or any other connected persons (as defined in Chapter 1 of the Listing Rules) of our Company or persons who will become connected persons (as defined in Chapter 1 of the Listing Rules) of our Company immediately upon completion of the Share Offer.

WHERE TO COLLECT THE APPLICATION FORMS

Copies of this prospectus, together with the **WHITE** Application Forms, may be obtained during normal business hours from 9:00 a.m. on Thursday, 27 September 2012 until 12:00 noon on Thursday, 4 October 2012 from:

HANG SENG BANK LIMITED

	Branch Name	Address
Hong Kong Island	Head Office	83 Des Voeux Road Central
	Causeway Bay Branch	28 Yee Wo Street
Kowloon	Tsimshatsui Branch	18 Carnarvon Road
	Kowloon Main Branch	618 Nathan Road
New Territories	Shatin Branch	Shop 18 Lucky Plaza, Wang Pok Street, Shatin
	Tsuen Wan Branch	289 Sha Tsui Road, Tsuen Wan

The **YELLOW** Application Forms, together with copies of this prospectus, may be obtained during normal business hours from 9:00 a.m. on Thursday, 27 September 2012 until 12:00 noon on Thursday, 4 October 2012 at the Depository Counter of HKSCC located at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong. Your stockbroker may also have the **YELLOW** Application Forms and the prospectus available.

HOW TO COMPLETE THE APPLICATION FORMS

There are detailed instructions on each Application Form. You should read those instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated in the Application Form.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If your application is made through a duly authorised attorney, our Company, the Sponsor, the Joint Lead Managers and/or their respective agents or nominees may accept it at their respective discretion, and subject to any conditions as any of them may think fit, including evidence of the authority of your attorney.

You should note that by completing and submitting an Application Form, among other things:

- (a) you confirm that you 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 save as set out in any supplement to this prospectus;
- (b) you agree that none of our Company, the Sponsor, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer is or will be liable for any information and representations not contained in this prospectus (and any supplement thereto) and the Application Forms;
- (c) you undertake and confirm that you (if the application is made for your benefit) or the person(s) or whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for, take up, or indicate an interest for, any Placing Shares nor otherwise participated in the Placing; and
- (d) you agree to disclose to our Company, and/or the share registrars, receiving bankers, the Sponsor, the Joint Lead Managers, the Underwriters and their respective advisers and agents any personal data and any information which they require about you and the person(s) for whose benefit you have made the application.

In order for the **YELLOW** Application Form to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the Application Form. Only written signature will be accepted.

- (a) **if the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**
 - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant ID in the appropriate box in the Application Form.
- (b) **if the application is made by an individual CCASS Investor Participant:**
 - (i) the Application Form must contain the CCASS Investor Participant's full name and Hong Kong identity card number; and
 - (ii) the individual CCASS Investor Participant must insert its CCASS Participant ID in the appropriate box in the Application Form.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(c) **if the application is made by joint individual CCASS Investor Participants:**

- (i) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all of the joint CCASS Investor Participants; and
- (ii) the CCASS Participant ID must be inserted in the appropriate box in the Application Form.

(d) **if the application is made by a corporate CCASS Investor Participant:**

- (i) the Application Form must contain the CCASS Investor Participant's company name and the Hong Kong business registration certificate number; and
- (ii) the CCASS Participant ID must be inserted and the company chop (bearing the CCASS Investor Participant's company name) chopped in the appropriate box in the Application Form.

Incorrect or omission of details of the CCASS Participant (include participant ID and/or company chop bearing its company name) or other similar matters may render your application invalid.

If your application is made through a duly authorised attorney, our Company, the Sponsor, the Joint Lead Managers and/or their respective agents or nominees may accept the application at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. Our Company, the Sponsor, the Joint Lead Managers and/or their respect agents or nominees will have full discretion to reject or accept any application, in full or in part, without assigning any reasons.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominee(s)" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

HOW MANY APPLICATIONS YOU MAY MAKE FOR THE PUBLIC OFFER SHARES

There is only one situation where you may make more than one application for the Public Offer Shares. You may make more than one application for the Public Offer Shares if you are a nominee, in which case you may make an application by using a **WHITE** or **YELLOW** Application Form, and lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the relevant Application Form marked "For nominee(s)" 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 such beneficial owner. If you do not include this information, the application will be treated as being for your own benefit. **Otherwise, multiple applications are not allowed.**

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

It will be a term and condition of all applications that by completing and delivering an Application Form, you:

- if the application is made for your own benefit, warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form;
- if you are an agent for another person, warrant that reasonable enquiries have been made of the beneficial owner that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form, and that you are duly authorised to sign the relevant Application Form as that other person's agent.

Multiple applications or suspected multiple applications are liable to be rejected.

All of your applications are liable to be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form;
- apply (whether individually or jointly with others) on one **WHITE** Application Form and one **YELLOW** Application Form;
- apply (whether individually or jointly with others) on one **WHITE** or **YELLOW** Application Form for more than 100% of the Public Offer Shares initially available for subscription under the Public Offer; or
- have applied for, taken up or received, or indicated an interest for the Placing Shares or otherwise participated in the Placing and make application on **WHITE** or **YELLOW** Application Form.

All of your applications will also be rejected as multiple applications if more than one application is made for your benefit or you have applied for, taken up or received any Placing Shares or indicated an interest for the Placing or otherwise participated in the Placing. 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.

An unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control in relation to a Company means you:

- control the composition of the board of directors of that company; and/or
- control more than half of the voting power of that company; and/or

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- hold more than half of the issued share capital of that 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 MUCH ARE THE PUBLIC OFFER SHARES

The maximum Offer Price is HK\$0.94 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. This means that for every board lot of 2,500 Public Offer Shares, you will pay HK\$2,373.69. Each Application Form has a table showing the exact amount payable for certain multiples of the Public Offer Shares. You must pay the maximum Offer Price, the brokerage, the Stock Exchange trading fee and the SFC transaction levy in full when you apply for the Public Offer Shares.

Your payment must be made by one cheque or one banker's cashier order and must comply with the terms of the related Application Forms (if you apply by an Application Form). Your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Thursday, 4 October 2012. If your application is successful, the brokerage is paid to participants of the Stock Exchange, the transaction levy is paid to the Stock Exchange collecting on behalf of the SFC, and the trading fee is paid to the Stock Exchange. If the Offer Price as finally determined is less than HK\$0.94 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the surplus application monies) will be made to applicants, without interests. Details of the procedures for refund are contained below in the section headed "Despatch/collection of Share certificates and refund of application money".

Our Company will not issue temporary documents of title, evidence of title or receipt for payment.

TIME FOR APPLYING FOR THE PUBLIC OFFER SHARES

WHITE and YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Thursday, 4 October 2012, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed "Effect of bad weather on the opening of the application lists".

Your completed Application Form, with payment in Hong Kong dollars for the full amount payable on application attached, should be deposited in the special collection boxes provided at any one of the branches of Hang Seng Bank Limited listed under the paragraph headed "Where to collect the Application Forms" above at the following times:

Thursday, 27 September 2012	—	9:00 a.m. to 5:00 p.m.
Friday, 28 September 2012	—	9:00 a.m. to 5:00 p.m.
Saturday, 29 September 2012	—	9:00 a.m. to 1:00 p.m.
Wednesday, 3 October 2012	—	9:00 a.m. to 5:00 p.m.
Thursday, 4 October 2012	—	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 4 October 2012.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Application Lists

Subject to the events as described in the paragraph headed “Effect of bad weather on the opening of the application lists” below, the application lists will open at 11:45 a.m. and close at 12:00 noon on Thursday, 4 October 2012.

No proceedings will be taken on application for the Shares and no allotment of any such Shares will be made until the closing of the application lists.

EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 4 October 2012.

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 warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

EFFECT OF MAKING AN APPLICATION

(a) By making an application for the Public Offer Shares, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee shall be deemed to have:

- **instructed** and **authorised** the Company and/or the Sponsor and/or the Joint Lead Managers (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all things necessary to register any Public Offer Shares allotted to you in your name(s) (for **WHITE** Application Form), or HKSCC Nominees (for **YELLOW** Application Form), as the case may be, as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;
- **authorised** the Company to place your name(s) (for **WHITE** Application Form) or the name of HKSCC Nominees (for **YELLOW** Application Form), as the case may be, on the register of members of the Company as the holder(s) of any Public Offer Shares allotted to you, and the Company and/or its agents to send any Share certificate(s) and/or any refund cheque(s) (where applicable) to you or, in case of joint applicants, the first-named applicant in your Application Form by ordinary post at your own risk to the address stated on your Application Form (except that if you have applied for 1,000,000 Public Offer Shares or more and have indicated on your Application Form that you will collect your Share certificate(s) and refund cheque(s) (where applicable) in person, you can collect your Share certificate(s) and/or refund cheque(s) (where applicable) in person between 9:00 a.m. and 1:00 p.m. on

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Wednesday, 17 October 2012 from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong);

- **undertaken** to sign all documents and to do all things necessary to enable you (for **WHITE** Application Form) or HKSCC Nominees (for **YELLOW** Application Form), as the case may be, to be registered as the holder of the Public Offer Shares allocated to you, and as required by the Articles of Association;
- **represented, warranted and undertaken** that you, and the persons for whose benefit you are applying, are not restricted by any applicable laws of Hong Kong or elsewhere from making your application, paying any application monies for, or being allotted or taking up any Public Offer Shares; and you understand that the Shares have not been and will not be registered under the U.S. Securities Act and you, and the persons for whose benefit you are applying, are not a U.S. person (within the meaning of Regulation S under the U.S. Securities Act) or a person to or by whom the allotment of or application for the Public Offer Shares is made would require the Company, the Sponsor and/or the Joint Lead Managers and/or the other Public Offer Underwriter to comply with any requirements under any laws or regulations (whether or not having the force of law) of any territory outside Hong Kong;
- **confirmed** that you have received a copy of this prospectus and have only relied on the information and representations in this prospectus and the Application Form in making your application and that you will not rely on any other information and representations save as set forth in any supplement to this prospectus;
- **agreed** that the Company, the Sponsor, the Joint Lead Managers, the Public Offer Underwriter, any other parties involved in the Share Offer, and their respective directors, officers, employees, partners, agents and advisers are liable only for the information and representations contained in this prospectus, the Application Forms and any supplement to this prospectus;
- **agreed** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not revoke or rescind it because of an innocent misrepresentation or other than as provided in this prospectus;
- (if the application is made by an agent on your behalf) **warranted** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
- (if the application is made for your own benefit) **warranted** that it is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form;
- (if you are an agent for another person) **warranted** that reasonable enquiries have been made of that other person that it is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form, and that you are duly authorised to sign the Application Form as that other person's agent;

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- **agreed** that your application, any acceptance of it and the resulting contract shall be governed by and construed in accordance with the laws of Hong Kong;
- **agreed** that once your application is accepted, your application will be evidenced by the results of the Public Offer made available by the Company;
- **undertaken** and **confirmed** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any Placing Shares in the Placing, nor otherwise participate in the Placing;
- **warranted** the truth and accuracy of the information contained in your application;
- **agreed** to disclose to the Company, the Hong Kong Branch Share Registrar, the receiving bankers, the Sponsor, the Joint Lead Managers, the Public Offer Underwriter and their respective advisers, agents or nominees personal data and any information which they require about you or the person(s) for whose benefit you have made the application;
- **agreed** with the Company, for itself and on behalf of each Shareholder, to observe and comply with the Companies Ordinance, the Companies Law and the Articles of Association;
- **confirmed** that you have read the terms and conditions and the application procedures set out in the Application Forms and this prospectus and agree to be bound by them;
- **confirmed** that you are aware of the restrictions on offering of the Offer Shares described in this prospectus;
- **agreed** and **undertaken** to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- **agreed** with the Company and each Shareholder that the Shares are freely transferable by the holders thereof;
- if the laws of any place outside Hong Kong are applicable to your application, **agreed** and **warranted** that you have complied with all such laws and none of the Company, the Sponsor, the Joint Lead Managers, the Public Offer Underwriter and the other parties involved in the Public Offer nor any of their respective directors, employees, partners, agents, officers and advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to subscribe, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Forms; and
- **understood** that the above declaration and representations will be relied upon by the Company, the Sponsor, the Joint Lead Managers, the Public Offer Underwriter and their respective agents or nominees in deciding whether or not to make any allotment of Public Offer Shares in response to your application and that you may be prosecuted for making any false declaration.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(b) If you apply for the Public Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to (a) above, you (and if you are joint applicants, each of you jointly and severally) shall be deemed to have:

- **agreed** that any Public Offer Shares to be allotted to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant's stock account or the stock account of your designated CCASS Participant in accordance with your election on the Application Form;
- **agreed** that each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion (1) not to accept any or part of the Public Offer Shares allotted to you to be registered in the name of HKSCC Nominees or not to accept such Public Offer Shares for deposit into CCASS; (2) to cause such Public Offer Shares to be withdrawn from CCASS and transferred into your name (or if you are joint applicants, to the name of the first-named applicant) at your own risk and costs; (3) to cause such Public Offer Shares to be registered in your name (or if you are joint applicants, to the name of the first-named applicant) and in such a case, to post the certificate(s) for such Public Offer Shares at your own risk to the address on your Application Form by ordinary post or to make available the same for your collection;
- **agreed** that each of HKSCC and HKSCC Nominees may adjust the number of Public Offer Shares issued in the name of HKSCC Nominees;
- **agreed** that neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Form; and
- **agreed** that neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

The Company, the Sponsor, the Joint Lead Managers, the Public Offer Underwriters, their respective affiliates and directors, officers, employees, agents, advisers and any other parties involved in the Public Offer are entitled to rely on any warranty, representation or declaration made by you in your application. In respect of any joint application, all the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally. You may be prosecuted if you make a false declaration.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED THE PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allocated the Public Offer Shares are set out in the notes attached to the related Application Forms, and you should read them carefully. You should note, in particular, the following situations in which the Public Offer Shares will not be allocated to you:

If your application is revoked

By depositing the **WHITE** or **YELLOW** Application Form, you agree that your application cannot be revoked on or before the expiration of the fifth business day after the time of the opening of the application lists.

This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your Application Form. This collateral contract will be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before the end of the fifth business day after the time of opening of the application lists except by means of one of the procedures referred to in this prospectus.

Your application may only be revoked on or before the fifth business day after time of the closing of the application lists, if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicants have not been so notified, or if applicants have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted will remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application has been accepted, it cannot be revoked. Acceptance of application which are not rejected will be constituted by notification in the announcement of the results of allocation and, where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to satisfaction of such conditions or the results of such ballot, respectively.

At the full discretion of the Company, the Sponsor, the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) or their respective agents, your application is rejected. The Company, the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) or their respective agents and nominees as agents of the Company, have the full discretion to reject or accept any application, in whole or in part, without assigning any reason therefore.

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If your application is rejected

Your application will be rejected if:

- it is a multiple application or a suspected multiple application; or
- you or the person for whose benefit you are applying have applied for or taken up, received or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) the Placing Shares. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received the Placing Shares; and to identify and reject indications of interest in the Placing from investors who have received Public Offer Shares in the Public Offer; or
- your Application Form is not completed correctly in accordance with the instructions printed thereon (if you apply by an Application Form); or
- your payment is not made correctly; or
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation; or
- the Company or any of its agents believes that by accepting your application, the Company would violate the applicable laws, rules or regulations of the jurisdiction in which your application is, or is suspected to have been, completed and/or signed or of any other jurisdiction; or
- your application is for more than 100% of the Public Offer Shares initially available for subscription by the public.

If your application is not accepted

Your application will not be accepted if either:

- the Public Offer Underwriting Agreement does not become unconditional; or
- the Public offer Underwriting Agreement is terminated in accordance with its terms and conditions; or
- no agreement has been reached on the Offer Price on or before the Price Determination Date.

