Sanroc International Holdings Limited
善樂國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

STOCK CODE: 1660

SHARE OFFER

Sponsor

AmCap
Ample Capital Limited
豐盛融資有限公司

Joint Lead Managers and Bookrunners

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

鼎成證券有限公司
Gransing Securities Co., Limited

IMPORTANT

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

Sanroc International Holdings Limited
善樂國際控股有限公司

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SHARE OFFER

Number of Offer Shares	**:**	**360,000,000 Shares comprising 300,000,000 New Shares and 60,000,000 Sale Shares (subject to the Over-allotment Option)**
Number of Public Offer Shares	**:**	**36,000,000 Shares (subject to reallocation)**
Number of Placing Shares	**:**	**324,000,000 Shares comprising 264,000,000 New Shares and 60,000,000 Sale Shares (subject to reallocation and the Over-allotment Option)**
Offer Price	**:**	**Not more than HK$0.4 per Offer Share and expected to be not less than HK$0.35 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**1660**

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

A copy of this prospectus, having attached thereto the documents specified under "Appendix V — Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility 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 an agreement between our Company (acting for itself and on behalf of the Selling Shareholder) and AOCL (acting for itself and on behalf of the Underwriters) on the Price Determination Date or such later date as may be agreed by our Company (acting for itself and on behalf of the Selling Shareholder) and AOCL (acting for itself and on behalf of the Underwriters). The Offer Price will be not more than HK$0.4 per Offer Share and is currently expected to be not less than HK$0.35 per Offer Share, unless otherwise announced. Investors applying for Public Offer Shares must pay in full, on application, the maximum Offer Price of HK$0.4 per Offer Share, together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK$0.4 per Offer Share.

AOCL (acting for itself and on behalf of the Underwriters) may reduce the number of the Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the number of the Offer Shares and/or the indicative Offer Price range will cause to be posted on the website of the Stock Exchange at www.hkexnews.hk and our website at www.sanrochk.com not later than the morning of the last day for lodging applications under the Public Offer.

If, for any reason, the Offer Price is not agreed between our Company (acting for itself and on behalf of the Selling Shareholder) and AOCL (acting for itself and on behalf of the Underwriters) on or before Tuesday, 7 February 2017, 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, AOCL (acting for itself and on behalf of the Underwriters) has the right in certain circumstances, in its 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.

The Offer Share have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S persons, without registration or an exemption from registration under the U.S. Securities Act.

27 January 2017

If there is any change in the following expected timetable of the Share Offer, we will issue an announcement to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.sanrochk.com**.

	2017[1]
Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website at **www.hkeipo.hk**[2]	11:30 a.m. on Friday, 3 February
Application lists open[3]	11:45 a.m. on Friday, 3 February
Latest time to lodge **WHITE** and **YELLOW** Application Forms and to give **electronic application instructions** to HKSCC[4]	12:00 noon on Friday, 3 February
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, 3 February
Application lists close	12:00 noon on Friday, 3 February
Expected Price Determination Date[5]	Monday, 6 February
Announcement of the final Offer Price, the level of indications of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares to be published on the website of the Company at **www.sanrochk.com** and the website of the Stock Exchange at **www.hkexnews.hk** on	Thursday, 9 February
Results of allocations in the Public Offer (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels (see the section headed "How to Apply for Public Offer Shares — 11. Publication of Results" in this prospectus) from	Thursday, 9 February
Results of allocations in the Public Offer will be available at **www.tricor.com.hk/ipo/result** with a "search by ID Number/Business Registration Number" function from	Thursday, 9 February

Despatch/Collection of Share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or about(6)(7) . . . . Thursday, 9 February

Despatch/Collection of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Public Offer on or about(6) . . . . Thursday, 9 February

Dealings in the Shares on the Stock Exchange expected to commence on . . . . Friday, 10 February

Notes:

1. All times and dates refer to Hong Kong local times and dates unless otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and Conditions of the Share Offer — Conditions of the Share Offer" in this prospectus.

2. You will not be permitted to submit your application to **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

3. If there is a "black" rainstorm warning 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 Friday, 3 February 2017, the application lists will not open or close on that day. For further information please refer to the section headed "How to Apply for Public Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

4. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Public Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

5. The Offer Price is expected to be determined by an agreement between our Company (acting for itself and on behalf of the Selling Shareholder) and AOCL (acting for itself and on behalf of the Underwriters) on Monday, 6 February 2017. The Offer Price will be not more than HK$0.4 per Offer Share and is currently expected to be not less than HK$0.35 per Offer Share, unless otherwise announced. Investors applying for Public Offer Shares must pay in full, on application, the maximum Offer Price of HK$0.4 per Offer Share, together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK$0.4 per Offer Share.

   AOCL (acting for itself and on behalf of the Underwriters) may, with our consent, reduce the number of the Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of the reduction of the number of the Offer Shares and/or the indicative Offer Price range will cause to be published on the website of stock Exchange of **www.hkexnews.hk** and on the website of our Company at **www.sanrochk.com**, not later than the morning of the last day for lodging applications under the Public Offer. If, for any reason, the Offer Price is not agreed between our Company (acting for itself and on behalf of the Selling Shareholder) and AOCL (acting for itself and on behalf of the Underwriters) on or before Tuesday, 7 February 2017, the Share Offer will not proceed and will lapse.

6. Applicants who apply with **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 or more Public Offer Shares under the Public Offer and have provided all information required by their Application Forms, they may collect their refund cheques (if applicable) and share certificates (if applicable) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 9 February 2017. Applicants being individuals who are eligible for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are eligible 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 documents (where applicable) 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 provided all information required by their Application Forms, they may collect their refund cheques (where relevant) in person but may not 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 share certificates and refund cheques as described in the section headed "How to Apply for Public Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

7. Share certificates for the Offer Shares are expected to be issued on or about Thursday, 9 February 2017 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 and Conditions 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 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 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.

IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus 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.