If the allotment of Public Offer Shares is void

Any allotment of the Public Offer Shares to you or to HKSCC Nominees (if you apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant the approval of the listing of, and permission to deal in, the Shares either:

- within three weeks from the closing 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 3 weeks of the closing of the application lists.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest under the Placing and the basis of allotment of the Public Offer Shares under the Public Offer on or before Wednesday, 17 October 2012 on the Company's website at www.sunley-fdn.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 certificate numbers of successful applicants (where supplied) and the number of Offer Shares successfully applied for under **WHITE** or **YELLOW** Application Forms (in addition to the announcements in newspapers referred to above) will be made available at the times and dates and in the manner specified below:

- on the Company's website at www.sunley-fdn.com.hk and the website of the Stock Exchange at www.hkexnews.hk on Wednesday, 17 October 2012 onwards;
- on the website at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. on Wednesday, 17 October 2012 to 12:00 midnight on Wednesday, 24 October 2012. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration certificate number provided in his/her/its Application Form to search for his/her/its own allocation result;
- from the Company's Public Offer allocation results telephone enquiry hotline. Applicants may find out whether or not their applications have been successful and the number of Offer Shares allocated to them, if any, by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 17 October 2012 to Monday, 22 October 2012 (excluding Saturday, Sunday and public holidays); and
- special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches of the receiving bank from Wednesday, 17 October 2012 to Friday, 19 October 2012 at the addresses set out in the paragraph headed "Where to collect the Application Forms".

DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONEY

No temporary documents of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Thursday, 4 October 2012. The Company will keep any interest accrued on your application monies (up till, in the case of monies to be refunded, the date of despatch of refund cheque).

Any certificate relating to the Offer Shares issued by the Company or deposited into CCASS prior to 8:00 a.m. on the Listing Date will only become valid certificate of title at 8:00 a.m. on the Listing Date if the Public Offer has become unconditional in all aspects and the Underwriting Agreements have not been terminated in accordance with their terms on or before 8:00 a.m. on the Listing Date.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Your application money, or an appropriate portion thereof, together with the related brokerage fee, Stock Exchange trading fee and the SFC transaction levy, will be refunded, without interest if:

- your application is rejected, not accepted or only accepted in part;
- the Offer Price as finally determined is less than the maximum indicative Offer Price;
- the conditions of the Share Offer are not fulfilled in accordance with the section headed “Structure of the Share Offer” in this prospectus;
- any application is revoked or any allocation pursuant thereto has become void; or
- any of the reasons set forth under “Circumstances in which you will not be allotted the Public Offer Shares”.

It is intended that special efforts will be made to avoid any undue delay in refunding application money where appropriate.

You will receive one share certificate for all the Public Offer Shares issued to you (except pursuant to applications made on **YELLOW** Application Forms where the share certificate will be deposited into CCASS as described below under “Deposit of share certificates into CCASS” below).

Subject to the provisions mentioned below, in due course there will be sent to you by ordinary post, at your own risk to the address specified on your Application Form:

- for applicants on **WHITE** Application Forms: (i) share certificate for all the Public Offer Shares applied for, if your application is wholly successful; or (ii) share certificate for the number of allocated Public Offer Shares, if your application is partially successful; and/or
- for applicants on **WHITE** and **YELLOW** Application Forms, a refund cheque crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for: (i) the excessive application money for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application money, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price as determined and the maximum indicative Offer Price, payable upon application, in the event that the Offer Price is lower than the maximum indicative Offer Price, in each case including related brokerage of 1%, the Stock Exchange trading fee of 0.005% and the transaction levy of 0.003% imposed by the SFC, without interest. 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 the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of the refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

In a contingency situation involving a very high level of over-subscription, at the discretion of the Company and the Sponsor, applications for certain small denominations of the Public Offer Shares may be eliminated in a pre-balloting. In such circumstances, the cheques or banker's cashier orders accompanying such applications on the Application Forms will not be presented for clearing.

Subject as mentioned below, refund cheques (if any) and share certificates for successful applicants under **WHITE** Application Forms are expected to be despatched on Wednesday, 17 October 2012. We reserve the right to retain any share certificates and any excessive application money pending clearance of cheque(s) or banker's cashier order(s).

If you have applied for 1,000,000 Public Offer Shares or more on a **WHITE** or **YELLOW** Application Form and have indicated your intention on your Application Form to collect your refund cheque (where applicable) and/or (for applicants using **WHITE** Application Forms) share certificate (where applicable) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, and have provided all information required by your Application Form, you may collect (where applicable) your refund cheque and/or (where applicable) share certificate from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong on Wednesday, 17 October 2012 from 9:00 a.m. to 1:00 p.m. or any other date notified by us in the newspapers as the date of despatch of share certificates/refund cheques.

If you are an individual who opts for collection in person, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for collection in person, the authorised representative bearing a letter of authorisation from the corporation stamped with the corporation's chop must be presented for collection. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. If you do not collect your share certificate and/or refund cheque during the above period, they will be despatched promptly to you by ordinary post to the address as specified in your Application Form at your own risk.

If you have applied for less than 1,000,000 Public Offer Shares or if you have applied for 1,000,000 Public Offer Shares or more on a **WHITE** or **YELLOW** Application Form but have not indicated in your Application Form that you wish to collect your share certificate (where applicable) and/or refund cheque (if applicable) in person, the share certificate (where applicable) and/or refund cheque (if applicable) will be sent to the address as stated on your Application Form on Wednesday, 17 October 2012 or any other date notified by us in the newspapers as the date of despatch of share certificates/refund cheques by ordinary post and at your own risk.

Deposit of share certificates into CCASS

If you apply for the Public Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant's stock account or the stock account of your designated CCASS Participant as instructed by you on Wednesday, 17 October 2012, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), for public offer shares credited to the stock account of your designated CCASS Participant (other than CCASS Investor Participant), you can check the number of the Public Offer Shares allotted to you with that CCASS Participant.

We expect to publish the application results of CCASS Investor Participants using **YELLOW** Application Form on Wednesday, 17 October 2012. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 17 October 2012 or such other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying as a CCASS Investor Participant, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participant" in effect from time to time) immediately after the credit of the Public Offer Shares to your stock account. HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into the Central Clearing and Settlement System, or CCASS, established and operated by the Hong Kong Securities Clearing Company Limited, or HKSCC.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. on the Listing Date, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 18 October 2012. Our Shares will be traded in board lots of 2,500 Shares each.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

27 September 2012

The Directors
Sunley Holdings Limited

Ample Capital Limited

Dear Sirs,

We report on the financial information of Sunley Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the combined statements of financial position as at 31 March 2010, 2011 and 2012, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements for each of the years ended 31 March 2010, 2011 and 2012 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to IV below for inclusion in Appendix I to the prospectus of the Company dated 27 September 2012 (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 Company was incorporated in the Cayman Islands on 15 April 2011 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 II headed "Group reorganisation" below, which was completed on 11 September 2012, 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 II below. All of these companies are private companies.

No audited financial statements have been prepared by the Company as it is 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 II below.

The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising 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 audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “HKSA”) issued by the HKICPA pursuant to separate terms of engagement with the Company.

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 made thereon, and on the basis set out in Note 1(d) of Section II below.

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 II below and in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of 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 and to report our opinion to you. We carried out our procedures 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 and presented on the basis set out in Note 1(d) of Section II below, a true and fair view of the combined state of affairs of the Group as at 31 March 2010, 2011 and 2012 and of the Group’s combined results and cash flows for the Relevant Periods then ended.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 March 2010, 2011 and 2012 and for each of the years ended 31 March 2010, 2011 and 2012 (the "Financial Information"), presented on the basis set out in Note 1(d) of Section II below:

Combined statements of comprehensive income

	<i>Note</i>	Year ended 31 March		
		2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Revenue	5			
— Track record period projects ("TRP Projects")		51,306	251,107	313,122
— Prior year project	4(d)	—	6,398	—
		<u>51,306</u>	<u>257,505</u>	<u>313,122</u>
Cost of sales	6			
— TRP Projects		(32,516)	(197,903)	(253,452)
— Reversal of provision for claims from prior year project	4(d)	—	11,243	—
		<u>(32,516)</u>	<u>(186,660)</u>	<u>(253,452)</u>
Gross profit		18,790	70,845	59,670
Other income and net gains	5	651	4,093	122
Administrative expenses	6	<u>(6,207)</u>	<u>(31,492)</u>	<u>(25,813)</u>
Operating profit		13,234	43,446	33,979
Finance costs	9	<u>(52)</u>	<u>(426)</u>	<u>(2,097)</u>
Profit before income tax		13,182	43,020	31,882
Income tax expense	10	<u>(2,351)</u>	<u>(7,656)</u>	<u>(6,126)</u>
Profit and total comprehensive income for the year attributable to equity holders of the Company		<u>10,831</u>	<u>35,364</u>	<u>25,756</u>
Basic and diluted earnings per share	11	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Dividend	12	<u>—</u>	<u>—</u>	<u>9,300</u>

Combined statements of financial position

	<i>Note</i>	As at 31 March		
		2010	2011	2012
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS				
Non-current assets				
Property, plant and equipment	13	83,946	157,981	172,427
Deferred taxation	22	—	115	84
Goodwill	14	—	13,022	13,022
		<u>83,946</u>	<u>171,118</u>	<u>185,533</u>
Current assets				
Trade and other receivables	15	18,717	77,508	88,034
Amounts due from customers for contract work	16	3,319	3,856	2,762
Amount due from a related company	18	—	59	—
Tax recoverable		386	—	—
Cash and cash equivalents	19	1,827	44,660	46,609
		<u>24,249</u>	<u>126,083</u>	<u>137,405</u>
Total assets		<u>108,195</u>	<u>297,201</u>	<u>322,938</u>
EQUITY				
Capital and reserves				
Combined capital	23	—	—	—
Merger reserve	24	39,193	39,193	39,193
Capital reserve	24	—	58,714	58,714
Retained earnings		15,724	51,088	67,544
Total equity		<u>54,917</u>	<u>148,995</u>	<u>165,451</u>

		As at 31 March		
	<i>Note</i>	2010	2011	2012
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES				
Non-current liabilities				
Borrowings	20	8,411	62,484	79,770
Deferred taxation	22	<u>9,147</u>	<u>15,628</u>	<u>17,877</u>
		<u>17,558</u>	<u>78,112</u>	<u>97,647</u>
Current liabilities				
Trade and other payables, including provision for claims	21	15,345	34,329	28,884
Amount due to a shareholder	17	10,430	—	—
Borrowings	20	9,945	29,399	28,874
Tax payable		<u>—</u>	<u>6,366</u>	<u>2,082</u>
		<u>35,720</u>	<u>70,094</u>	<u>59,840</u>
Total liabilities		<u>53,278</u>	<u>148,206</u>	<u>157,487</u>
Total equity and liabilities		<u>108,195</u>	<u>297,201</u>	<u>322,938</u>
Net current (liabilities)/assets		<u>(11,471)</u>	<u>55,989</u>	<u>77,565</u>
Total assets less current liabilities		<u>72,475</u>	<u>227,107</u>	<u>263,098</u>

Combined statements of changes in equity

	Combined capital (Note 23) HK\$'000	Merger reserve (Note 24) HK\$'000	Capital reserve (Note 24) HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 April 2009	—	39,193	—	4,893	44,086
Profit and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,831</u>	<u>10,831</u>
Balance at 31 March 2010	<u>—</u>	<u>39,193</u>	<u>—</u>	<u>15,724</u>	<u>54,917</u>
Balance at 1 April 2010	—	39,193	—	15,724	54,917
Capital reserve arising from acquisition of certain subsidiaries	—	—	58,714	—	58,714
Profit and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>35,364</u>	<u>35,364</u>
Balance at 31 March 2011	<u>—</u>	<u>39,193</u>	<u>58,714</u>	<u>51,088</u>	<u>148,995</u>
Balance at 1 April 2011	—	39,193	58,714	51,088	148,995
Profit and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>25,756</u>	<u>25,756</u>
Dividend	<u>—</u>	<u>—</u>	<u>—</u>	<u>(9,300)</u>	<u>(9,300)</u>
Balance at 31 March 2012	<u>—</u>	<u>39,193</u>	<u>58,714</u>	<u>67,544</u>	<u>165,451</u>

Combined cash flow statements

		Year ended 31 March		
	<i>Note</i>	2010 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Cash flows from operating activities				
Net cash generated from operations	25(a)	12,889	29,044	47,240
Tax paid		(1,238)	(1,643)	(8,130)
Interest paid		<u>(52)</u>	<u>(426)</u>	<u>(2,097)</u>
Net cash generated from operating activities		<u>11,599</u>	<u>26,975</u>	<u>37,013</u>
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment		3,709	19,750	81
Purchases of property, plant and equipment		(36,614)	(76,682)	(42,606)
Acquisition of subsidiaries	26	—	(291)	—
Disposal of a subsidiary	27	<u>—</u>	<u>(7)</u>	<u>—</u>
Net cash used in investing activities		<u>(32,905)</u>	<u>(57,230)</u>	<u>(42,525)</u>
Cash flows from financing activities				
Inception of finance lease		20,000	80,023	37,038
Drawdown of bank borrowings		—	14,543	—
Repayment of finance lease		(1,644)	(20,831)	(16,506)
Repayment of bank borrowings		—	(647)	(3,771)
Dividends paid		<u>—</u>	<u>—</u>	<u>(9,300)</u>
Net cash generated from financing activities		<u>18,356</u>	<u>73,088</u>	<u>7,461</u>
Net (decrease)/increase in cash and cash equivalents		(2,950)	42,833	1,949
Cash and cash equivalents at 1 April		<u>4,777</u>	<u>1,827</u>	<u>44,660</u>
Cash and cash equivalents at 31 March		<u>1,827</u>	<u>44,660</u>	<u>46,609</u>

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION, CHANGES IN GROUP STRUCTURE, GROUP REORGANISATION AND BASIS OF PRESENTATION

(a) General information

Sunley Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 15 April 2011 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The address of the Company’s registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the foundation business and machinery rental business in Hong Kong. The controlling shareholders of the Company are Mr. Leung Chee Hon (“Mr. Leung”) and Dr. Ho Kar Chung (“Dr. Ho”) (together, the “Controlling Shareholders”). Prior to the changes in group structure and the group reorganisation as set out below, the foundation business and machinery rental business of the Group (the “Listing Business”) were conducted by Sunley Engineering & Construction Company Limited (“Sunley”), which was beneficially owned by the Controlling Shareholders.

(b) Changes in group structure

- (i) On 11 January 2010, Leading Win Management Limited (“Leading Win”) was incorporated and was held as to 70% by Mr. Leung and 30% by Dr. Ho. On 5 January 2010, One Million International Limited (“One Million”) was incorporated. On 18 May 2010, One Million acquired the entire equity interest in Sunley from the Controlling Shareholders for a total consideration of HK\$39,193,000 in the form of shareholders’ loans. On 31 March 2011, the Controlling Shareholders assigned their shareholders’ loans owed by One Million to Leading Win at a consideration of HK\$1. On the same date, Leading Win and One Million agreed to the capitalisation of the shareholder’s loan whereby One Million allotted and issued one share of US\$1 to Leading Win, credited as fully-paid.
- (ii) On 8 June 2010, One Million acquired the entire equity interest in Sunnic Engineering Limited (“Sunnich”) which was beneficially owned by Mr. Cheng Wing On, Michael (“Mr. Cheng”), Mr. Tsui Kwok Kin (“Mr. Tsui”) and Mr. Wong Ling, Eddie (“Mr. Wong”) and their respective family members. As consideration, Leading Win allotted and issued shares to Mr. Wong, Mr. Cheng and Mr. Tsui respectively, credited as fully paid.
- (iii) On 15 July 2010, One Million acquired the entire equity interest in Full Gain Engineering Limited (“Full Gain”) which was beneficially owned by Mr. Cheng, Mr. Tsui and Mr. Wong and their respective family members. As consideration, One Million allotted and issued one share of US\$1 to Leading Win, credited as fully paid.
- (iv) Upon completion of the above transactions, Leading Win held 100% equity interest in One Million which in turn held 100% equity interest in Sunley, Sunnic and Full Gain. Leading Win was held as to 49% by Mr. Leung, 21% by Dr. Ho, 10% by Mr. Wong, 10% by Mr. Cheng and 10% by Mr. Tsui.

The financial positions, results of operations and cash flows of Sunnic and its subsidiaries from 1 April 2008 up to 8 June 2010, and of Full Gain from 1 April 2008 up to 15 July 2010, the respective dates of acquisition by One Million, are set out in Notes 32 and 33 below.

- (v) On 17 December 2010, Sunnic disposed of its entire equity interest in its subsidiary, Super Ease Holdings Limited, which was engaged in the property holding business, to Sunnic Holdings Limited which was beneficially owned by Mr. Cheng, Mr. Tsui and Mr. Wong and their respective family members, for a consideration of HK\$342,000.

Details of the disposal are set out in Note 27 below.

(c) Group reorganisation

In preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Company underwent group reorganisation (the "Reorganisation") on 11 September 2012, pursuant to which the entire equity interest in One Million was transferred to the Company and as consideration, the Company allotted and issued 999,999 shares of HK\$0.01 each to Leading Win, credited as fully paid. Thereafter, the Company became the holding company of the companies now comprising 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		
					31 March 2010	2011	2012
Directly held							
One Million <i>(Note (i))</i>	British Virgin Islands	5 January 2010	Investment holding	US\$2, 2 shares of US\$1 each	N/A	100%	100%
Indirectly held							
Sunley <i>(Note (ii))</i>	Hong Kong	27 July 1982	General contracting, building and civil engineering and rental of machinery in Hong Kong	HK\$39,193,000, 391,930 shares of HK\$100 each	100%	100%	100%
Sunnic <i>(Note (ii))</i>	Hong Kong	27 May 1993	General contracting, building and civil engineering and rental of machinery in Hong Kong	HK\$9,300,000, 9,300,000 shares of HK\$1 each	N/A	100%	100%
Full Gain <i>(Note (ii))</i>	Hong Kong	1 December 2000	General contracting, building and civil engineering and rental of machinery in Hong Kong	HK\$100, 100 shares of HK\$1 each	N/A	100%	100%

Notes:

- (i) No audited financial statements have been prepared for the Company as it is not required under the statutory requirement of its place of incorporation.
- (ii) The statutory financial statements of these subsidiaries were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and audited by certified public accountants as follows:

Name	For the year ended	Name of statutory auditors
Sunley	31 March 2010	George Tso & Co.
	31 March 2011 and 2012	PricewaterhouseCoopers
Sunnic	30 April 2010 and 31 March 2011 and 2012	PricewaterhouseCoopers
Full Gain	30 April 2010 and 31 March 2011 and 2012	PricewaterhouseCoopers

(d) Basis of presentation

For the purposes of this report, the combined financial information of the Group has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Reorganisation is a reorganisation of group structure with no change in substance of the underlying business conducted by Sunley or the ultimate ownership of such business. Accordingly, the combined statements of financial position, the combined statements of comprehensive income, the combined cash flows statements and the combined statements of changes in equity of the Group as at and for the years ended 31 March 2010, 2011 and 2012 (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 Shareholders, whichever is a shorter period. The net assets and results of the Group were combined using the existing book values.

For companies acquired from or disposed of to third parties during the Relevant Periods, they are included in or excluded from the financial information of the Group from the respective dates of acquisition or disposal.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Basis of preparation

The principal accounting policies applied in the preparation of the Financial Information which are in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA are set out below. The Financial Information set out in this report has been prepared under the historical cost convention except for the investment properties which are carried at fair value.

The preparation of the Financial Information in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Company. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4 below.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new or revised standards, amendments and interpretations to existing standards have been published but are not yet effective for the Relevant Periods and which the Group has not early adopted:

		Effective for accounting periods of the Group beginning on or after
HKAS 12 Amendment	Income Taxes (Amendments made by Deferred Tax: Recovery of Underlying Assets)	1 April 2012
HKFRS 7 Amendment	Disclosures — Transfers of Financial Assets	1 April 2012
HKFRS 7 Amendment	Disclosures — Offsetting Financial Assets and Financial Liabilities	1 April 2013
HKAS 1 Amendment	Presentation of Items of Other Comprehensive Statements	1 April 2013
HKAS 19 (2011)	Employee Benefits	1 April 2013
HKAS 27 (2011)	Separate Financial Statements	1 April 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 April 2013
HKFRS 10	Consolidated Financial Statements	1 April 2013
HKFRS 11	Joint Arrangements	1 April 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 April 2013
HKFRS 13	Fair Value Measurement	1 April 2013
HKAS 31 Amendment	Presentation — Offsetting Financial Assets and Financial Liabilities	1 April 2014
HKFRS 9	Financial Instruments	1 April 2015

The Group will adopt these new standards, amendments and interpretations in the period of initial application. It is not expected to have a significant impact on the Group's result of operations and its financial position.

(b) Consolidation and combination

The combined financial information includes the financial information of the Company and all its subsidiaries made up to respective year end dates during the Relevant Periods.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Except for the business combination under common control including the reorganisation, the acquisition method of accounting is used to account for the Group's business combination. The consideration for the acquisition of a subsidiary is the fair values of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. When a business combination achieved in stages, the acquirer should remeasure its previously held interest in the acquiree at its fair value at the date of whom control is obtained, recognising the fair value changes in profit or loss.

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 Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

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

(c) Transaction with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting reported to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in Hong Kong dollar, which is the Company's functional and presentation currency.

(ii) Transactions 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 are re-measured. 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 profit or loss.

Foreign exchange gains and losses are presented in the statement of comprehensive income within "Other income and net gains/(losses)".

(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:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of that reporting period;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a 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

- (iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, 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 statement of comprehensive income 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.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or jointly controlled entities that do not result in the group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(f) 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 item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to profit or loss during the financial year in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Over the remaining lease term
Building	Shorter of remaining lease term or useful life
Machinery	10%–20%
Office equipment	20%
Motor vehicles	20%–30%
Furniture and fixtures	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of all property, plant and equipment are the difference between the net disposal proceeds and the carrying amount of the relevant asset, and are recognised in profit or loss on the date of retirement or disposal within "Other income and net gains/(losses)" in the combined statement of comprehensive income.

(g) Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property. Investment property comprises land held under operating leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out by professional valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial information.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

Change in fair value of investment property is recognised in profit or loss. Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss. Upon the subsequent disposal of the investment property, any revaluation reserve balance of the property is transferred to retained profits and is shown as a movement in reserves.

(h) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment (note 14).

(i) Impairment of non-financial assets

Assets that have indefinite useful life, for example, goodwill, are not subject to amortisation and are tested annually for impairment.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Leases and hire purchase contracts

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under hire purchase contracts are recognised as assets of the Group at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as an obligation under finance lease. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs as stated in the policy below.

When a sale and leaseback results in a finance lease, any gain on sale is deferred and recognised as an income over the lease term. Any loss on sale is immediately recognised as an impairment loss when the sale occurs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivables as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(k) Construction contracts in progress

Contracting 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).

(l) 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 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 "amounts due from customer for contract work", "trade and other receivables", "amount due from a shareholder", "amount due from holding company", "amount due from a related company" and "cash and cash equivalents" in the statement of financial position.

(m) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio;
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(n) Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(o) Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand and bank overdrafts. Bank overdrafts are shown in current liabilities on the statement of financial position.

(p) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(q) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(r) Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(s) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(t) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period during the Relevant Periods in the countries where the Group operates and generates taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information. However, the deferred 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 each reporting period during the Relevant Periods and are expected to apply when the related deferred income tax asset is realised or the deferred taxation liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(u) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

The Group operates defined contribution plans and pays contributions to 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.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of each reporting period during the Relevant Periods are discounted to present value.

(iv) Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

(v) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts have been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

(w) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the note to the financial information. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(x) Financial guarantee

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but perform a liability adequacy test at each reporting date by comparing its carrying amount of the net liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised as an expense immediately.

(y) Revenue recognition

Revenue comprises the fair value of the consideration received or receivables for the sale of services in the ordinary course of the Group's activities. Revenue is shown after eliminating sales within the Group.

(a) Construction contracts income

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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.

Revenue from contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established by reference to the construction works certified by an independent surveyor.

(b) Rental income on machinery

Operating lease rental income is recognised on a straight-line basis over the term of the lease.

(c) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(z) **Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial information in the period in which the dividends are declared by the directors in case of interim dividends or approved by the Company's shareholders in case of final dividends.

3 FINANCIAL RISK MANAGEMENT

(a) **Financial risk factors**

The Group's activities exposed it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments, if necessary, to reduce certain risk exposures.

(i) *Interest rate risk*

Other than bank balances with variable interest rate, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group has not hedged its cash flow interest rate risks.

As at 31 March 2010, 2011 and 2012, if the interest rate on all borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's profit after tax for the year would have been decreased/increased by approximately HK\$184,000 and HK\$919,000 and HK\$1,086,000 respectively, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

(ii) *Credit risk*

Credit risk arises mainly from trade and other receivables, amounts due from customers for contract work, a shareholder, the holding company and a related company and cash at bank. 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 receivables and amounts due from customers for contract work, 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 2010, 2011, 2012, there were 2 customers which individually contributed over 10% of the Group's trade and other receivables each year end date. The aggregate amount of trade and other receivables from these customers amounted to 20%, 47% and 76% of the Group's total trade and other receivables, respectively.

(iii) *Liquidity risk*

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

The following table details the remaining contractual maturities at the year end dates during the Relevant Periods of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the year end dates during the Relevant Periods) and the earliest date the Group may be required to pay:

	Within one year HK\$'000	Between one and two years HK\$'000	Between two and five years HK\$'000	Total HK\$'000
At 31 March 2010				
Trade and other payables, including provision for claims	15,345	—	—	15,345
Amount due to a shareholder	10,430	—	—	10,430
Borrowings	10,175	8,482	—	18,657
	<u>35,950</u>	<u>8,482</u>	<u>—</u>	<u>44,432</u>
At 31 March 2011				
Trade and other payables, including provision for claims	34,329	—	—	34,329
Borrowings	31,518	8,180	56,792	96,490
	<u>65,847</u>	<u>8,180</u>	<u>56,792</u>	<u>130,819</u>
At 31 March 2012				
Trade and other payables, including provision for claims	28,884	—	—	28,884
Borrowings	32,455	25,982	57,715	116,152
	<u>61,339</u>	<u>25,982</u>	<u>57,715</u>	<u>145,036</u>

(b) **Capital risk management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operation and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities as at each year end divided by the total equity as at each year end.

The gearing ratios during the Relevant Periods are as follows:

	As at 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Total borrowings (Note 20)	18,356	91,883	108,644
Total equity	<u>54,917</u>	<u>148,995</u>	<u>165,451</u>
Gearing ratio	<u>33.4%</u>	<u>61.7%</u>	<u>65.7%</u>

(c) Fair value estimation

The carrying values less impairment provision of trade and other receivables, trade and other payables, amounts due from customers for contract work, amount due from/(to) a shareholder/the holding company/a related company and bank balances are a reasonable approximation of their fair values due to the short-term maturities of these assets and liabilities.

The carrying values of borrowings are a reasonable approximation of their fair values as the interest rates of these borrowings are at market rates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing the financial information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful lives and impairment of property, plant and equipment

The Group has significant investments in property, plant and equipment. The Group is required to estimate the useful lives of property, plant and equipment in order to ascertain the amount of depreciation charges for each reporting period.

Useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including decline in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

Impairment of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management 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 to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of the operations.

(b) Impairment of receivables

Management determines the provision for impairment of trade and other receivables 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.

(c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. For the purpose of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations primarily use cash flow projections based on five-year financial budgets approved by management and estimated terminal value at the end of the five-year period. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budgets. Key assumptions include the growth rates and selection of discount rates to reflect the risks involved. Management prepares the financial budgets reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions could affect these cash flow projections and therefore the results of the impairment reviews. As at 31 March 2011 and 2012, management was not aware of any impairment on goodwill based on the assessment.

(d) 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 construction works certified by an independent surveyor. 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.

When accounting for provisions for litigation and other items the Group has taken internal and external advice in considering known legal claims and actions made by or against the Group. It carefully assesses the likelihood of success of a claim or action. Appropriate provisions are made for legal claims or actions against the Group on the basis of likely outcome, but no provisions are made for those which in the view of management are unlikely to succeed.

The Group had a dispute with a single customer in relation to a project which was completed in 2003. In 2011, the Group reversed the claim provision of HK\$11,243,000 and recorded an amount of HK\$6,398,000 as income from prior year project based on the conclusion of the recovery measures.

The financial effects of the prior year project are set out as follows:

	Year ended 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Income from prior year project			
Construction contracts income — yielded by recovery measure	—	6,398	—
Cost of sales — reversal of provision for claims (<i>Note 21(d)</i>)	—	11,243	—
	<u>—</u>	<u>17,641</u>	<u>—</u>
Related legal expenses (<i>Note 6</i>)	<u>1,122</u>	<u>11,608</u>	<u>—</u>

Income from prior year project represented revenue and reversal of provision for claims arising from disputes over certain construction contract.

5 REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents gross contract receipts on construction contracts and rental income on machinery in the ordinary course of business. Revenue and other income and net gains recognised during the respective years are as follows:

	Year ended 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Turnover			
Construction contracts income			
— TRP Projects (<i>Note a</i>)	45,148	250,605	302,571
— Prior year project (<i>Note b</i>)	—	6,398	—
Rental income on machinery	<u>6,158</u>	<u>502</u>	<u>10,551</u>
	<u>51,306</u>	<u>257,505</u>	<u>313,122</u>

Note:

- (a) TRP Projects represent construction projects in progress during the Relevant Periods.
- (b) Prior year project refers to a dispute the Group had with a single customer in relation to a project which was completed in 2003. The dispute was resolved through recovery measures in 2011, please refer to Note 4(d) for details.

Other income and net gains

Interest income	1	1	37
Gain on disposal of fixed assets	529	3,318	64
Gain on disposal of a subsidiary	—	336	—
Others	<u>121</u>	<u>438</u>	<u>21</u>
	<u>651</u>	<u>4,093</u>	<u>122</u>

The chief operating decision-maker has been identified as the Board of Directors of the Company. The Board of Directors regards the Group's business as a single operating segment and reviews financial information accordingly. Also, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

For the years ended 31 March 2010, 2011 and 2012, there were 3, 1 and 4 customer(s) which individually contributed over 10% of the Group's revenue, respectively. The aggregate amount of revenue from these customers amounted to 93%, 28% and 48% of the Group's total revenue, respectively.