CONTENTS

Page

BUSINESS OVERVIEW

Our Group provides (i) trading of construction machinery, which are mainly foundation machinery and drilling accessories; (ii) leasing of construction machinery, which are mainly power and energy machinery; and (iii) the provision of local transportation services. The following table sets out our revenue by business segments:

	For the year ended 31 March						For the four months ended 31 July	
	2014		2015		2016		2016	
	Revenue HK$'000	*% of total revenue*	*Revenue HK$'000*	*% of total revenue*	*Revenue HK$'000*	*% of total revenue*	*Revenue HK$'000*	*% of total revenue*
Trading of construction machinery								
Trading of foundation machinery	17,484	15.5	73,609	35.5	62,261	30.3	20,732	35.4
Trading of drilling accessories	56,066	49.7	72,883	35.1	64,696	31.5	11,862	20.3
Others	7,797	6.9	8,239	4.0	10,171	5.0	—	—
	81,347	**72.1**	**154,731**	**74.6**	**137,128**	**66.8**	**32,594**	**55.7**
Leasing of construction machinery								
Leasing of power generator	24,158	21.4	33,189	16.0	43,635	21.2	16,024	27.4
Leasing of air compressor	2,587	2.3	10,939	5.3	11,100	5.4	3,062	5.2
Leasing of foundation machinery	3,872	3.4	7,626	3.6	7,829	3.9	2,566	4.4
Leasing of other machinery	314	0.3	306	0.1	2,479	1.2	994	1.7
Other services	556	0.5	743	0.4	1,950	0.9	759	1.3
	31,487	**27.9**	**52,803**	**25.4**	**66,993**	**32.6**	**23,405**	**40.0**
Transportation Services	**—**	**—**	**—**	**—**	**1,318**	**0.6**	**2,485**	**4.3**
Total	**112,834**	**100.0**	**207,534**	**100.0**	**205,439**	**100.0**	**58,484**	**100.0**

Our history can be traced back to 1991 when Mr. Siu, our founder and executive Director with more than 25 years of experience in the industry, acquired 49.99% of shares of Sanetech Limited (which is now known as Santech Transportation) to develop foundation machinery trading business in Hong Kong. We possess a comprehensive portfolio of products, including RCD machines, casing oscillators, casing rotators, drilling rigs, and all related accessories. We are pleased to offer our extensive value-added services to our customers in construction machinery trading business. We then expanded our business into power and energy machinery leasing market in 2003 and transportation services in 2015. We maintained a leasing fleet including 618 power generators, 32 air compressors and eight foundation machines as at the Latest Practicable Date. We carried a wide range of power generators of different output rate ranging from 25kVA to 400kVA and air compressors of different output rate ranging from 175cfm to 1,119cfm as at the Latest Practicable Date. We provide our transportation services by leasing of our crane lorries along with driver on a daily, monthly, trip or job basis. As at the Latest Practicable Date, we had 11 crane lorries in operation with lifting capacity ranging from 17 to 55 tonnes.

In respect of our construction machinery trading business, we focus on the trading of foundation machinery and drilling accessories, both of which are primarily used at the early stages of construction projects such as site formation and foundation works. Foundation machinery can be divided into three categories, namely (i) piling machines; (ii) DTH drilling rigs; and (iii) bored pile machines. Drilling accessories are essential components being attached to and used together with foundation machinery which directly affect the functionality of the machinery. We source construction machinery mainly from overseas manufacturers located in South Korea, Japan, Germany, Sweden and Italy.

In respect of our construction machinery leasing business, we focus on the leasing of power and energy machinery which are used to provide energy or power for operation in construction sites. The main focus of our leasing fleet is power generators which contributed approximately 76.7%, 62.9%, 65.1% and 68.5% of our leasing revenue during the Track Record Period. The overall utilisation rate for our leasing machinery was approximately 93.2%, 91.8%, 88.8% and 83.8% for the three years ended 31 March 2016 and the four months ended 31 July 2016.

Our Directors maintain regular contact with contractors of the construction industry to keep abreast of construction market trends. When our customers need to purchase or lease construction machinery, they would approach us and request for our quotation.

Pricing

Regarding our construction machinery trading business, we generally price our foundation machinery and drilling accessories based on a cost-plus approach. We would also take into consideration various major factors including the supply and demand of similar products in the market, origins and specifications, and the lead time of delivery.

Regarding our construction machinery leasing business, we set our leasing fees according to various factors including (i) the purchase cost of the construction machinery; (ii) the capacity and model of the construction machinery; (iii) length of the leasing period; (iv) working condition of the site; and (v) credibility of the customer. Likewise, we take into account the aforesaid factors when pricing our transportation services.

Our customers and suppliers

We sourced our construction machinery from construction machinery manufacturers across the world, including some of the major players in the industry located in South Korea, Japan, Germany, Sweden and Italy. Our Directors believe that we have developed a close and stable working relationship with our major suppliers. We have business relationship with most of our five largest customers for over five years and entered into long term exclusive dealership arrangements with five of our suppliers as at the Latest Practicable Date. For the three years ended 31 March 2016 and the four months ended 31 July 2016, purchases from our five largest suppliers amounted to approximately 56.2%, 76.5%, 59.5% and 84.1% of our total purchases of machinery, respectively.

Our customers include construction companies engaged in construction works in Hong Kong. Our major customers include well-established construction companies, and we have a long business relationship with some of them for over ten years. For the three years ended 31 March 2016 and the four months ended 31 July 2016, revenue from our five largest customers accounted for approximately 60.4%, 54.7%, 59.3% and 54.4% of our total revenue respectively. During the same periods, revenue from our largest customer was approximately HK$30.9 million, HK$48.6 million, HK$43.2 million and HK$10.6 million, respectively, accounted for approximately 27.4%, 23.4%, 21.0% and 18.2% of our total revenue.

UTILISATION RATE OF MAJOR MACHINERY IN OUR LEASING FLEET

The overall utilisation rate for our leasing machinery was approximately 93.2%, 91.8%, 88.8% and 83.8% for the three years ended 31 March 2016 and the four months ended 31 July 2016, respectively. The following table sets out the details of our leasing machinery by category and output range during the Track Record Period:

	As at/for the year ended 31 March						As at/for the four months ended 31 July	
	2014		**2015**		**2016**		**2016**	
	Number of unit	*Utilisation rate (%)*	*Number of unit*	*Utilisation rate (%)*	*Number of unit*	*Utilisation rate (%)*	*Number of unit*	*Utilisation rate (%)*
Power generators								
(i) 45 kVA — 100 kVA	53	90.0	80	89.3	81	80.2	79	93.7
(ii) 125 kVA — 220 kVA	186	96.3	316	94.2	360	90.9	381	79.6
(iii) 300 kVA — 500 kVA	89	96.3	95	92.9	114	93.9	123	91.9
Air compressors								
(i) 175 cfm — 390 cfm	12	79.2	12	84.5	11	74.3	11	72.1
(ii) 900 cfm — 1,119 cfm	16	61.6	39	86.6	24	88.0	24	93.0
Foundation machinery	5	37.6	8	49.1	6	36.0	6	41.7
Total / Overall	**361**	**93.2**	**550**	**91.8**	**596**	**88.8**	**624**	**83.8**

For further details, please refer to the section headed “Business — Our Leasing Fleet” in this prospectus.