6 EXPENSES BY NATURE

	Year ended 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Cost of sales — TRP Projects (<i>Note a</i>)			
Construction materials costs	16,665	91,872	115,442
Subcontracting charges	2,078	57,931	56,638
Staff costs (<i>Note 7</i>)	5,561	27,985	54,234
Depreciation of owned assets (<i>Note 13</i>)	7,221	10,930	10,220
Depreciation of assets under finance lease (<i>Note 13</i>)	991	9,185	16,918
	32,516	197,903	253,452
Cost of sales — prior year project (<i>Note b</i>)			
Reversal of provision of claims	—	(11,243)	—
	32,516	186,660	253,452
Administrative expenses			
Auditors' remuneration	101	837	730
Building management fee	194	286	303
Staff costs, including directors' emoluments (<i>Note 7</i>)	2,401	10,735	9,561
Depreciation (<i>Note 13</i>)	332	1,030	1,005
Operating lease rental on land and buildings	610	1,841	2,615
Transportation	429	1,553	1,975
Legal expenses	1,122	11,608	—
Other professional fees	183	617	5,362
Insurance	168	346	821
Repair and maintenance	25	864	1,405
Other expenses	642	1,775	2,036
	6,207	31,492	25,813
Total cost of sales and administrative expenses	38,723	218,152	279,265

Note:

- (a) TRP Projects represent construction projects in progress during the Relevant Periods.
- (b) Prior year project refers to a dispute the Group had with a single customer in relation to a project which was completed in 2003. The dispute was resolved through recovery measures in 2011, please refer to Note 4(d) for details.

7 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Salaries, wages and allowances	7,649	37,405	61,943
Retirement benefit expenses			
— defined contribution plan	313	1,315	1,852
	7,962	38,720	63,795

The Group operates two defined contribution schemes in Hong Kong which comply with the requirements under the Mandatory Provident Fund ("MPF") Schemes Ordinance. All assets under the schemes are held separately from the Group under independently administered funds. Contributions to the MPF Scheme follow the MPF Schemes Ordinance.

8 DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

The emoluments of the directors for the Relevant Periods are set out below:

	Fee HK\$'000	Salaries, wages and allowances HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Year ended 31 March 2010					
<i>Executive Directors</i>					
Dr. Ho Kar Chung	—	—	—	—	—
Mr. Ho Chi Ling	—	—	—	—	—
Mr. Cheng Wing On, Michael (note)	—	—	—	—	—
<i>Independent non-executive directors</i>					
Mr. Chuck Winston Calptor	—	—	—	—	—
Mr. Ching Kwok Hoo, Pedro	—	—	—	—	—
Mr. Tam Tak Kei, Raymond	—	—	—	—	—
<i>Non-executive director</i>					
Mr. Leung Chee Hon	—	—	—	—	—
	—	—	—	—	—
	—	—	—	—	—
Year ended 31 March 2011					
<i>Executive directors</i>					
Dr. Ho Kar Chung	—	—	—	—	—
Mr. Ho Chi Ling	—	720	—	12	732
Mr. Cheng Wing On, Michael (note)	—	780	—	10	790
<i>Independent non-executive directors</i>					
Mr. Chuck Winston Calptor	—	—	—	—	—
Mr. Ching Kwok Hoo, Pedro	—	—	—	—	—
Mr. Tam Tak Kei, Raymond	—	—	—	—	—
<i>Non-executive director</i>					
Mr. Leung Chee Hon	—	—	—	—	—
	—	1,500	—	22	1,522
	—	—	—	—	—
Year ended 31 March 2012					
<i>Executive directors</i>					
Dr. Ho Kar Chung	—	—	—	—	—
Mr. Ho Chi Ling	—	780	132	12	924
Mr. Cheng Wing On, Michael (note)	—	960	200	12	1,172
<i>Independent non-executive directors</i>					
Mr. Chuck Winston Calptor	—	—	—	—	—
Mr. Ching Kwok Hoo, Pedro	—	—	—	—	—
Mr. Tam Tak Kei, Raymond	—	—	—	—	—
<i>Non-executive director</i>					
Mr. Leung Chee Hon	—	—	—	—	—
	—	1,740	332	24	2,096
	—	—	—	—	—

Note: The director only joined the Group after the acquisition of Sunnic on 8 June 2010 as mentioned in note 1(b).

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.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, none of them are directors in the year ended 31 March 2010 and two of them are directors whose emoluments are disclosed above for the years ended 31 March 2011 and 2012. The emoluments in respect of the five highest paid individuals for the year ended 31 March 2010 and the remaining three individuals for the years ended 31 March 2011 and 2012 are as follows:

	Year ended 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Salaries, wages and allowances	2,056	1,991	2,580
Discretionary bonuses	171	188	510
Retirement benefits expenses	58	32	24
	<u>2,285</u>	<u>2,211</u>	<u>3,114</u>

The emoluments of the highest paid individuals fell within the following band:

	Year ended 31 March		
	2010	2011	2012
HK\$Nil – HK\$1,000,000	5	3	1
HK\$1,000,001 – HK\$2,000,000	—	—	2
	<u>5</u>	<u>3</u>	<u>3</u>

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.

9 FINANCE COSTS

	Year ended 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Interest on finance leases	52	398	1,793
Interest on bank borrowings wholly repayable within 5 years	—	28	304
	<u>52</u>	<u>426</u>	<u>2,097</u>

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% for the years ended 31 March 2010, 2011 and 2012 on the estimated assessable profit for the year.

	Year ended 31 March		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax			
— Current year	350	6,297	3,846
Deferred income tax (<i>Note 22</i>)	<u>2,001</u>	<u>1,359</u>	<u>2,280</u>
Income tax expense	<u><u>2,351</u></u>	<u><u>7,656</u></u>	<u><u>6,126</u></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		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	<u>13,182</u>	<u>43,020</u>	<u>31,882</u>
Calculated at a tax rate of 16.5%	2,175	7,098	5,261
Income not subject to tax	—	(461)	(36)
Expenses not deductible for tax purposes	176	1,019	920
Over-provision in prior year	<u>—</u>	<u>—</u>	<u>(19)</u>
Income tax expense	<u><u>2,351</u></u>	<u><u>7,656</u></u>	<u><u>6,126</u></u>

11 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this Financial Information, is not considered meaningful due to the Reorganisation and the presentation of the results for the years ended 31 March 2010, 2011 and 2012 on a combined basis as disclosed in Note 1(d).

12 DIVIDEND

	Year ended 31 March		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend paid	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>9,300</u></u>

During the year ended 31 March 2012, the Group declared and paid a dividend of HK\$9,300,000 to its then shareholders.

The rate of dividend and the number of shares ranking for dividend is not presented as such information is not meaningful having regard to the purpose of this report.

13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Machinery HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
Cost						
At 1 April 2009	—	66,349	1,454	209	534	68,546
Additions	—	36,614	—	—	—	36,614
Disposals	—	(3,700)	(9)	—	—	(3,709)
At 31 March 2010	—	99,263	1,445	209	534	101,451
Accumulated depreciation						
At 1 April 2009	—	8,450	360	146	534	9,490
Charge for the year (Note 6)	—	8,212	290	42	—	8,544
Disposals	—	(524)	(5)	—	—	(529)
At 31 March 2010	—	16,138	645	188	534	17,505
Net book value						
At 31 March 2010	—	83,125	800	21	—	83,946
Cost						
At 1 April 2010	—	99,263	1,445	209	534	101,451
Additions	—	75,827	—	855	—	76,682
Disposals	—	(20,549)	—	—	—	(20,549)
Acquisition of subsidiaries	6,600	33,360	12	1,489	—	41,461
Disposal of a subsidiary	(6,600)	—	—	—	—	(6,600)
Write-off	—	—	—	(208)	—	(208)
At 31 March 2011	—	187,901	1,457	2,345	534	192,237
Accumulated depreciation						
At 1 April 2010	—	16,138	645	188	534	17,505
Charge for the year (Note 6)	69	20,115	301	660	—	21,145
Disposals	—	(4,117)	—	—	—	(4,117)
Disposal of a subsidiary	(69)	—	—	—	—	(69)
Write-off	—	—	—	(208)	—	(208)
At 31 March 2011	—	32,136	946	640	534	34,256
Net book value						
At 31 March 2011	—	155,765	511	1,705	—	157,981

	Land and buildings HK\$'000	Machinery HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
Cost						
At 1 April 2011	—	187,901	1,457	2,345	534	192,237
Additions	—	42,276	—	330	—	42,606
Disposals	—	—	—	(172)	—	(172)
Written off	—	—	(1,022)	—	(277)	(1,299)
At 31 March 2012	—	230,177	435	2,503	257	233,372
Accumulated depreciation						
At 1 April 2011	—	32,136	946	640	534	34,256
Charge for the year (Note 6)	—	27,138	292	713	—	28,143
Disposals	—	—	—	(155)	—	(155)
Written off	—	—	(1,022)	—	(277)	(1,299)
At 31 March 2012	—	59,274	216	1,198	257	60,945
Net book value						
At 31 March 2012	—	170,903	219	1,305	—	172,427

- (a) Certain machinery was under finance lease in the form of sale and leaseback arrangements. There was no disposal gain or loss recognised for the transactions as the fair value is not significantly different from the carrying value of the relevant machinery.

The net book amount as at 31 March 2010, 2011 and 2012 is analysed as follows:

	As at 31 March		
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000
Cost — Capitalised finance leases	23,793	110,352	155,830
Accumulated amortisation	(991)	(21,881)	(37,902)
Net book amount	22,802	88,471	117,928

As at 31 March 2011 and 2012, the Group's machinery with an aggregate net book value of HK\$15,252,000 and HK\$13,536,901 has been pledged for bank borrowings.

- (b) Rental income amounting to HK\$6,158,000, HK\$502,000 and HK\$10,551,000 for the years ended 31 March 2010, 2011 and 2012 relating to the lease of machinery is included in the combined statements of comprehensive income (Note 5).
- (c) Machinery includes the following amounts where the Group is a lessor under an operating lease:

	As at 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Cost	10,380	—	7,880
Accumulated depreciation	<u>(1,211)</u>	<u>—</u>	<u>(3,308)</u>
Net book amount	<u>9,169</u>	<u>—</u>	<u>4,572</u>

14 GOODWILL

	HK\$'000
At 1 April 2009 and 31 March 2010	—
Acquisition of subsidiaries (Note 26)	<u>13,022</u>
At 31 March 2011 and 2012	<u>13,022</u>

Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating unit ("CGU") identified which is the foundation business.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. Management estimates the pre-tax discount rate that reflects market assessment of the time value of money and specific risk relating to the industry.

Key assumptions of the financial budgets covering the five-year period and other key assumptions used for value-in-use calculations are as follows:

Average growth rate (Note a)	5%
Terminal growth rate	2%
Discount rate (Note b)	14%

- (a) Average growth rate used in the budget for the five-year period ending 31 March 2017.
- (b) The discount rate used is pre-tax and reflects specific risks relating to the relevant business.
- (c) Assuming the growth rate decreases by 50 basis points and the discount rate increases by 50 basis points, there is still sufficient headroom and no further impairment charge is required for the goodwill as at 31 March 2012.

15 TRADE AND OTHER RECEIVABLES

	As at 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Contract receivables	14,578	45,908	59,398
Retention receivables	<u>1,016</u>	<u>22,334</u>	<u>19,452</u>
Total trade receivables	15,594	68,242	78,850
Other receivables, deposits and prepayments (Note d)	<u>3,123</u>	<u>9,266</u>	<u>9,184</u>
	<u><u>18,717</u></u>	<u><u>77,508</u></u>	<u><u>88,034</u></u>

Notes:

- (a) Trade receivables are past due when a counterparty has failed to make a payment when contractually due. The credit period granted to customers is 14 to 30 days. Trade receivables are denominated in Hong Kong dollars.
- (b) The aging analysis of the contract receivables based on invoice date is as follows:

	As at 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
0–30 days	13,578	44,440	58,706
31–60 days	—	662	353
61–90 days	—	—	—
Over 90 days	<u>1,000</u>	<u>806</u>	<u>339</u>
	<u><u>14,578</u></u>	<u><u>45,908</u></u>	<u><u>59,398</u></u>

Contract receivables of HK\$13,578,000, HK\$44,440,000 and HK\$58,706,000 as at 31 March 2010, 2011 and 2012 were not yet past due and HK\$1,000,000, HK\$1,468,000 and HK\$692,000 as at 31 March 2010, 2011 and 2012 were past due but not impaired. These relate to contract receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made.

Retention receivables were not yet past due as at 31 March 2010, 2011 and 2012 and were settled in accordance with the terms of respective contracts.

- (c) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.
- (d) The amount mainly represents prepayments for purchase of materials and IPO expenses.

16 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	As at 31 March		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Costs plus attributable profits less foreseeable losses	8,610	44,461	13,144
Less: progress billings to date	<u>(5,291)</u>	<u>(40,605)</u>	<u>(10,382)</u>
Amounts due from customers for contract work	<u>3,319</u>	<u>3,856</u>	<u>2,762</u>

There were no advances received from customers for contract work as at 31 March 2010, 2011 and 2012. Progress billings to date include retention receivables of HK\$429,000, HK\$8,443,000 and HK\$1,254,000 as at 31 March 2010, 2011 and 2012.

17 AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder was unsecured, interest-free and repayable on demand.

18 AMOUNT DUE FROM A RELATED COMPANY

- (a) Particulars of amount due from a related company disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Name	Balance at 31 March 2010 <i>HK\$'000</i>	Balance at 31 March 2011 <i>HK\$'000</i>	Maximum balance outstanding during the year ended 31 March 2011 <i>HK\$'000</i>	Balance at 31 March 2012 <i>HK\$'000</i>	Maximum balance outstanding during the year ended 31 March 2012 <i>HK\$'000</i>
Sunnich Holdings Limited	<u>—</u>	<u>59</u>	<u>342</u>	<u>—</u>	<u>59</u>

- (b) Sunnich Holdings Limited is owned by certain shareholders of the Company, including Cheng Wing On, Michael, a director of the Company.
- (c) Amount due from a related company was unsecured, interest-free and repayable on demand. The amount was settled during the year ended 31 March 2012.

19 CASH AND CASH EQUIVALENTS

	As at 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Cash at banks	1,802	44,602	46,551
Cash on hand	<u>25</u>	<u>58</u>	<u>58</u>
Cash and cash equivalents	<u>1,827</u>	<u>44,660</u>	<u>46,609</u>

Notes:

- (a) The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	As at 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollar	1,774	44,599	46,550
Euro	18	20	18
United States dollar	23	23	18
Australian dollar	<u>12</u>	<u>18</u>	<u>23</u>
	<u>1,827</u>	<u>44,660</u>	<u>46,609</u>

- (b) Cash at bank earns interest at floating rates based on daily bank deposit rates.

20 BORROWINGS

	As at 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Non-current			
Finance lease liabilities (<i>Note b</i>)	<u>8,411</u>	<u>62,484</u>	<u>79,770</u>
	<u>8,411</u>	<u>62,484</u>	<u>79,770</u>
Current			
Bank borrowings (<i>Note a</i>)	—	14,334	10,563
Finance lease liabilities (<i>Note b</i>)	<u>9,945</u>	<u>15,065</u>	<u>18,311</u>
	<u>9,945</u>	<u>29,399</u>	<u>28,874</u>
Total borrowings	<u>18,356</u>	<u>91,883</u>	<u>108,644</u>

Note:

(a) Bank borrowings

Bank borrowings mature until 2015 and bear interest at the prime rate and 2% to 2.5% above one-month Hong Kong Interbank Offered Rate ("HIBOR") per annum respectively, and are subject to annual review.

The bank borrowings are denominated in Hong Kong dollars.

The bank borrowings are classified as current liabilities according to the Interpretation-5, Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause. According to the repayment schedule the bank borrowings are repayable as follows:

	As at 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Within 1 year	—	4,058	4,527
Between 1 and 2 years	—	4,199	4,225
Between 2 and 5 years	—	6,077	1,811
	<u>—</u>	<u>14,334</u>	<u>10,563</u>

(b) Finance lease liabilities

Lease liabilities are secured as the rights to the leased assets revert to the lessors in the event of default.