COMPETITIVE LANDSCAPE OF CONSTRUCTION MACHINERY TRADING AND LEASING MARKET IN HONG KONG

According to the F&S Report, we were the third largest construction machinery trading company in Hong Kong with market share of 4.1% in 2015. The construction machinery trading market in Hong Kong had a total revenue of HK$3,305.8 million in 2015. There were approximately 50 competitors in Hong Kong’s construction machinery trading market with at least HK$10 million of annual trading revenue in 2015. The trading revenue of the five largest players accounted for 50.8% of the total market size of the construction machinery trading market in 2015.

According to the F&S Report, we were also the second largest power and energy machinery leasing company in Hong Kong with market share of approximately 8.9% in 2015. Power and energy machinery leasing market had a fast growth from HK$234.3 million to HK$612.7 million at a CAGR of 21.2% from 2010 to 2015. In 2015, there were nearly 20 competitors in Hong Kong's power and energy machinery leasing market with at least HK$3 million of annual leasing revenue. The leasing revenue of the five largest players accounted for 38.0% of the total market size of the power and energy machinery leasing market in 2015.

COMPETITIVE STRENGTH

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

1. a well-established market presence and continuous development in the Hong Kong construction machinery industry;

2. market leader with large and well-maintained leasing fleet;

3. know-how in foundation mechanical technology;

4. professional operation and technical support by our experienced technical team; and

5. stable relationship with our major customers and suppliers.

Details of our Group's competitive strengths are set out in the section headed "Business — Competitive Strengths".

BUSINESS STRATEGIES

We intend to further strengthen our position in construction machinery industry by pursuing the following strategies:

- strengthen our position as one of the market leaders in power and energy machinery leasing market in Hong Kong through replacement and expansion of our leasing fleet;

- expand and develop our transportation services; and

- recruit and expand our team of technical personnel and strengthen staff training.

Details of our Group's business strategies are set out in the section headed "Business — Our Strategies and Future Plans".

FINANCIAL INFORMATION

Selected data in the combined statements of comprehensive income, combined balance sheets and combined statements of cash flows

	For the year ended 31 March			For the four months ended 31 July	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue	112,834	207,534	205,439	81,326	58,484
Gross profit	27,260	53,382	57,962	19,135	18,727
Profit and total comprehensive income attributable to equity holders of the Company	12,563	29,447	32,985	10,071	5,583

	As at 31 March			As at 31 July	As at 30 November
	2014	**2015**	**2016**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)
Total current assets	40,359	70,736	93,294	92,991	107,277
Total current liabilities	52,229	84,442	84,150	90,009	116,443
Net current assets/(liabilities)(Note)	(11,870)	(13,706)	9,144	2,982	(9,166)
Non-current assets	78,213	114,038	136,042	148,041	153,269
Non-current liabilities	10,333	14,875	26,744	26,998	25,361
Total equity	56,010	85,457	118,442	124,025	118,742

Note: As at 31 March 2014, 2015 and 30 November 2016, being the latest practicable date to determine our Group's indebtedness, our Group had net current liabilities of approximately HK$11.9 million, HK$13.7 million and HK$9.2 million respectively. Our Group's net current liabilities as at 31 March 2014 and 2015 and 30 November 2016 has arisen principally out of our Group's business expansion during the relevant years involving the material additions to our leasing fleet by means of purchases of machinery and equipment. For the years ended 31 March 2014 and 2015 and the four months ended 31 July 2016, our Group's purchases of machinery and equipment amounted to HK$24.4 million, HK$61.4 million and HK$19.7 million, respectively. Due to the nature of our business, our Group finance these material additions to our leasing fleet by means of primarily utilization of positive cash flow from our operations and draw down of bank borrowings, as well as, to a lesser extent, bank overdrafts and finance leases. In addition, our Group also made use of bank borrowings for the financing of working capital. As all material additions to our leasing fleet were classified as non-current assets, while a large portion of the borrowings used for financing the purchases of machinery and equipment and working capital requirements were classified as current liabilities, the material additions to our leasing fleet has contributed to the incurrence of net current liabilities of our Group for the relevant financial years. Please refer to "Financial Information — Current assets and liabilities" in this prospectus for further information on the Group's net current assets / liabilities position during the Track Record Period and as at 30 November 2016.

Key financial ratios

The following table below sets forth our key financial ratios for the year/period and as of the dates indicated:

	For the year ended/As at 31 March			For the four months ended/ As at 31 July
	2014	**2015**	**2016**	**2016**
Current ratio	0.8	0.8	1.1	1.0
Gearing ratio(Note)	27.9%	19.2%	32.4%	36.8%
Debt to equity ratio	23.9%	N/A	N/A	N/A
Interest coverage	31.7	56.2	44.1	17.7
Return on total assets	10.6%	15.9%	14.4%	2.3%
Return on equity	22.4%	34.5%	27.8%	4.5%

Note: Gearing ratio is calculated based on the total debt (including all borrowings and finance lease payables) divided by the total equity as at the respective year end and multiplied by 100%.

Revenue

Our revenue increased by approximately 83.9% from approximately HK$112.8 million for the year ended 31 March 2014 to approximately HK$207.5 million for the year ended 31 March 2015, and slightly decreased by approximately 1.0% to approximately HK$205.4 million for the year ended 31 March 2016. The trend was mainly due to the sourcing of a few high value crawler cranes, which is not usually offered by us, upon special request from one of our major customers during the year ended 31 March 2015. As a result, we recorded a higher revenue from our trading business for the year ended 31 March 2015.

Our Group's revenue decreased by approximately HK$22.8 million, or approximately 28.1%, from approximately HK$81.3 million for the four months ended 31 July 2015 to approximately HK$58.5 million for the four months ended 31 July 2016. It was mainly due to the drop in trading of construction machinery of approximately HK$28.5 million, which was in line with the current industry trend of customers favouring leasing over purchasing in the current market as illustrated in the F&S Report, and was partially offset by the growth in leasing of construction machinery of approximately HK$3.2 million simultaneously.

Gross profit margin

Our gross profit were approximately HK$27.3 million, HK$53.4 million, HK$58.0 million, HK$19.1 million and HK$18.7 million for the three years ended 31 March 2016 and for the four months ended 31 July 2015 and 2016 respectively. Our gross profit margin remained stable at approximately 24.2% and 25.7% for the year ended 31 March 2014 and 2015 respectively, and increased to 28.2% for the year ended 31 March 2016 mainly due to the increased revenue contribution of our leasing business, which had a higher gross profit margin as compared to our trading business, for the year ended 31 March 2016. Our Group's gross profit margin were approximately 23.5% and 32.0% for the four months ended 31 July 2015 and 2016, and the growth was mainly attributable to (i) the increased gross profit contribution from our leasing business, which had a higher gross profit margin as compared to our trading business; and (ii) the improvement on the gross profit margin from our trading business for the four months ended 31 July 2016. The following table sets forth below shows the details of our Group's gross profit and gross profit margin by business segments during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	Gross profit HK$'000	*Gross profit margin %*	*Gross profit HK$'000*	*Gross profit margin %*	*Gross profit HK$'000*	*Gross profit margin %*	*Gross profit HK$'000*	*Gross profit margin %*	*Gross profit HK$'000*	*Gross profit margin %*
							(unaudited)			
Trading of construction machinery	14,042	17.3	27,098	17.5	27,394	20.0	10,295	16.8	8,030	24.6
Leasing of construction machinery	13,218	42.0	26,284	49.8	31,433	46.9	8,982	44.5	10,807	46.2
Transportation services(Note)	—	—	—	—	(865)	(65.6)	(142)	(887.5)	(110)	(4.4)
	27,260	24.2	53,382	25.7	57,962	28.2	19,135	23.5	18,727	32.0

Note: Our transportation services commenced in July 2015.

Trade and bills receivable turnover days

Our average trade and bills receivable turnover days were approximately 84.8 days, 49.3 days, 56.1 days and 70.4 days for the three years ended 31 March 2016 and the four months ended 31 July 2016. The decrease in trade and bills receivable turnover days from 84.8 days as at 31 March 2014 to 49.3 days as at 31 March 2015 was due to the high opening balance of trade and bills receivable for the year ended 31 March 2014. The increase in turnover days from 49.3 days as at 31 March 2015 to 56.1 days as at 31 March 2016 was due to more sales orders received near the end of the year ended 31 March 2016. The further increase in turnover days to 70.4 days as at 31 July 2016 was due to (i) high balance as at 31 March 2016 due to sales order near the end of year ended 31 March 2016; and (ii) the decline in revenue for the four months ended 31 July 2016.

Trade and bills payable turnover days

We recorded average trade and bill payables turnover days of approximately 73.7 days, 58.7 days, 72.8 days and 105.5 days for the three years ended 31 March 2016 and the four months ended 31 July 2016 respectively, which fall within the range of credit period granted by our suppliers. The credit period granted by our suppliers was generally ranged from 10 to 60 days, where one of our major suppliers granted us a credit period for up to two years during the Track Record Period.

Cash flows

The following table sets forth a summary of our cash flows for the years indicated:

	For the year ended 31 March			For the four months ended 31 July	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Cash and cash equivalents at 1 April	3,354	2,240	26,291	26,291	37,420
Net cash generated from/(used in) operating activities	27,265	64,211	31,336	(26,539)	38,879
Net cash (used in)/generated from investing activities	(24,848)	(57,631)	(17,480)	4,974	(18,191)
Net cash (used in)/generated from financing activities	(3,531)	17,471	(2,727)	14,511	(13,788)
Net (decrease)/increase in cash and cash equivalents	(1,114)	24,051	11,129	(7,054)	6,900
Cash and cash equivalents at 31 March/July	2,240	26,291	37,420	19,237	44,320

Cash flow generated from operating activities

Our cash outflow from operating activities is principally for purchase of construction machinery and parts for trading purpose and other operational expenses relating to our operating activities.

Net cash flows generated from operating activities were approximately HK$31.3 million for the year ended 31 March 2016. Such amount was mainly derived from operating cash flows before movements in working capital of approximately HK$61.0 million, negatively adjusted for (i) the increase in trade and bills receivables by approximately HK$10.1 million; (ii) the increase in restricted cash by approximately HK$9.2 million; (iii) the decrease in accruals and other payables by approximately HK$2.2 million; (iv) the decrease in trade and bills payable by approximately HK$1.8 million; and (v) the decrease in derivative financial instruments by approximately HK$2.0 million.

Net cash flows generated from operating activities were approximately HK$64.2 million for the year ended 31 March 2015. Such amount was mainly derived from operating cash flows before movements in working capital of approximately HK$57.9 million, positively adjusted for (i) the increase in trade and bills payables by approximately HK$11.1 million; (ii) the decrease in trade and bills receivables by approximately HK$3.1 million; and negatively adjusted for (iii) the increase in inventories by approximately HK$7.7 million.

Net cash flows generated from operating activities were approximately HK$27.3 million for the year ended 31 March 2014. Such amount was mainly derived from operating cash flow before movements in working capital of approximately HK$29.4 million, negatively adjusted for (i) the increase in trade and bills receivables by approximately HK$6.7 million; and (ii) increase in inventories by approximately HK$2.6 million; and positively adjusted for the (i) increase in trade and bills payables by approximately HK$4.0 million; and (ii) the increase in accruals and other payables of approximately HK$4.4 million.

Net cash flows generated from operating activities were approximately HK$38.9 million for the four months ended 31 July 2016. Such amount was mainly derived from operating cash flows before movements in working capital of approximately HK$16.2 million, positively adjusted for (i) the increase in trade and bills payables of approximately HK$11.7 million; (ii) the decrease in trade and bills receivables of approximately HK$5.7 million; (iii) the decrease in inventories of approximately HK$4.2 million; and (iv) the increase in accruals and other payables of approximately HK$4.2 million.

Net cash flows used in operating activities were approximately HK$26.5 million for the four months ended 31 July 2015. Such amount was mainly derived from increase in trade and bills receivables of approximately HK$19.4 million, positively adjusted for (i) the increase in restricted cash of approximately HK$16.9 million; (ii) the increase in inventories of approximately HK$7.4 million; (iii) the increase in deposits, prepayments and other receivables of approximately HK$6.2 million, and negatively adjusted for (i) operating cash flows before movements in working capital of approximately HK$21.5 million; (ii) the increase in accruals and other payables of approximately HK$1.9 million; and (iii) the increase in trade and bills payables of approximately HK$1.2 million.