	As at 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Gross finance lease liabilities — minimum lease payments			
Within 1 year	10,175	16,331	21,527
Later than 1 year and no later than 5 years	<u>8,482</u>	<u>64,972</u>	<u>83,696</u>
	18,657	81,303	105,223
Future finance charges on finance leases	<u>(301)</u>	<u>(3,754)</u>	<u>(7,142)</u>
Present value of finance lease liabilities	<u>18,356</u>	<u>77,549</u>	<u>98,081</u>

The present value of finance lease liabilities is as follows:

	As at 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Within 1 year	9,945	15,065	18,311
Later than 1 year and no later than 5 years	<u>8,411</u>	<u>62,484</u>	<u>79,770</u>
	<u>18,356</u>	<u>77,549</u>	<u>98,081</u>

The carrying amounts of all finance leases liabilities are denominated in Hong Kong dollars.

- (c) As at 31 March 2010, the Group had committed banking facilities (including the finance lease facilities) of HK\$25,610,000 which bore interest at 1.5% per annum above HIBOR.

As at 31 March 2011, the Group had committed banking facilities (including the finance lease facilities) of HK\$800,000 and HK\$94,955,000 which bore interest at the current prime rate and 1.5% to 2.5% per annum above HIBOR respectively.

As at 31 March 2012, the Group has committed banking facilities (including the finance lease facilities) of HK\$800,000 and HK\$140,678,000 which bear interest at the current prime rate and 2% to 3.5% per annum above HIBOR respectively.

These committed banking facilities are subject to annual review. As at 31 March 2010, 2011 and 2012, the undrawn banking facilities amounted to HK\$7,254,000, HK\$3,789,000 and HK\$18,980,000 respectively.

These banking facilities are secured by:

- (i) The Group's machinery with an aggregate net book value of HK\$22,802,000, HK\$103,723,000 and HK\$131,465,000 as at 31 March 2010, 2011 and 2012 respectively (Note 13); and
- (ii) Personal guarantees given by certain directors as at 31 March 2010, 2011 and 2012 respectively. These guarantees will be released on or before the date of listing.

21 TRADE AND OTHER PAYABLES, INCLUDING PROVISION FOR CLAIMS

	As at 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Trade payables	2,056	12,508	25,499
Provision for claims (Note (d))	5,513	—	—
Accruals for construction costs	1,209	6,965	1,372
Other accruals (Note (e))	<u>6,567</u>	<u>14,856</u>	<u>2,013</u>
	<u>15,345</u>	<u>34,329</u>	<u>28,884</u>

Notes:

- (a) The carrying amounts of trade payables approximate their fair values and are denominated in Hong Kong dollars.
- (b) Payment terms granted by suppliers are 14 to 60 days from the invoice date of the relevant purchases.

The aging analysis of trade payables based on the invoice date is as follows:

	As at 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
0–30 days	2,041	12,193	23,313
31–60 days	15	315	1,413
61–90 days	—	—	97
Over 90 days	<u>—</u>	<u>—</u>	<u>676</u>
	<u>2,056</u>	<u>12,508</u>	<u>25,499</u>

(c) The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	As at 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Hong Kong dollar	15,345	23,747	28,884
Japanese Yen	—	10,582	—
	<u>15,345</u>	<u>34,329</u>	<u>28,884</u>

(d) The amount was provided for claims of a contract dealing with a customer.

(e) Other accruals mainly arise from the purchase of machinery.

22 DEFERRED TAXATION

The analysis of deferred taxation liabilities is as follows:

	As at 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
— Deferred tax liabilities to be settled after more than 12 months	(9,147)	(14,537)	(17,650)
— Deferred tax liabilities to be settled within 12 months	—	(976)	(143)
	<u>(9,147)</u>	<u>(15,513)</u>	<u>(17,793)</u>

The movements in deferred tax assets and liabilities during the Relevant Periods without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
Deferred tax assets/(liabilities)			
At 31 March 2009	(7,146)	—	(7,146)
Charged to profit or loss (Note 10)	<u>(2,001)</u>	<u>—</u>	<u>(2,001)</u>
At 31 March 2010	(9,147)	—	(9,147)
Acquisition of subsidiaries	(5,032)	—	(5,032)
Disposal of a subsidiary	25	—	25
(Charged)/credited to profit or loss (Note 10)	<u>(1,474)</u>	<u>115</u>	<u>(1,359)</u>
At 31 March 2011	(15,628)	115	(15,513)
Charged to profit or loss (Note 10)	<u>(2,249)</u>	<u>(31)</u>	<u>(2,280)</u>
At 31 March 2012	<u>(17,877)</u>	<u>84</u>	<u>(17,793)</u>

23 COMBINED CAPITAL

	As at 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Combined capital	—	—	—

Combined capital during the Relevant Periods represents the combined share capital of the companies comprising the Group after elimination of inter-company investments.

24 CAPITAL AND MERGER RESERVES

(a) Merger reserve

Merger reserve represents the difference between the book value of the share issued by One Million to acquire the entire equity interest in Sunley on 18 May 2010 as described in Note 1(b)(i) above and the then issued share capital of Sunley.

(b) Capital reserve

Capital reserve represents the differences between the book value of the share issued by One Million to acquire the entire equity interests in Sunnic and Full Gain and the fair value of shares issued by Leading Win to each of Mr. Cheng, Mr. Tsui and Mr. Wong and their respective family members as consideration of the acquisition as described in Note 1(b)(ii) and (iii) above. The latter was regarded as a capital contribution by Leading Win to One Million.

25 NOTES TO COMBINED CASH FLOW STATEMENTS

(a) Reconciliation of profit before income tax to net cash generated from operations

	Year ended 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Profit before income tax	13,182	43,020	31,882
Adjustments for:			
Depreciation	8,544	21,145	28,143
Gain on disposal of fixed assets	(529)	(3,318)	(64)
Gain on disposal of a subsidiary	—	(336)	—
Interest expense	52	426	2,097
Amortisation of customer contracts arising from acquisition of subsidiaries	—	409	—
Operating profit before working capital changes	21,249	61,346	62,058
(Increase)/decrease in trade and other receivables	(13,739)	10,765	(10,526)
(Increase)/decrease in amounts due from customers for contract work	(3,319)	7,138	1,094
Decrease/(increase) in balances with shareholders	20,000	(22,745)	—
Decrease in balance with a related company	—	324	59
Decrease in trade and other payables, including provision for claims	(11,302)	(27,784)	(5,445)
Net cash generated from operations	12,889	29,044	47,240

(b) Non-cash transactions

- (i) The principal non-cash transaction is the settlement of balances with a shareholder, a director and a related company through dividend distribution (Note 12).
- (ii) The net cash inflow from the disposal of a subsidiary was settled during the year ended 31 March 2012.

26 BUSINESS COMBINATION

- (a) On 8 June 2010, the Group acquired 100% equity interest of Sunnic Engineering Limited ("Sunnic") and its subsidiaries, Super Ease Holdings Limited ("Super Ease") and Sunnic Foundations Limited ("SFL") (together as "Sunnic Group"). On 15 July 2010, the Group acquired 100% equity interest of Full Gain Engineering Limited ("Full Gain"). Both Sunnic and Full Gain are engaged in foundation and machinery rental business in Hong Kong. Super Ease holds certain office units for the use by Sunnic and rental purposes and SFL was inactive and deregistered on 14 January 2011.
- (b) Sunnic Group contributed revenue of HK\$120,515,000 and net profit of HK\$4,690,000 to the Group for the period from the date of acquisition up to 31 March 2011, before elimination of inter-company sales and profit. If the acquisition had occurred on 1 April 2010, the revenue and profit contributed to the Group would have been HK\$168,068,000 and HK\$6,363,000 for the year ended 31 March 2011, before elimination of inter-company sales and profit.

Full Gain contributed revenue of HK\$2,861,000 and net loss of HK\$2,379,000 to the Group for the period from the date of acquisition up to 31 March 2011. If the acquisition had occurred on 1 April 2010, the revenues and loss contributed to the Group would have been HK\$2,861,000 and HK\$2,877,000 for the year ended 31 March 2011.

- (c) The following table summarises the consideration paid for the acquisition of Sunnic Group and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

Goodwill of HK\$11,035,000 arising from the acquisition of Sunnic is attributable to the potential growth expected from the operations of the acquired business. None of the goodwill recognised is expected to be deductible for income tax purposes.

HK\$'000

Consideration:

— Equity instruments issued by Leading Win as described in Note 1(b)(ii) above

51,573

The fair values of the identified assets and liabilities as of 8 June 2010 arising from the acquisition, based on a valuation carried out by Savills Valuation and Professional Services Limited, an independent professional valuer, are as follows:

HK\$'000

Recognised amounts of identifiable assets acquired and liabilities assumed:

Investment property (<i>Note a</i>)	1,000
Property, plant and equipment	35,475
Customer contracts (<i>Note f</i>)	409
Trade and other receivables	69,099
Amounts due from customers for contract work	7,675
Cash and cash equivalents	118
Trade and other payables	(46,404)
Bank overdrafts	(414)
Amounts due to directors	(19,793)
Borrowings	(439)
Tax payable	(2,061)
Deferred taxation	<u>(4,127)</u>
Total identified net assets	40,538
Goodwill (<i>Note f</i>)	<u>11,035</u>
	<u>51,573</u>

- (a) No investment property existed as at 31 March 2011 as Super Ease which owned the property was disposed of on 17 December 2010 (*Note 27*).

The fair value of the shares issued by Leading Win was based on a valuation carried out by Savills Valuation and Professional Services Limited, an independent professional valuer, using an income-based approach. Key assumptions of the financial budgets covering a five-year period and other key assumptions used for the valuation are as follows:

Average sales growth rate (<i>Note a</i>)	5%
Terminal growth rate	2%
Discount rate (<i>Note b</i>)	14%

- (a) Average sales growth rate used in the budget for the five-year period ending 31 March 2016.
- (b) The discount rate used is post-tax and reflects specific risks relating to the relevant business.

The fair value of trade and other receivables of HK\$69,099,000 included trade receivables with a fair value of HK\$68,905,000 which was expected to be fully collectible.

- (d) The following table summarises the consideration paid for the acquisition of Full Gain and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

Goodwill of HK\$1,987,000 arising from the acquisition of Full Gain is attributable to the potential growth expected from the operations of the acquired business. None of the goodwill recognised is expected to be deductible for income tax purposes.

HK\$'000

Consideration:

— Equity instruments issued by Leading Win as described in Note 1(b)(iii) above	<u>7,141</u>
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The fair values of the identified assets and liabilities as at 15 July 2010 arising from the acquisition, based on a valuation carried out by Savills Valuation and Professional Services Limited, an independent professional valuer, are as follows:

	<i>HK\$'000</i>
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	5,986
Trade and other receivables	469
Amount due from a shareholder	41
Cash and cash equivalents	5
Trade and other payables	(405)
Tax payable	(37)
Deferred taxation	(905)
	<u> </u>
Total identified net assets	5,154
Goodwill (<i>Note f</i>)	1,987
	<u> </u>
	<u>7,141</u>

The fair value of the shares issued by Leading Win was based on a valuation carried out by Savills Valuation and Professional Services Limited, an independent professional valuer, using an income-based approach. Key assumptions of the financial budgets covering a five-year period and other key assumptions used for the valuation are as follows:

Average sales growth rate (<i>Note a</i>)	5%
Terminal growth rate	2%
Discount rate (<i>Note b</i>)	14%

- (a) Average sales growth rate used in the budget for the five-year period ending 31 March 2016.
- (b) The discount rate used is post-tax and reflects specific risks relating to the relevant business.
- (e) The analysis of the net outflow of cash and cash equivalents in respect of the business combinations is as follows:

	<i>HK\$'000</i>
Cash consideration	—
Cash and bank balances acquired	123
Bank overdrafts acquired	(414)
	<u> </u>
Net cash outflow for the acquisition of subsidiaries	<u>(291)</u>

- (f) The movement of the intangible assets acquired is as follows:

	<i>HK\$'000</i>
At 1 April 2009 and 31 March 2010	—
Acquisition of subsidiaries	
— Goodwill (<i>Note 14</i>)	13,022
— Customer contract	409
	<u> </u>
	13,431
Charged to profit or loss upon completion of the relevant projects	
— Customer contract	(409)
	<u> </u>
At 31 March 2011 and 2012	<u>13,022</u>

27 DISPOSAL OF A SUBSIDIARY

On 17 December 2010, Super Ease was disposed of to Sunnic Holdings Limited ("Sunnic Holdings"), a related company held by certain shareholders of the Company, for a cash consideration of HK\$342,000.

	<i>HK\$'000</i>
Net assets disposed:	
Investment property	1,000
Property, plant and equipment	6,531
Trade and other receivables	12
Cash and bank balances	7
Trade and other payables	(41)
Amounts due to directors	(7,478)
Deferred taxation	(25)
	<u>6</u>
Gain from disposal of a subsidiary	<u>336</u>
Satisfied by:	
Cash consideration	<u>342</u>
Cash consideration	342
Cash and bank balances disposed	<u>(7)</u>
Net cash inflow in respect of the disposal of a subsidiary (<i>Note 25(b)</i>)	<u>335</u>

28 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at each statement of financial position date not provided for in the Financial Information were as follows:

	2010	As at 31 March	2012
	<i>HK\$'000</i>	<i>2011</i>	<i>2012</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for	<u>—</u>	<u>—</u>	<u>20,145</u>

(b) Operating lease commitments — Group as lessee

At each statement of financial position date, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2010	As at 31 March	2012
	<i>HK\$'000</i>	<i>2011</i>	<i>2012</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than 1 year	255	255	1,331
1–5 years	<u>—</u>	<u>—</u>	<u>1,426</u>
	<u>255</u>	<u>255</u>	<u>2,757</u>

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

(c) **Operating lease commitments — Group as lessor**

At each statement of financial position date, the total future minimum lease payments receivable under non-cancellable operating leases are receivable as follows:

	As at 31 March		
	2010	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than 1 year	<u>—</u>	<u>—</u>	<u>103</u>

The Group is the lessor in respect of a number of items of machinery under operating leases. The leases had an initial period of one to two years, and did not include any contingent rentals.

29 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) During the years ended 31 March 2010, 2011 and 2012, the related parties that had transactions with the Group were as follows:

Name of related parties	Relationship with the Group	Period covered
Full Gain	A related company wholly owned by the shareholders of Sunnic Group before the acquisition made by the Group	From 8 June 2010 (date of acquisition of Sunnic Group) to 15 July 2010
Super Ease	A related company wholly owned by certain shareholders of the Group	From 17 December 2010 (date of disposal) to 31 March 2012
Sunnich Holdings	A related company wholly owned by certain shareholders of the Group	From 8 June 2010 (date of acquisition of Sunnic Group) to 31 March 2012

- (b) The following is a summary of significant related party transactions, in addition to those disclosed elsewhere in the financial information, which were carried out in accordance with the terms agreed between the Group and the related parties and in the ordinary and usual course of business:

	Year ended 31 March	
	2011	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing transactions		
Rent paid to		
— Super Ease	71	285
— Sunnic Holdings	<u>72</u>	<u>285</u>
	<u>143</u>	<u>570</u>
Discontinued transactions		
Cost of construction paid to		
— Full Gain	<u>4,892</u>	<u>—</u>
Disposal of a subsidiary (Note 27)		
— Sunnic Holdings	<u>342</u>	<u>—</u>

(c) The emoluments of the directors and a senior executive (representing the key management personnel) during the Relevant Periods are disclosed in Note 8.

(d) The Group had the following balance with a related party:

	As at 31 March	
	2011	2012
	HK\$'000	HK\$'000
Receivable from a related party		
— Sunnic Holdings (<i>Note 18</i>)	59	—

30 CONTINGENT LIABILITIES

(a) At each statement of financial position date, the Group had the following contingent liabilities:

	As at 31 March		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Guarantees on performance bonds in respect of contracts	3,447	—	5,492

(b) Pending litigation

As at 31 March 2012, there were two outstanding personal injuries cases made against the Group. The claims were related to employees of the Group who alleged to have suffered from bodily injuries during their course of employment in the Group's construction sites. The claims are dealt with and handled by the insurers and are covered by mandatory insurance. The directors of the Company assessed the cases and believed that there would not be a material impact to the financial position of the Group. No provision has been made for the cases in the Financial Information.