LISTING EXPENSES

We estimate the total amount of expenses that will be incurred in connection with the Listing to be approximately HK$25.3 million, including the underwriting commission of HK$4.7 million and other listing expenses and fees (including SFC transaction levy and Stock Exchange trading fee) of approximately HK$20.6 million. The Selling Shareholder shall bear the underwriting commission in the amount of HK$0.8 million which represents the underwriting commission attributable to the sale of the Sale Shares in the Placing. The remaining listing expenses, fees and underwriting commission of approximately HK$24.5 million shall be borne by our Company, of which approximately HK$8.6 million is expected to be deducted from equity after the Listing. The remaining HK$15.9 million fees and expenses have been or are expected to be charged to the profit or loss of our Group, of which HK$2.1 million and HK$5.0 million were charged for the year ended 31 March 2016 and the four months ended 31 July 2016, respectively, and HK$8.8 million will be recognised as expenses during the remaining period of the year ending 31 March 2017.

USE OF PROCEEDS

We intend to apply the net proceeds from the Share Offer, after deducting related underwriting fees and estimated expenses borne by our Company in connection with the Share Offer and assuming that the Over-allotment Option is not exercised at all and an Offer Price of HK$0.375, being the mid-point of the Offer Price range, of approximately HK$88.0 million as follows:

	From the Latest Practicable Date to 31 March 2017	Six months ending 30 September 2017	31 March 2018	30 September 2018	31 March 2019	30 September 2019	Total	Percentage
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*%*
Expansion of our leasing fleet	15.1	12.3	7.2	5.7	4.8	3.0	48.1	54.7
Expansion of our transportation fleet	7.7	6.6	6.4	5.9	6.4	5.6	38.6	43.8
General working capital	1.3	—	—	—	—	—	1.3	1.5
	24.1	18.9	13.6	11.6	11.2	8.6	88.0	100.0

The net proceeds from the Sale Shares will not be received by our Group and will be paid to Lion Spring Enterprises Limited, which are estimated to be approximately HK$21.7 million and calculated based on an Offer Price of HK$0.375 per Share, being the mid-point of the Offer Price range.

DIVIDEND

Our Company currently does not have a dividend policy and may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to declare and pay any dividend would require the approval of our Directors and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. Distribution of dividends, in the future, if any, will depend on the results of its operations, cash flows, financial conditions, statutory and regulatory restrictions as aforementioned and other factors that it may consider relevant, and is subject to its discretion.

On 15 July 2016, Sanroc Leasing declared to its then shareholders, namely Mrs. Siu and Ms. Yip who held 250,000 ordinary shares on trust for Mrs. Siu, a final dividend in relation to the year ended 31 March 2016 of HK$12.0 million and a special dividend of HK$3.0 million, which had been fully paid to its then shareholders on 23 August 2016.

No dividend has been paid or declared by the Company since its incorporation.

For further details, please refer to the section headed "Financial Information — Dividend" in this prospectus.

OUR CONTROLLING SHAREHOLDERS

On 9 August 2016, in preparation for the Listing, Mr. Siu and Mrs. Siu entered into the Acting-in-Concert Confirmation, wherein they confirmed the existence of their earlier acting-in-concert arrangements, as well as their intention to continue such arrangements upon the Listing to consolidate their control over Sanroc Leasing, Sanroc International and Santech Transportation. Immediately following completion of the Capitalisation Issue and the Share Offer, Mr. Siu, Mrs. Siu, Lion Spring Enterprises Limited, Diamond Vista Holdings Limited and BNP Paribas Singapore Trust Corporation Limited as the trustee of The JANTS Trust shall control more than 30% of our issued share capital. For the purpose of the Listing Rules, Mr. Siu, Mrs. Siu, Lion Spring Enterprises Limited, Diamond Vista Holdings Limited and BNP Paribas Singapore Trust Corporation Limited as the trustee of The JANTS Trust are our Controlling Shareholders. Each of Mr. Siu, Mrs. Siu, Lion Spring Enterprises Limited, Diamond Vista Holdings Limited and BNP Paribas Singapore Trust Corporation Limited as the trustee of The JANTS Trust confirms that he/she/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

RECENT DEVELOPMENT

Our business, revenue model and cost structure remain largely unchanged subsequent to the Track Record Period.

As at the Latest Practicable Date, we have entered into sales contract for the disposal of 12 units of power generators upon a regular review of our leasing fleet by our Directors. We have purchased 104 units of power generators during the year ended 31 March 2016 and all of them have been delivered to us and are in operation as at the Latest Practicable Date.

As at the Latest Practicable Date, we have received nine confirmed orders for construction machinery under our trading business. For our leasing business, we maintained a leasing fleet of 671 machines among which 535 power generators, 21 air compressors and six foundation machines were leased out as at the Latest Practicable Date.

Save for the professional fees of approximately HK$13.8 million in connection with the Listing which will be recorded in our combined statements of comprehensive income for the year ending 31 March 2017, our Directors confirm that there has been no material adverse change in the operation, financial or trading position, or prospects of our Group since 31 July 2016 (being the date to which the latest audited combined financial statements of our Group were prepared) and up to the date of this prospectus, and there is no event since 31 July 2016 and up to the date of this prospectus which would materially affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

The NRMM Regulation and the Technical Circular

The NRMM Regulation came into effect on 1 June 2015 to bring NRMMs, including non-road vehicles and Regulated Machines, under control in line with environmentally advanced countries. Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under the NRMM Regulation. From 1 September 2015, all Regulated Machines sold or leased for use in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the Environmental Protection Department. Starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites. However, existing NRMMs which are already in Hong Kong on or before 30 November 2015 will be exempted from complying with the emission requirements. A period of six months (from 1 June 2015 to 30 November 2015, both dates inclusive) is allowed for existing NRMMs to apply for exemption. As at the Latest Practicable Date, our Group has obtained approval or exemption for all of our Regulated Machines.

Pursuant to the Technical Circular, there is an implementation plan to phase out the use of exempted NRMMs for four types of exempted NRMMs (namely generators, air compressors, excavators and crawler cranes), under which, all new capital works contracts of public works including design and build contracts with an estimated contract value exceeding HK$200 million and tenders invited on or after 1 June 2015 shall require the contractor to allow no exempted power generator and air compressor to be used after 1 June 2015. Notwithstanding the above implementation plan, exempted NRMMs may still be permitted at the discretion of the respective architect or engineer designated by the Government if there is no feasible alternative. The above implementation plan does not prohibit the use of exempted NRMMs for the four types of exempted NRMMs in engineering construction projects in the private sector, or new capital works contracts of public works with an estimated contract value not exceeding HK$200 million and tenders invited on or after 1 June 2015.

In relation to the NRMM Regulation and the Technical Circular, our Directors believe such regulations will pose minimal impact on the construction machinery trading business of our Group, which accounted for approximately 72.1%, 74.6%, 66.8% and 55.7% of our total revenue during the Track Record Period, due to (i) we normally place back-to-back orders for trading of new construction machinery and (ii) we do not have any exempted NRMMs in inventory as at the Latest Practicable Date. In addition, our Group will continue to increase the proportion of approved NRMMs out of the Regulated Machines carried in our leasing fleet to cope with the future demand for approved machines according to our expansion plan. For the details of our expansion plan, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus. For the Regulated Machines that are exempted from the NRMM Regulation, our Directors consider that the implementation of the Technical Circular will not have material impact to our Group’s business operation and financial position given that (i) the impact of such regulations on our major business segment, trading of construction machinery, is considered to be minimal; (ii) our Group had accordingly entered into purchase agreement of purchasing 104 units of NRMM approved power generators during the year ended 31 March 2016; (iii) our Group has an expansion plan; (iv) we would continue to review our leasing fleet regularly for the expansion, disposal and replacement of respective construction machinery; and (v) the market size for engineering construction projects in private sector is expected to be higher than that in public sector. Our Directors confirmed that we did not experience any shortage or delay in the supply of machinery when we acquired new machines to our fleet during the Track Record Period.

Back log amount as at the dates indicated by project type

The following table sets out further information on the back log amount (equivalent to operating lease commitments as lessor) as at the respective end date of each financial year/period detailed by project type, whether or not the project to which the Group's construction machinery were leased are subject to the implementation plan under the Technical Circular, which are based on the internal record of the Group and best knowledge of the Directors after due and careful enquiries:

	As at 31 March			As at 31 July	As at 31 December
	2014	**2015**	**2016**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Projects subject to the implementation plan under the Technical Circular	—	—	—	—	—
Projects not subject to the implementation plan under the Technical Circular	6	127	165	219	11,722
Total	6	127	165	219	11,722

Note: The lower back log amount as at 31 March 2014, 2015 and 2016 and 31 July 2016 is due to the reason that pursuant to the terms and conditions of leasing orders, our leasing customers are usually not required to commit to the entire leasing period as specified in the leasing orders. In this respect, outstanding amount in relation to such leasing orders will not be included in the back log amount as at the respective dates, which is in line with note 24(c) to the Accountant's Report set out in Appendix I to this prospectus. The higher back log amount as at 31 December 2016 was due to a leasing order of newly acquired high-end casing rotators which, our Directors confirmed, that we purchased based on the condition that the customer would commit to a leasing period of approximately a year since the machines were of high value. Our Directors also confirmed that the aforementioned high-end casing rotators are commonly used for extracting old piles and inserting new piles on complicated formations with high accuracy. In addition, for that particular order, approximately HK$3.3 million and HK$8.3 million of leasing fee are expected to be recognised in the years ending 31 March 2017 and 2018 respectively, of the back log amount as at 31 December 2016.

SHARE OFFER STATISTICS

Market capitalisation at Listing	HK$420 million to HK$480 million
Shares to be in issue following completion of the Share Offer and the Capitalisation Issue	1,200,000,000 Shares
Offer size	360,000,000 Shares comprising 300,000,000 New Shares and 60,000,000 Sale Shares
Offer Price	HK$0.35 to HK$0.4
Board lot	8,000 Shares

Offering structure	36,000,000 Shares for Public Offer and 324,000,000 Shares for Placing comprising 264,000,000 New Shares and 60,000,000 Sale Shares
Unaudited pro forma adjusted net tangible assets per Share	HK$0.18 to HK$0.19

RISK FACTORS

Potential investors are advised to carefully read the section headed "Risk Factors" in this prospectus before making any investment decision in the Offer Shares. Some of the more particular risk factors include:

1. Our engagement with our customers are based on projects on hand of our customers. There is no guarantee that our existing customers will engage us again in future construction projects

2. There is no guarantee that our suppliers will extend the exclusive dealership agreements with us upon expiry of such agreements and our future profit and market share may be adversely affected

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

4. We have a concentrated clientele base and our five largest customers for the three years ended 31 March 2016 and the four months ended 31 July 2016 accounted for approximately 60.4%, 54.7%, 59.3% and 54.4% of our revenue of the same period respectively. Any decrease in the number of contracts or leasing arrangements awarded by them to us would adversely affect our operations and financial results

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

6. We plan to purchase new leasing machinery and transportation vehicles with a significant part of the proceeds from the Share Offer. We cannot guarantee that such new machinery will be utilised to the extent we expect and it may also reduce the overall utilisation rate of our leasing machinery. Our profitability may also be affected by the potential increase in depreciation expenses due to our investment in our leasing fleet

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below.

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

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

Words importing the singular include, where applicable, the plural and vice versa. Words importing the masculine gender include, where applicable, the feminine and neuter genders.

"Acting-in-Concert Confirmation"	an acting-in-concert confirmation entered into between Mr. Siu and Mrs. Siu on 9 August 2016, wherein they confirmed the existence of their earlier acting-in-concert arrangements, a summary of which is set out in the section headed "Relationship with Controlling Shareholders and Non-competition Undertaking" in this prospectus
"AMSC GRAT of 2017"	an irrevocable grantor retained annuity trust set up by Mr. Siu for the benefit of himself and Mrs. Siu, and of which Mr. Siu is the trustee
"AOCL"	Ample Orient Capital Limited
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form, or where the context so requires, any of them, relating to the Public Offer
"Articles of Association" or "Articles"	the articles of association of our Company, which will take effect upon the Listing, a summary of which is set forth in Appendix III to this prospectus, and as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board" or "Board of Directors"	our board of Directors
"Budget"	the annual budget of the Government
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands

"Capitalisation Issue"	the issue of 899,999,996 new Shares to be made upon capitalisation of certain sums standing to the credit of our share premium account as referred to in the section headed "A. Further Information about Our Company — 5. Written resolutions of our sole Shareholder passed on 23 January 2017" in Appendix IV to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"Chairman"	the chairman of our Board, Mr. Siu
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Law" or "Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Sanroc International Holdings Limited (善樂國際控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on 25 July 2016
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transactions(s)"	has the meaning ascribed thereto under the Listing Rules
"Construction Industry Council"	the Construction Industry Council of Hong Kong

"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company immediately after the Share Offer, being Mr. Siu, Mrs. Siu, Lion Spring Enterprises Limited, Diamond Vista Holdings Limited, BNP Paribas Singapore Trust Corporation Limited as the trustee of The JANTS Trust, or any of them. Please refer to the section headed "Relationship with Controlling Shareholders and Non-competition Undertaking" in this prospectus for further details
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Deed of Indemnity"	the deed of indemnity dated 23 January 2017 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries from time to time) regarding certain indemnities, details of which are set out in the section headed "Statutory and General Information — E. Other Information — 2. Tax and other indemnity" in Appendix IV to this prospectus
"Deed of Non-competition"	the deed of non-competition dated 23 January 2017 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries) regarding certain non-competition undertakings, details of which are set out in the section headed "Relationship with Controlling Shareholders and Non-competition Undertaking — Deed of Non-competition" in this prospectus
"Director(s)"	the director(s) of our Company
"EPD"	Environmental Protection Department of the Government
"Euro(s)" or "EUR"	The currency used by Institutions of the European Union and the official currency of the Eurozone
"Frost & Sullivan"	Frost & Sullivan Limited, an independent market research agency
"FY2014"	the financial year ended 31 March 2014
"FY2015"	the financial year ended 31 March 2015
"FY2016"	the financial year ended 31 March 2016
"F&S Report"	an independent market research report in respect of the construction machinery leasing and trading industry in Hong Kong commissioned by our Company and prepared by Frost & Sullivan

"Government"	the Government of Hong Kong
"Gransing"	Gransing Securities Co., Limited, a licensed corporation to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under SFO, being one of the Joint Lead Managers
"**GREEN** Application Form(s)"	The application form(s) to be completed by **HK eIPO White Form** Service Provider designated by our Company
"Group" or "our Group" or "we" or "our" or "us"	Our Company and its subsidiaries or, where the context so requires, with respect to the period before which our Company became the holding company of its current subsidiaries, our Company's current subsidiaries or the businesses operated by such subsidiaries or their predecessors (as the case may be)
"**HK eIPO White Form**"	the application for Public Offer Shares to be issued in the applicant's own name by submitting application online on the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** Service Provider designated by our Company, as specified on the designated website at **www.hkeipo.hk**
"HK$" or "Hong Kong dollar(s)" or "HK dollar(s)"	Hong Kong dollars, the official currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected person(s) of our Company within the meaning of the Listing Rules
"Joint Lead Managers" or "Joint Bookrunners"	AOCL and Gransing, being the joint lead managers and bookrunners of the Share Offer

"JPY" or "Yen" or "Japanese Yen"	Japanese Yen, the official currency of Japan
"Latest Practicable Date"	18 January 2017, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
"Liloy Holdings"	Liloy Holdings Limited, a company incorporated in the BVI with limited liability on 14 August 1991, and a wholly-owned subsidiary of our Company
"Listing"	the listing of the Shares on the Main Board
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about Friday, 10 February 2017, on which our Shares are listed and dealings in our Shares commence on the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company, which will take effect upon the Listing, as amended, supplemented or otherwise modified from time to time
"Mr. Siu"	Mr. Siu Chun Yiu Jonathan (蕭振耀), an executive Director, Chairman and a Controlling Shareholder of our Company
"Mrs. Siu"	Ms. Wong Fei Heung Terbe (王菲香), spouse of Mr. Siu, an executive Director and a Controlling Shareholder of our Company
"New Shares"	the new Shares to be offered for subscription pursuant to the Share Offer
"NRMM(s)"	Non-road mobile machinery
"NRMM Regulation"	Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)

"Offer Price"	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%), which will not be more than HK$0.4 and is expected to be not less than HK$0.35, such price to be agreed upon by our Company (for itself and on behalf of the Selling Shareholder) and AOCL (for itself and on behalf of the Underwriters) on or before the Price Determination Date
"Offer Shares"	the Public Offer Shares and the Placing Shares
"Over-allotment Option"	the option expected to be granted by our Company to the Placing Underwriters, exercisable by AOCL on behalf of the Placing Underwriters pursuant to the Placing Underwriting Agreement
"Placing"	the conditional placing by the Placing Underwriters of the Placing Shares at the Offer Price to professional, institutional and other investors as set forth in the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Placing Shares"	the 324,000,000 Shares which comprise 264,000,000 New Shares and 60,000,000 Sale Shares, subject to reallocation and the Over-allotment Option, as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Placing Underwriters"	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
"Placing Underwriting Agreement"	the conditional placing underwriting agreement relating to the Placing expected to be entered into on or about the Price Determination Date by, among others, our Company, the Joint Lead Managers and the Placing Underwriters, particulars of which are summarised in the section headed "Underwriting" in this prospectus
"Policy Address"	the annual address by the Chief Executive of Hong Kong
"PRC"	the People's Republic of China
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies (Winding Up and Miscellaneous Provisions) Ordinance

"Price Determination Agreement"	the agreement expected to be entered into between our Company (for itself and on behalf of the Selling Shareholder) and AOCL (for itself and on behalf of the Underwriters) on or before the Price Determination Date to record the agreement on the final Offer Price
"Price Determination Date"	the date, expected to be on or around Monday, 6 February 2017 but no later than Tuesday, 7 February 2017, on which the final Offer Price will be fixed for the purpose of the Share Offer
"Public Offer"	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
"Public Offer Shares"	36,000,000 New Shares being initially offered by us for subscription pursuant to the Public Offer, subject to reallocation as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Public Offer Underwriters"	the underwriters of the Public Offer whose names are set forth in the section headed "Underwriting — Public Offer Underwriters" in this prospectus
"Public Offer Underwriting Agreement"	the conditional public offer underwriting agreement dated 26 January 2017 relating to the Public Offer entered into by, among others, our Company, the Joint Lead Managers and the Public Offer Underwriters, particulars of which are summarised in the section headed "Underwriting" in this prospectus
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation" or "Corporate Reorganisation"	the reorganisation arrangements we have undergone in preparation for the listing of Shares on the Stock Exchange which are more particularly described in the section headed "History, Development and Reorganisation" in this prospectus