Further, as at 31 March 2012, there were nineteen outstanding cases under which the injured employees of the Group were still on sick leave for their injuries. These injured employees, except for one employee who has subsequently made a claim against the Group, had not yet commenced their claims for employee's compensation and/or personal injuries. These cases were within the limitation period of 3 years from the date of the relevant incidents. The claims, when filed, will be handled by solicitors appointed by their insurers. Whilst the directors of the Company are not in a position to assess the likely quantum of such potential claims, they confirmed that the Group has insurance covered for its liabilities of all these incidents should the claims arise.

31 SUBSEQUENT EVENTS

The following events took place subsequent to 31 March 2012:

On 23 May 2012, there was one outstanding personal injury case made against the Group. The claim was related to an employee of the Group who alleged to have suffered from bodily injuries during the course of employment in the Group's construction site. The claim is dealt with and handled by the insurer and is covered by mandatory insurance. The directors of the Company assessed the case and believed that there would not be a material impact to the financial position of the Group. No provision has been made for the case in the Financial Information.

Subsequent to 31 March 2012 and up to the date of this report, there were three additional outstanding cases under which the injured employees of the Group were still on sick leave for their injuries. These injured employees had not yet commenced their claims for employee's compensation and/or personal injuries. These cases were within the limitation period of 3 years from the date of the relevant incidents. The claims, when filed, will be handled by solicitors appointed by their insurers. Whilst the directors of the Company are not in a position to assess the likely quantum of such potential claims, they confirmed that the Group has insurance covered for its liabilities of all these incidents should the claims arise.

On 30 August 2012, two charges were laid by the Labour Department of the Government of the Hong Kong Special Administrative Region to the Group in relation to an accident which occurred on 5 March 2012 alleging the Group's failure to provide a safe environment to its workers working on site. No pleas have been taken for both summonses up to the date of this

report as the Group's first appearance at the Magistrates' Court will be held on 27 September 2012. The Group believes that it had, so far as reasonably practicable, provided safe environment to all its workers working on site and will resist both charges. In the event the Group is unsuccessful and convicted, the Group may be subject to a fine at a maximum amount of HK\$1,000,000 which will not be covered by the Group's insurance policies. Management considers that it is too early for management to make a reliable estimate of the amount of liability, if any, in connection with the two charges. In addition, the Controlling Shareholders have entered into a deed of indemnity with and in favour of the Group to provide indemnities in respect of all claims, payments, suits, damages, settlements payments and any associated costs and expenses which would be incurred or suffered by the Group as a result of these two proceedings. In the event the Group exercises the deed of indemnity, such indemnities will be recognised as a credit to equity as contribution from the Controlling Shareholders.

Pursuant to a resolution in writing of the shareholders of the Company passed on 11 September 2012, conditional on the share premium account of the Company being credited as a result of the issue of the shares pursuant to the initial public offering and subject to the final number of shares to be issued under the initial public offering (excluding the Offer Size Adjustment Option) as disclosed in the Prospectus, the directors are authorised to capitalise an amount of not exceeding HK\$2,240,000 standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par of such number of shares for allotment and issue to the shareholders of the Company as at the date of the Prospectus in accordance with their respective shareholding.

32 ADDITIONAL FINANCIAL INFORMATION OF SUNNIC GROUP BEFORE ACQUISITION

The financial information of Sunnic Group for the years ended 31 March 2010 and for the period from 1 April 2010 to 8 June 2010 is as follows:

(a) Consolidated statements of comprehensive income

		Year ended 31 March 2010 HK\$'000	Period from 1 April to 8 June 2010 HK\$'000
	Note		
Revenue	(i)	186,150	47,553
Cost of sales	(ii)	<u>(165,552)</u>	<u>(43,882)</u>
Gross profit		20,598	3,671
Other income and net gains	(i)	437	20
Administrative expenses	(ii)	(11,356)	(1,700)
Increase in fair value of investment property		<u>170</u>	<u>—</u>
Operating profit		9,849	1,991
Finance costs		<u>(217)</u>	<u>(14)</u>
Profit before income tax		9,632	1,977
Income tax expense	(iv)	<u>(1,593)</u>	<u>(304)</u>
Profit and total comprehensive income for the year/period		<u><u>8,039</u></u>	<u><u>1,673</u></u>

(b) Consolidated statements of financial position

		As at 31 March 2010 HK\$'000	As at 8 June 2010 HK\$'000
	Note		
ASSETS			
Non-current assets			
Investment property		720	720
Property, plant and equipment		<u>21,628</u>	<u>19,574</u>
		<u>22,348</u>	<u>20,294</u>
Current assets			
Amounts due from customers for contract work	(v)	6,820	7,675
Trade and other receivables	(vi)	60,374	69,099
Amount due from a director		1,913	—
Cash and bank balances		<u>3,096</u>	<u>118</u>
		<u>72,203</u>	<u>76,892</u>
Total assets		<u>94,551</u>	<u>97,186</u>
EQUITY			
Share capital		9,300	9,300
Retained profits		<u>33,167</u>	<u>17,170</u>
Shareholders' funds		<u>42,467</u>	<u>26,470</u>
LIABILITIES			
Non-current liabilities			
Borrowings		180	—
Deferred taxation		<u>1,605</u>	<u>1,605</u>
		<u>1,785</u>	<u>1,605</u>
Current liabilities			
Trade and other payables	(vii)	44,733	46,404
Amounts due to directors		3,466	19,793
Borrowings		343	439
Bank overdrafts		—	414
Tax payable		<u>1,757</u>	<u>2,061</u>
		<u>50,299</u>	<u>69,111</u>
Total liabilities		<u>52,084</u>	<u>70,716</u>
Total equity and liabilities		<u>94,551</u>	<u>97,186</u>
Net current assets		<u>21,904</u>	<u>7,781</u>
Total assets less current liabilities		<u>44,252</u>	<u>28,075</u>

(c) Consolidated statements of changes in equity

	Share capital <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 2009	8,220	25,128	33,348
Proceeds from issuance of shares	1,080	—	1,080
Profit and total comprehensive income for the year	<u>—</u>	<u>8,039</u>	<u>8,039</u>
Balance at 31 March 2010	<u>9,300</u>	<u>33,167</u>	<u>42,467</u>
Balance at 1 April 2010	9,300	33,167	42,467
Profit and total comprehensive income for the period	—	1,673	1,673
Dividend paid	<u>—</u>	<u>(17,670)</u>	<u>(17,670)</u>
Balance at 8 June 2010	<u>9,300</u>	<u>17,170</u>	<u>26,470</u>

(d) Consolidated cash flows statements

	Year ended 31 March 2010 <i>HK\$'000</i>	Period from 1 April to 8 June 2010 <i>HK\$'000</i>
Cash flows from operating activities		
Profit before income tax	9,632	1,977
Adjustments for:		
Depreciation	3,562	725
Increase in fair value of investment property	<u>(170)</u>	<u>—</u>
Operating profit before working capital changes	13,024	2,702
Decrease/(increase) in amounts due from customers for contract work	6,453	(855)
Increase in trade and other receivables	(15,637)	(10,632)
Increase in trade and other payables	<u>15,688</u>	<u>1,671</u>
Cash generated/(used in) from operations	19,528	(7,114)
Hong Kong profits tax paid	<u>(130)</u>	<u>—</u>
Net cash generated/(used in) from operating activities	<u>19,398</u>	<u>(7,114)</u>
Cash flows from investing activities		
Purchase of fixed assets	(13,232)	—
Proceeds from disposal of fixed assets	<u>—</u>	<u>1,329</u>
Net cash (used in)/generated from investing activities	<u>(13,232)</u>	<u>1,329</u>
Cash flow from financing activities		
Proceeds from issuance of shares	1,080	—
Repayment of borrowings	(323)	(84)
(Decrease)/increase in balances with directors	<u>(701)</u>	<u>2,477</u>

	Year ended 31 March 2010 HK\$'000	Period from 1 April to 8 June 2010 HK\$'000
Net cash generated from financing activities	<u>56</u>	<u>2,393</u>
Net increase/(decrease) in cash and cash equivalents	6,222	(3,392)
Cash and cash equivalents at beginning of the year/period	<u>(3,126)</u>	<u>3,096</u>
Cash and cash equivalents at end of the year/period	<u>3,096</u>	<u>(296)</u>
Cash and cash equivalents		
Cash and bank balances	3,096	118
Bank overdrafts	<u>—</u>	<u>(414)</u>
	<u>3,096</u>	<u>(296)</u>

(e) Note to the financial information

(i) Turnover and other income and net gains

Sunnick Group is principally engaged in general contracting, building and civil engineering business as well as the machinery rental business. Revenue represents gross contract receipts on construction contracts and rental income on machinery in the ordinary course of business. Turnover and other income and net gains recognised during the year/period are as follows:

	Year ended 31 March 2010 HK\$'000	Period from 1 April to 8 June 2010 HK\$'000
Revenue		
Construction contracts income	185,601	47,508
Rental income on machinery	<u>549</u>	<u>45</u>
	<u>186,150</u>	<u>47,553</u>
Other income and net gains		
Consultancy fee income	155	—
Profit on disposal of leftover construction materials	75	—
Gain on disposal of property, plant and equipment	207	—
Others	<u>—</u>	<u>20</u>
	<u>437</u>	<u>20</u>
	<u>186,587</u>	<u>47,573</u>

The directors of Sunnick Group regard the business as a single operating segment and review financial information accordingly. Also, the Group only engages its business in Hong Kong. Therefore, no segment information is presented.

(ii) *Expenses by nature*

The breakdown of cost of sales and administrative expenses is analysed as follows:

	Year ended 31 March 2010 HK\$'000	Period from 1 April to 8 June 2010 HK\$'000
Cost of sales		
Construction materials costs	158,339	42,153
Staff costs (<i>Note iii</i>)	4,138	1,083
Depreciation	3,075	646
	<u>165,552</u>	<u>43,882</u>
Administrative expenses		
Auditor's remuneration	28	280
Staff costs, include directors' emoluments (<i>Note iii</i>)	6,908	991
Depreciation	487	79
Operating lease rental on land and buildings	967	127
Professional fees	773	84
Other expenses	2,193	139
	<u>11,356</u>	<u>1,700</u>
Total cost of sales and administrative expense	<u>176,908</u>	<u>45,582</u>

(iii) *Employee benefit expenses — including directors' emoluments*

	Year ended 31 March 2010 HK\$'000	Period from 1 April to 8 June 2010 HK\$'000
Wages, salaries and allowances	10,679	1,993
Retirement benefit costs		
— defined contribution plan	367	81
	<u>11,046</u>	<u>2,074</u>

Directors' emoluments

	Year ended 31 March 2010 HK\$'000	Period from 1 April to 8 June 2010 HK\$'000
Wages, salaries and allowances	1,514	266
Retirement benefit costs		
— defined contribution plan	36	6
	<u>1,550</u>	<u>272</u>

(iv) *Income tax expense*

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year/period.

	Year ended 31 March 2010 HK\$'000	Period from 1 April to 8 June 2010 HK\$'000
Current income tax		
Hong Kong profits tax		
— current year	1,165	304
Deferred income tax	<u>428</u>	<u>—</u>
	<u>1,593</u>	<u>304</u>

The taxation on Sunnic Group's profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Hong Kong, Sunnic Group's principal place of operation, as follows:

	Year ended 31 March 2010 HK\$'000	Period from 1 April to 8 June 2010 HK\$'000
Profit before income tax	<u>9,632</u>	<u>1,977</u>
Calculated at taxation rate of 16.5%	1,589	326
Tax effect of net income/expenses that are not taxable/ deductible in determining taxable profit	<u>4</u>	<u>(22)</u>
Income tax expense	<u>1,593</u>	<u>304</u>

(v) *Amounts due from customers for contract work*

	As at 31 March 2010 HK\$'000	As at 8 June 2010 HK\$'000
Cost plus attributable profits less foreseeable losses	114,493	162,001
Less: progress billings to date	<u>(107,673)</u>	<u>(154,326)</u>
	<u>6,820</u>	<u>7,675</u>

(vi) *Trade and other receivables*

	As at 31 March 2010 HK\$'000	As at 8 June 2010 HK\$'000
Contract and retention receivables	54,494	54,528
Amounts due from related companies	5,667	14,377
Other receivables and prepayments	<u>213</u>	<u>194</u>
	<u>60,374</u>	<u>69,099</u>

(vii) Trade and other payables

	As at 31 March 2010 HK\$'000	As at 8 June 2010 HK\$'000
Trade payables	44,252	45,756
Accruals for construction costs	—	240
Other payables and accruals	<u>481</u>	<u>408</u>
	<u>44,733</u>	<u>46,404</u>

33 ADDITIONAL FINANCIAL INFORMATION OF FULL GAIN BEFORE ACQUISITION

The financial information of Full Gain for the year ended 31 March 2010 and for the period from 1 April 2010 to 15 July 2010 is as follows:

(a) Statements of comprehensive income

		Year ended 31 March 2010 HK\$'000	Period from 1 April to 15 July 2010 HK\$'000
	Note		
Revenue	(i)	22,570	14,419
Cost of sales	(ii)	<u>(18,340)</u>	<u>(11,729)</u>
Gross profit		4,230	2,690
Other income	(i)	362	95
Administrative expenses	(ii)	<u>(5,069)</u>	<u>(1,678)</u>
(Loss)/profit before income tax		(477)	1,107
Income tax expense	(iv)	<u>—</u>	<u>(23)</u>
(Loss)/profit and total comprehensive (loss)/income for the year/period		<u>(477)</u>	<u>1,084</u>

(b) Statements of financial position

		As at 31 March 2010 HK\$'000	As at 15 July 2010 HK\$'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		1,199	1,091
Current assets			
Amount due from a shareholder		40	41
Trade and other receivables	(v)	514	469
Cash and bank balances		77	5
		631	515
Total assets		1,830	1,606
EQUITY			
Share capital		1	1
(Accumulated losses)/retained profits		(18)	1,066
Shareholders' (deficit)/funds		(17)	1,067
LIABILITIES			
Non-current liabilities			
Deferred taxation		74	97
Current liabilities			
Trade and other payables	(vi)	1,736	405
Tax payable		37	37
		1,773	442
Total liabilities		1,847	539
Total equity and liabilities		1,830	1,606
Net current (liabilities)/assets		(1,142)	73
Total assets less current liabilities		57	1,164

(c) Statements of changes in equity

	Share capital HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
Balance at 1 April 2009	1	459	460
Loss and total comprehensive loss for the year	—	(477)	(477)
Balance at 31 March 2010	<u>1</u>	<u>(18)</u>	<u>(17)</u>
Balance at 1 April 2010	1	(18)	(17)
Profit and total comprehensive income for the period	—	1,084	1,084
Balance at 15 July 2010	<u>1</u>	<u>1,066</u>	<u>1,067</u>

(d) Cash flow statement

	Year ended 31 March 2010 HK\$'000	Period from 1 April to 15 July 2010 HK\$'000
Cash flows from operating activities		
(Loss)/profit before income tax	(477)	1,107
Adjustments for:		
— Depreciation	<u>193</u>	<u>108</u>
Operating (loss)/profit before working capital changes	(284)	1,215
Decrease in trade and other receivables	445	44
Increase/(decrease) in trade and other payables	<u>939</u>	<u>(1,331)</u>
Net cash generated from/(used in) operating activities	<u>1,100</u>	<u>(72)</u>
Cash flows from investing activities		
Purchase of fixed assets	<u>(1,044)</u>	<u>—</u>
Net cash used in investing activities	<u>(1,044)</u>	<u>—</u>
Net increase/(decrease) in cash and cash equivalents	56	(72)
Cash and cash equivalents at beginning of the year/period	<u>21</u>	<u>77</u>
Cash and cash equivalents at end of the year/period	<u>77</u>	<u>5</u>

(e) Note to the financial information

(i) Turnover and other income

Full Gain is principally engaged in general contracting, building and civil engineering business as well as the machinery rental business. Revenue represents gross contract receipts on construction contracts and rental income on machinery in the ordinary course of business. Turnover and other income recognised during the year/period are as follows:

	Year ended 31 March 2010 HK\$'000	Period from 1 April to 15 July 2010 HK\$'000
Revenue		
Construction contract income	22,241	14,419
Rental income on machinery	<u>329</u>	<u>—</u>
	----- 22,570	----- 14,419
Other income		
Sundry income	<u>362</u>	<u>95</u>
	===== 22,932	===== 14,514

The directors of Full Gain regard the business as a single operating segment and review financial information accordingly. Also, the Company only engages its business in Hong Kong. Therefore, no segment information is presented.

(ii) Expenses by nature

The breakdown of cost of sales and administrative expenses is analysed as follows:

	Year ended 31 March 2010 HK\$'000	Period from 1 April to 15 July 2010 HK\$'000
Cost of sales		
Construction materials costs	10,699	6,816
Staff costs (Note iii)	7,339	4,458
Machinery rental expenses	244	386
Depreciation	<u>58</u>	<u>69</u>
	----- 18,340	----- 11,729
Administrative expenses		
Auditor's remuneration	10	120
Staff costs (Note iii)	3,713	1,001
Motor vehicle expenses	371	152
Repair and maintenance	749	311
Depreciation	135	39
Other expenses	<u>91</u>	<u>55</u>
	===== 5,069	===== 1,678
Total cost of sales and administrative expenses	===== 23,409	===== 13,407

(iii) *Employee benefit expenses — including directors' emoluments*

	Year ended 31 March 2010 HK\$'000	Period from 1 April to 15 July 2010 HK\$'000
Wages, salaries and allowances	10,608	5,247
Retirement benefits costs		
— defined contribution plan	<u>444</u>	<u>212</u>
	<u>11,052</u>	<u>5,459</u>

Directors' emoluments

Directors are regarded as key management. No fees or other emoluments were paid to the directors in respect of their services to Full Gain nor were any payable during the year ended 31 March 2010 and the period from 1 April 2010 to 15 July 2010.

(iv) *Income tax expense*

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years/period.

	Year ended 31 March 2010 HK\$'000	Period from 1 April to 15 July 2010 HK\$'000
Hong Kong profits tax		
— Current year	—	—
Deferred income tax	<u>—</u>	<u>23</u>
Income tax expense	<u>—</u>	<u>23</u>

The taxation on Full Gain's profit/(loss) before income tax differs from the theoretical amount that would arise using the profits tax rate of Hong Kong, Full Gain's principal place of operation, as follows:

	Year ended 31 March 2010 HK\$'000	Period from 1 April to 15 July 2010 HK\$'000
(Loss)/profit before income tax	<u>(477)</u>	<u>1,107</u>
Calculated at taxation rate of 16.5%	(79)	183
Tax effect of net income/ expenses that are not taxable/deductible in determining taxable profit	—	(160)
Recognised tax losses	<u>79</u>	<u>—</u>
Income tax expense	<u>—</u>	<u>23</u>

(v) *Trade and other receivables*

	As at 31 March 2010 HK\$'000	As at 15 July 2010 HK\$'000
Amount due from a related company	—	13
Other receivables	511	453
Deposits and prepayments	<u>3</u>	<u>3</u>
	<u>514</u>	<u>469</u>

(vi) *Trade and other payables*

	As at 31 March 2010 HK\$'000	As at 8 June 2010 HK\$'000
Trade payables	556	250
Amount due to a related company	1,085	—
Other payables	<u>95</u>	<u>155</u>
	<u>1,736</u>	<u>405</u>

III FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated on 15 April 2011 in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 per share and has not entered into any significant business transactions other than the Reorganisation. As at 31 March 2012, the Company had a share capital of HK\$0.01 and an amount due from shareholder of HK\$0.01.

IV SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2012 up to the date of this report. On 28 May 2012, Sunley declared a dividend of HK\$20,000,000 to One Million which was paid on 30 May 2012. On 28 May 2012, One Million declared a dividend of HK\$20,000,000 to Leading Win which was paid on 30 May 2012. Save as disclosed in this report, no dividend has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2012.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I in this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountant's Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Share Offer on our net tangible assets as at 31 March 2012 as if the Share Offer had taken place on that date. The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets had the Share Offer been completed as at 31 March 2012 or at any future date. The unaudited pro forma adjusted net tangible assets is based on our audited combined net tangible assets of our Group attributable to equity holders of our Company as at 31 March 2012 as shown in the Accountant's Report of our Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of our Group attributable to equity holders of our Company as at 31 March 2012 HK\$'000	Estimated net proceeds from the Share Offer⁽²⁾ HK\$'000	Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company as at 31 March 2012⁽³⁾ HK\$'000	Unaudited pro forma adjusted net tangible assets per Share⁽⁴⁾ HK\$
Based on an Offer Price of HK\$0.83 per Share	152,429	51,272	203,701	0.68
Based on an Offer Price of HK\$0.94 per Share	152,429	59,357	211,786	0.71

Notes:

- (1) Our consolidated net tangible assets of our Group attributable to equity holders of our Company as at 31 March 2012 is extracted from the Accountant's Report of our Company as set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to equity holders of our Company as at 31 March 2012 of HK\$165,451,000 with an adjustment for the intangible asset as at 31 March 2012 of HK\$13,022,000.
- (2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$0.83 and HK\$0.94 per Share, respectively, after deduction of estimated related fees and expenses and takes no account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme.
- (3) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 March 2012, in particular, the unaudited pro forma adjusted net tangible asset value per Share has not been adjusted for the effect of a dividend of HK\$20.0 million declared and paid by our Group subsequent to 31 March 2012. Had the dividend been taken into account, the unaudited pro forma adjusted net tangible asset value per Share would be reduced to HK\$0.61 and HK\$0.64 based on the Offer Price of HK\$0.83 per Share and HK\$0.94 per Share respectively.
- (4) The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in note 2 above and on the basis that 300,000,000 Shares were in issue immediately following the completion of the Reorganisation, the Capitalisation Issue and the Share Offer but takes no account of any Shares which may be issued upon exercise of the Offer Size Adjustment Option or of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate to issue shares and General Mandate to Repurchase Shares as described in the section headed "Share Capital" in this prospectus.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF SUNLEY HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Sunley Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on page II-1 under the heading of "Unaudited Pro Forma Statement of Adjusted Net Tangible Assets" (the "Unaudited Pro Forma Financial Information") in Appendix II of the Company's prospectus dated 27 September 2012 (the "Prospectus"), in connection with the proposed initial public offering of the shares of the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed initial public offering might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page II-1 of the Prospectus.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form 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.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited combined net assets of the Group as at 31 March 2012 with the accountant’s report as set out in Appendix I of the Prospectus, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that 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.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the adjusted net tangible assets of the Group as at 31 March 2012 or any future date.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 September 2012

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 31 July 2012 of the properties leased by the Group in Hong Kong.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

33rd Floor, Shui On Centre, Nos. 6–8 Harbour Road, Wanchai, Hong Kong

香港灣仔港灣道6–8號瑞安中心33樓

Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863

Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

27 September 2012

The Directors

Sunley Holdings Limited

Room 201, 2nd Floor

Marina House

No. 68 Hing Man Street

Shau Kei Wan

Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Sunley Holdings Limited (referred to as the “Company”) for us to value the properties leased by the Company and/or its subsidiaries (together referred to as the “Group”) located in Hong Kong. We confirm that we have performed inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 July 2012 (referred to as the “date of valuation”).

BASIS OF VALUATION

Our valuations of the properties have been based on the Market Value, which is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION METHODOLOGY

We have attributed no commercial value to the properties due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

TITLE INVESTIGATIONS

In valuing the interests in the properties leased by the Group, we have been provided with copies of the tenancy agreements relating to the properties. We have caused searches to be made at the Hong Kong Land Registry. However, we have neither examined the original documents to verify ownership nor to ascertain the existence of any amendments, which do not appear on the extracts handed to us. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumptions that the property interests are sold in the market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the values of the properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no forced sale situation in any manner is assumed in our valuations.

VALUATION CONSIDERATIONS

The exterior and interior of the properties were inspected by Ms. Yates Wong (MSc in Real Estate) during the period from 16 May 2012 to 18 May 2012. In the course of our inspections, we did not note any serious defects. However, no structural surveys have been made nor have any tests been carried out on any of the services provided in the properties. We are, therefore, unable to report that the properties are free from rot, infestation or any other structural defects.

In the course of our valuations, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, site/floor areas, identification of the properties and other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the properties but have assumed that the site/floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on the Group's confirmation that no material facts have been omitted from the information so supplied. We consider that we have been provided with sufficient information to reach an informed view.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with the HKIS Valuation Standards on Property (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (HK\$).

Our Summary of values and the valuation certificates are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C.H. Cheng

BSc., MUD, MBA (Finance), MSc. (Eng), PhD (Econ),

SIFM, FCIM, CPA UK, MHKIS, MCI Arb,

MASCE, MIET, MIEEE, MASME, MIIE

Managing Director

Joannau W.F. Chan

BSc., MSc., MRICS, MHKIS, RPS (GP)

Senior Director

Notes:

Dr. Tony C.H. Cheng is a member of The Hong Kong Institute of Surveyors (General Practice) who has over 19 years' experience in valuations of properties in Hong Kong and the People's Republic of China.

Ms. Joannau W.F. Chan is a member of The Hong Kong Institute of Surveyors (General Practice) who has over 19 years' experience in valuations of properties in Hong Kong and 13 years' experience in valuations of properties in the People's Republic of China.

SUMMARY OF VALUES

Properties leased by the Group in Hong Kong

No.	Property	Market Value in existing state as at 31 July 2012 HK\$
1.	Office No. 1, 2 nd Floor, Marina House, No. 68 Hing Man Street, Hong Kong	No Commercial Value
2.	Office Unit Nos. 14–15, 12 th Floor, Chevalier Commercial Centre, No. 8 Wang Hoi Road, Kowloon, Hong Kong	No Commercial Value
3.	Section B of Lot No. 1474 in Demarcation District No. 76, Fanling, New Territories, Hong Kong	No Commercial Value
		<hr/>
		Grand Total: <u><u>Nil</u></u>

VALUATION CERTIFICATE

Properties leased by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2012 HK\$
1.	Office No. 1, 2 nd Floor, Marina House, No. 68 Hing Man Street, Hong Kong	<p>The property comprises an office unit on the 2nd floor of a 21-storey composite building erected over a commercial podium which was completed in 1994.</p> <p>The saleable area of the property is approximately 2,772 sq.ft.</p> <p>Pursuant to a tenancy agreement entered into between Triple Reach International (CI) Limited, an independent third party, and Sunley Engineering & Construction Company Limited ("Sunley") dated 6 May 2010, the property is leased to Sunley for a term of 2 years commencing on 1 March 2012 and expiring on 28 February 2014 at a monthly rent of HK\$43,582 exclusive of rates, government rent, management fee, air-conditioning charge, cleaning service charges, all tenant's expenses and other outgoings.</p>	The property is occupied by the Group for office use.	No Commercial Value

Note:

Sunley is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2012 HK\$
2.	Office Unit Nos. 14–15, 12 th Floor, Chevalier Commercial Centre, No. 8 Wang Hoi Road, Kowloon, Hong Kong	<p>The property comprises two office units on the 12th floor of a 21-storey commercial building which was completed in about 1992.</p> <p>The total saleable area of the property is approximately 2,380 sq.ft.</p> <p>Pursuant to a tenancy agreement entered into between Super Ease Holdings Limited and Sunnic Engineering Limited (“Sunnic”) dated 1 June 2011, Unit No. 14 of the property is leased to Sunnic for a term of 3 years commencing on 1 June 2011 and expiring on 31 May 2014 at a monthly rent of HK\$23,770 exclusive of rates, government rent, management fee, all tenant’s expenses and other outgoings.</p> <p>Pursuant to a tenancy agreement entered into between Sunnic Holdings Limited and Sunnic dated 1 June 2011, Unit No. 15 of the property is leased to Sunnic for a term of 3 years commencing on 1 June 2011 and expiring on 31 May 2014 at a monthly rent of HK\$23,770 exclusive of rates, government rent, management fee, all tenant’s expenses and other outgoings.</p>	The property is occupied by the Group for office use.	No Commercial Value

Note:

Sunnic is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 July 2012 HK\$
3.	Section B of Lot No. 1474 in Demarcation District No. 76, Fanling, New Territories, Hong Kong	<p>The property comprises a land parcel with a site area of approximately 1,319.5 sq.m. (or about 14,203 sq.ft.).</p> <p>Pursuant to a sub-lease agreement entered into between Ye Yu Jie (葉育杰), an independent third party, and Sunnic Engineering Limited (實力工程有限公司) (“Sunnice”) dated 28 October 2011, the property is leased to Sunnic for a term of 2 years commencing on 28 October 2011 and expiring on 27 October 2013 at a monthly rent of HK\$54,000 exclusive of rates, government rent, management fee, all tenant’s expenses and other outgoings.</p>	The property is occupied by the Group for storage use.	No Commercial Value

Note:

Sunnice is a wholly-owned subsidiary of the Company.

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 15 April 2011 under the 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

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 11 September 2012. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *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.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached 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 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.

(ii) 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 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.

(iii) 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.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their 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 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 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.

(v) 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 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:

- (aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares 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 associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the 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 associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or
- (ee) any contract or arrangement in which the Director or his 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.

(vi) 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.

(vii) 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:

- (aa) 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;

- (bb) 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;
- (cc) 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;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (gg) 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
- (hh) 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.

(viii) 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 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.

(ix) *Register of Directors and officers*

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers.

(x) *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.

(c) 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.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. 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.

(e) 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 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.

(f) 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 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 fourteen 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.

(g) 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:

- (i) the chairman of the meeting; or
- (ii) 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
- (iii) 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
- (iv) 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.

(h) 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.

(i) 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 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 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.

(j) 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 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:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together 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:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of Directors in place of those retiring;
- (dd) the appointment of auditors;

- (ee) the fixing of the remuneration of the Directors and of the auditors;
- (ff) 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
- (gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the 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.

(l) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable 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.

(m) 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.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect 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
- (ii) 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:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post 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.

(o) 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.

(p) 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.

(q) Inspection of corporate records

Members of the Company have no general right under the 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.

(r) 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.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, 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
- (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, 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 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.

(u) 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:

- (i) 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;
- (ii) upon the expiry of the 12 years and 3 months period (being the 3 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
- (iii) 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.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 15 April 2011 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

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.

(b) Share capital

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount 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 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:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the 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 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.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company’s or a subsidiary’s shares. Therefore, a company may provide financial assistance

provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and 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.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. 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 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 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.

(e) Dividends and distributions

With the exception of sections 34 and 37A(7) of the 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 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 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.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is *ultra vires* the company or illegal;
- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) 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.

(g) Disposal of assets

There are no specific restrictions in the 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.

(h) Accounting and auditing requirements

Section 59 of the 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 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.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council:

- (i) 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
- (ii) 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:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking for the Company is for a period of twenty years from 31 May 2011.

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.

(k) 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.

(l) Loans to directors

The 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.

(m) Inspection of corporate records

The members of the company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the Company may determine from time to time. The 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.

(o) 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.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the 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.

(q) 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.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 15 April 2011. We have been registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 4 November 2011 and our principal place of business in Hong Kong is at Room 201, 2/F., Marina House, 68 Hing Man Street, Shau Kei Wan, Hong Kong. Mr. Tai Man Hin, Tony 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 IV to this prospectus.

2. Changes in share capital of our Company

Immediately following completion of the Share Offer and the Capitalisation Issue and assuming that the Offer Size Adjustment Option is not exercised, the authorised share capital of our Company will be HK\$20,000,000 divided into 2,000,000,000 Shares, of which 300,000,000 Shares will be issued fully paid or credited as fully paid, and 1,700,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of our sole Shareholder passed on 11 September 2012” in this Appendix, the Share Option Scheme and the Offer Size Adjustment Option, 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 11 September 2012

By written resolutions of our sole Shareholder passed on 11 September 2012:

- (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 38,000,000 Shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each by the creation of an additional of 1,962,000,000 Shares of HK\$0.01 each, each ranking pari passu with the Shares then in issue in all respects (the “Increase in Authorised Share Capital”);
- (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 the

Offer Size Adjustment Option, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:

- (i) the Share Offer and the Offer Size Adjustment Option were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be allotted and issued upon the exercise of the Offer Size Adjustment Option, in each case to rank pari passu with the then existing Shares in all respects; and
 - (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\$2,240,000 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 224,000,000 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 10 September 2012 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 under the Offer Size Adjustment Option or 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 under the Offer Size Adjustment Option or 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 under the Offer Size Adjustment Option or 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 Corporate 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 Corporate Reorganisation which was effected in preparation for the Listing, whereby our Company became the holding company of our Group, included the following major steps:

- (a) On 5 January 2010, the BVI Company was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each.

- (b) On 11 January 2010, BVI Holdco was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each.
- (c) On 18 May 2010, 3,920 and 1,680 fully paid ordinary shares, representing 70% and 30% of the issued share capital of BVI Holdco, were allotted and issued to Mr. Leung and Dr. Ho respectively for cash at par.
- (d) On 18 May 2010, one fully paid share of the BVI Company was allotted and issued to BVI Holdco for cash at par.
- (e) On 18 May 2010, the BVI Company acquired 274,351 ordinary shares (or 70%) and 117,579 ordinary shares (or 30%) of Sunley respectively from Mr. Leung and Dr. Ho at the consideration of HK\$27,435,100 and HK\$11,757,900 respectively. After the aforesaid share transfers, the BVI Company held an aggregate of 391,930 ordinary shares, being the entire issued share capital of Sunley and Sunley became a direct wholly-owned subsidiary of the BVI Company.
- (f) On 8 June 2010, the BVI Company acquired 3,100,000, 3,100,000 and 3,100,000 shares of Sunnic, representing the entire issued share capital of Sunnic, from Best Fortune, Bright Future and Fenwood respectively and after the aforesaid transfers, Sunnic became a direct wholly-owned subsidiary of the BVI Company. As consideration for the above share transfers, BVI Holdco, in consideration of the vendors agreeing to dispose of Sunnic to its subsidiary i.e. the BVI Company, allotted and issued 800 ordinary shares to each of Mr. Wong, Mr. Cheng and Mr. Tsui (at the direction of the vendors) on 8 June 2010, credited as fully paid.
- (g) On 15 July 2010, the BVI Company acquired 99 shares and 1 share of Full Gain, representing its entire issued share capital, from Freeman and Bright Future respectively and after the aforesaid transfers, Full Gain became a direct wholly-owned subsidiary of the BVI Company. As consideration for the above share transfers, the BVI Company, at the direction of Bright Future and Freeman, allotted and issued one ordinary share to BVI Holdco on 15 July 2010, credited as fully paid.
- (h) On 17 December 2010, Sunnic and Mr. Cheng disposed of the entire issued share capital of Super Ease to Sunnic Holdings at a consideration of HK\$7,820,000 (including the assumption of the directors' loan of Super Ease in the sum of HK\$7,478,000).
- (i) On 14 January 2011, Sunnic Foundation which was owned as to 51% by Sunnic and 49% by Research & Development Limited was deregistered.
- (j) On 31 March 2011, each of Mr. Leung and Dr. Ho assigned his shareholder's loan owed by the BVI Company in the sum of HK\$27,435,100 and HK\$11,757,900 respectively to BVI Holdco at the consideration of HK\$1.00. On the same date, BVI Holdco and the BVI Company agreed to the capitalisation of the shareholder's loan owed by the BVI Company in the sum of HK\$39,193,000 by the BVI Company's allotment and issue of 1 ordinary share, credited as fully-paid, to BVI Holdco.

- (k) On 15 April 2011, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 per share. One fully paid Share was allotted and issued to the subscriber to the Memorandum and Articles of Association of our Company, which was later transferred to BVI Holdco on 15 April 2011.
- (l) On 11 September 2012, BVI Holdco as vendor and our Company as purchaser entered into a sale and purchase agreement, pursuant to which our Company acquired three shares of the BVI Company, representing the entire issued share capital of the BVI Company, and as consideration for which 999,999 Shares were allotted and issued to BVI Holdco on 11 September 2012, credited as fully paid.

Immediately after completion of the share transfer referred to in item (l) 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:

BVI Company

On 31 March 2011, the BVI Company allotted and issued one ordinary share, credited as fully-paid, to BVI Holdco for the capitalisation of the shareholder's loan owed by the BVI Company to BVI Holdco in the sum of HK\$39,193,000.

On 11 September 2012, BVI Holdco transferred three shares of the BVI Company, being its entire issued share capital, to our Company, and as consideration for which 999,999 Shares, credited as fully paid, were allotted and issued to BVI Holdco.

Save as disclosed above and as mentioned in the paragraph headed "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 11 September 2012, a general unconditional mandate (the “Repurchase Mandate”) was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange, or any other stock exchange on which 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 under the Offer Size Adjustment Option or 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 300,000,000 Shares in issue after completion of the Share Offer and the Capitalisation Issue, could accordingly result in up to 30,000,000 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 Hong Kong Code on

Takeovers and Mergers and Share Repurchases (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) the sale and purchase agreement dated 17 December 2010 entered into between Sunnic and Mr. Cheng as vendors and Sunnic Holdings as purchaser, pursuant to which Sunnic Holdings acquired the entire issued share capital of Super Ease from Sunnic and Mr. Cheng at the consideration of HK\$7,820,000;
- (b) the supplemental agreement to the sale and purchase agreement dated 24 October 2011 entered into between Sunnic and Mr. Cheng as vendors and Sunnic Holdings as purchaser to amend certain terms of the sale and purchase agreement as mentioned in item (a) above including the consideration shall include the assumption of the directors’ loan of Super Ease in the sum of HK\$7,478,000 and Sunnic Holdings shall pay the balance of the consideration in the sum of HK\$342,000 to Sunnic (as directed by the vendors);
- (c) the assignment dated 31 March 2011 entered into between Mr. Leung, Dr. Ho, the BVI Holdco and the BVI Company, pursuant to which each of Mr. Leung and Dr. Ho as assignor agreed to assign to the BVI Holdco as assignee the outstanding amounts in the respective sums of HK\$27,435,100 and HK\$11,757,900 indebted to Mr. Leung and Dr. Ho respectively by the BVI Company at the consideration of HK\$1.00;
- (d) the sale and purchase agreement dated 11 September 2012 entered into between the BVI Holdco as vendor, our Company as purchaser and Mr. Leung and Dr. Ho as warrantors, pursuant to which our Company acquired 3 shares of the BVI Company, being its entire


issued share capital from the BVI Holdco at a consideration to be satisfied by the issue and allotment of 999,999 Shares by our Company to the BVI Holdco, credited as fully paid;

- (e) the non-competition undertaking in Chinese dated 11 September 2012 executed by Mr. Leung, Dr. Ho, Join Together and the BVI Holdco in favour of our Company and its subsidiaries containing certain non-competition undertakings to our Group;
- (f) the deed of indemnity dated 26 September 2012 given by Mr. Leung, Dr. Ho, Join Together and the BVI Holdco in favour of our Group in respect of, amongst others, taxation referred to in the sub-section headed “Tax and other indemnities” in this Appendix and litigations; and
- (g) the Public Offer Underwriting Agreement.

2. Intellectual property rights

Trademark

As at the Latest Practicable Date, our Group was the registered owner of the following trademark:

Trademark	Place of registration	Registration number	Class	Validity period	Registered Owner
	Hong Kong	301842291	37 ^{Note}	25 February 2011 — 24 February 2021	Sunley

Note: Class 37: Site formation; conducting construction foundation works; piling services; construction engineering; all included in class 37.

As at the Latest Practicable Date, our Group has registered the following domain name:

Domain name	Registration Date	Expiry Date
www.sunley-fdn.com.hk	11 September 2001	14 September 2014

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 our Shares to be issued pursuant to options which may be granted under the Share Option Scheme or pursuant to the exercise of the Offer Size Adjustment Option, 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
Dr. Ho	Interest in controlled corporation (<i>Note</i>)	225,000,000	75%
Mr. Leung	Interest in controlled corporation (<i>Note</i>)	225,000,000	75%

Note:

These shares are held by BVI Holdco which is owned by Join Together as to 70%. The remaining shareholding in BVI Holdco is owned as to 10% by each of Mr. Cheng, Mr. Wong and Mr. Tsui respectively. Mr. Leung and Dr. Ho respectively own 70% and 30% of the issued share capital of Join Together. Therefore, Mr. Leung and Dr. Ho are deemed or taken to be interested in all the Shares which are beneficially owned by BVI Holdco for the purpose of the SFO. Mr. Leung and Dr. Ho are also directors of BVI Holdco and Join Together.

(ii) *Long position in the ordinary shares of associated corporations*

Name of Director	Name of associated corporation	Capacity/Nature	No. of shares held	Percentage of shareholding
Dr. Ho	BVI Holdco	Interest in controlled corporation	1,680	21%
Mr. Leung	BVI Holdco	Interest in controlled corporation	3,920	49%
Dr. Ho	Join Together	Beneficial owner	3	30%
Mr. Leung	Join Together	Beneficial owner	7	70%

- (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 or pursuant to the exercise of the Offer Size Adjustment Option, 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 1)	225,000,000	75%
Join Together	Interest in controlled corporation (Note 2)	225,000,000	75%
Ms. Ho Suk Hing	Interest of spouse (Note 3)	225,000,000	75%
Ms. Ng Chi Ling	Interest of spouse (Note 4)	225,000,000	75%

Notes:

- (1) BVI Holdco is a company incorporated in the BVI and is owned by Join Together as to 70%. The remaining shareholding in BVI Holdco is owned as to 10% by each of Mr. Cheng, Mr. Wong and Mr. Tsui respectively. Mr. Leung, Dr. Ho, Mr. Cheng, Mr. Ho and Mr. Tsui are directors of BVI Holdco.
- (2) Join Together is a company incorporated in the BVI and owns 70% shareholding in BVI Holdco, which in turn owns 75% shareholding in our Company. Therefore, Join Together is deemed or taken to be interested in all the Shares which are beneficially owned by BVI Holdco for the purpose of the SFO.
- (3) Ms. Ho Suk Hing is the spouse of Mr. Leung. Therefore, Ms. Ho Suk Hing is deemed or taken to be interested in all the Shares which are interested by Mr. Leung for the purpose of the SFO.
- (4) Ms. Ng Chi Ling is the spouse of Dr. Ho. Therefore, Ms. Ng Chi Ling is deemed or taken to be interested in all the Shares which are interested by Dr. Ho for the purpose of the SFO.

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 of the executive Directors are as follows:

Name	Amount (HK\$)
Dr. Ho	1,000,000
Mr. Cheng	960,000
Mr. Ho	910,800

Each of the non-executive Director and independent non-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. 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 (HK\$)
<i>Non-executive Director</i>	
Mr. Leung	240,000
<i>Independent Non-executive Directors</i>	
Chuck Winston Calptor	240,000
Ching Kwok Hoo, Pedro	240,000
Tam Tak Kei, Raymond	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 the three years ended 31 March 2010, 2011 and 2012 were approximately nil, HK\$1.5 million and HK\$2.1 million, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2013 will be approximately HK\$3.43 million.

4. Fees or commission received

Save as disclosed in the paragraph headed "Commission and expenses" in the section headed "Underwriting" of 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 29 to the accountant's report set out in Appendix I to this prospectus.

6. Disclaimers

- (a) save as disclosed in the paragraph headed "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) save for the properties leased to our Group under the Super Ease Lease Agreement and Sunnic Holdings Lease Agreement, the details of which are set out in the section headed "Connected Transactions" in this prospectus, 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 "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 or pursuant to the exercise of the Offer Size Adjustment Option, 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) save as disclosed in the paragraph headed “Customers” under the section headed “Business” in this prospectus, so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	11 September 2012, 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

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our sole Shareholder passed on 11 September 2012:

(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 independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the 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 5 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 always that for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than 5 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 30,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 30,000,000 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 independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (i) representing in aggregate over 0.1% of 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 deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules).
- (bb) Further to the restrictions in paragraph (aa) above, no option may be granted 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 3 months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xvi) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, 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 2 business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and 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 willful 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) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;

- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the 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 pursuant 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 30,000,000 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 a 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 claims, litigations or arbitration awards against or penalties imposed on any member of our Group on or before the date on which the Share Offer becomes unconditional.

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

- provision or reserve has been made for such taxation liability in the audited accounts of our Company as at 31 March 2012; 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 2012 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 paragraphs headed “Compliance” and “Litigation, arbitration and potential claims” in the section headed “Business” of 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 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 and the exercise of the Offer Size Adjustment Option.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$11,700 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
Ample Capital	A licensed corporation under the SFO to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants
BMI Appraisals Limited	Property valuer
Appleby	Legal adviser to our Company as to Cayman Islands law

Name	Qualifications
Chio Tak Wo, Advogado	Legal adviser of our Company as to Macau Laws
Chan & Associates	Legal advisers of our Company as to litigation 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 Companies 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 2012 (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 and save for the Offer Size Adjustment Option, 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 “Commission and expenses” in the section headed “Underwriting” of 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; and
 - (iii) save as disclosed in the paragraph headed “Share Option Scheme” of this Appendix and save for the Offer Size Adjustment Option, 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.
- (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 “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) We have no outstanding convertible debt securities.
- (h) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by 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 Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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** and **YELLOW** Application Forms, the written consents referred to under the paragraph headed “Other Information — Consents of experts” in Appendix V to this prospectus and copies of the material contracts referred to under the paragraph headed “Further Information about our business — Summary of material contracts” in Appendix V to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Loong & Yeung of Suites 2001–2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the accountant’s report from PricewaterhouseCoopers in respect of the historical financial information for the years ended 31 March 2010, 2011 and 2012, the text of which is set out in Appendix I to this prospectus;
- (c) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) such audited statutory financial statements as have been prepared for the companies comprising our Group for each of the three financial years ended 31 March 2012;
- (e) the letter, summary of valuations and valuation certificates relating to the properties of our Group prepared by BMI Appraisals Limited, the texts of which are set out in Appendix III to this prospectus;
- (f) the Companies Law;
- (g) the letter prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus;
- (h) the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus;
- (i) the service agreements referred to in the paragraph headed “Particulars of service agreements” in Appendix V to this prospectus;
- (j) the rules of the Share Option Scheme;
- (k) the written consents referred to in the paragraph headed “Consents of experts” in Appendix V to this prospectus;

- (l) the legal opinion prepared by Chio Tak Wo, Advogado, the legal adviser of our Company as to Macau law; and
- (m) the legal opinion prepared by Chan & Associates, the legal advisers of our Company as to litigation in Hong Kong.



SUNLEY HOLDINGS LIMITED
新利控股有限公司