"Repurchase Mandate"	the general unconditional mandate granted to our Directors by our sole Shareholder in relation to the repurchase of our Shares, particulars of which are set forth in the section headed "Statutory and General Information — A. Further Information about Our Company — 5. Written resolutions of our sole Shareholder passed on 23 January 2017" in Appendix IV to this prospectus
"Sale Shares"	the 60,000,000 Shares being offered for sale by the Selling Shareholder as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus
"Sanroc International"	Sanroc International (Hong Kong) Limited (善樂國際(香港)有限公司), a company incorporated in Hong Kong on 26 September 1996 with limited liability and an indirectly wholly-owned subsidiary of our Company
"Sanroc Leasing"	Sanroc Leasing (Plant & Machinery) Limited (善樂機械租賃有限公司), previously known as Huddy International (Far East) Limited between 12 August 1998 and 21 May 2002, a company incorporated in Hong Kong on 12 August 1998 with limited liability and an indirectly wholly-owned subsidiary of our Company
"Santech Transportation"	Santech Transportation Limited (善達運輸有限公司), previously known as Sanetech Limited (善達有限公司) between 25 July 1991 and 11 June 2015, a company incorporated in Hong Kong on 25 July 1991 with limited liability and an indirectly wholly-owned subsidiary of our Company
"Selling Shareholder"	Lion Spring Enterprises Limited (騰獅企業有限公司), a company incorporated in the BVI on 18 May 2016 with limited liability
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of HK$0.01 each
"Share Offer"	the Placing and the Public Offer

"Share Option Scheme"	the share option scheme conditionally adopted by our Company, the principal terms of which are summarised in the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this prospectus
"Shareholder(s)"	holder(s) of the Share(s)
"Sponsor"	Ample Capital Limited, a licensed corporation under SFO to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO, being the sponsor to the Share Offer
"Stabilising Managers"	AOCL and Gransing
"Stock Borrowing Agreement"	the stock borrowing agreement which may be entered into between Lion Spring Enterprises Limited, and the Stabilising Managers on or about the Price Determination Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Technical Circular"	a technical circular issued by the Works Branch of the Development Bureau on 8 February 2015
"The JANTS Trust"	a revocable discretionary trust set up by Mrs. Siu for the benefit of herself and the children born to Mr. Siu and Mrs. Siu, and of which BNP Paribas Singapore Trust Corporation Limited is the trustee
"Track Record Period"	the period comprising the three financial years ended 31 March 2016 and the four months ended 31 July 2016
"Underwriters"	the Public Offer Underwriters and the Placing Underwriters
"Underwriting Agreements"	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
"United States" or "U.S."	the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

"U.S. dollar(s)" or "US$" or "USD"	U.S. dollars, the lawful currency of U.S.
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant's or the applicants' own name(s)
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS

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

"bell-out"	the enlarged base of a bored pile
"bored pile(s)"	a type of pile formed by excavating or boring a hole in the ground and subsequently filling it with plain or reinforced concrete
"CAGR"	compound annual growth rate, a method of assessing the average growth of a value over time
"cfm"	cubic feet per minute, a measure used in industrial hygiene and ventilation engineering which describes the rate of flow of a gas or air volume into or out of a space
"drilling rig"	a machine used for creating holes in the earth surface
"DTH"	down-the-hole, commonly referred as a drilling method in which the drill string rotates while the drilling hammer continuously strikes down into the earth
"foundation works"	foundation works mainly include bored piling, driven H-piling, socketed H-piling, mini-piles, footing foundation and pile cap works
"GDP"	gross domestic product
"ISO"	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
"ISO 9001"	quality management systems requirements published by ISO
"ISO 14001"	an international standard that gives a framework for an environmental management system published by ISO
"kVA"	kilo-volt-ampere, a unit of apparent power, which is electrical power unit
"main contractor"	a contractor, appointed by the project employer, who is generally responsible for the administration and overall supervision of all the construction works involved in the construction project and delegation of specific work tasks of the construction to different subcontractors

"OHSAS"	acronym for Occupational Health and Safety Assessment Specification, which provides a framework for organisations to identify and control its occupational health and safety management
"OHSAS 18001"	a framework for an occupational health and safety management system developed for managing health and safety risked associated with a business
"piling"	any work in connection with or for the sinking or forming of a pile in the ground by hammering, jacking, screwing, augering, boring, jetting, vibrating, casting or any other means and also means the driving or sinking of any casing or tube into the ground to form a well or shaft for foundation purposes, whether or not the casing or tube is later extracted
"QPME"	Quality Powered Mechanical Equipment, a type of construction equipment notably quieter more environmentally friendly and efficient
"QPME Equipment"	fifteen types of common use construction equipment, including (1) tracked bulldozer; (2) wheeled bulldozer; (3) tracked loader; (4) wheeled loader; (5) excavator; (6) generator; (7) mobile crane; (8) vibratory roller; (9) road roller; (10) asphalt paver; (11) vibratory compactor; (12) power rammer; (13) hand held percussive breaker; (14) air compressor and, (15) concrete crusher, included in the QPME system, with the last 3 types being newly included for trial starting from 1 April 2016
"QPME Labels"	Quality Powered Mechanical Equipment labels, applied by either the equipment supplier or the owner and issued under the QPME System by the Environmental Protection Department
"QPME System"	Quality Powered Mechanical Equipment System, an administrative labeling system in Hong Kong implemented since 2005 with the refinement implemented in April 2013 for promoting the use of environmentally friendly construction equipment
"RCD"	reverse circulation drilling system, a drilling method where compressed air is injected into the drill pipe below water level just above the drilling bit. This reduces the density of the internal water column and starts the circulation. The mixture of water, air and cuttings is then flushed out through the drill pipe into setting tanks

"Regulated Machine(s)"	any mobile machine(s) or transportable industrial equipment(s) (other than a vehicle of a class specified in Schedule 1 to the Road Traffic Ordinance (Cap. 374)) that is/are powered by an internal combustion engine with a rated engine power output that is greater than 19kW but not greater than 560kW
"site formation works"	any works including excavations on sloping land, filling, landslip preventive works, landslip remedial works and ground water drainage works
"sq. ft."	square feet
"Ten Major Infrastructure Projects"	Ten Major Infrastructure Projects announced in the Policy Address issued by the chief executive of Hong Kong in October 2007 including South Island Line, Lok Ma Chau Loop, Sha Tin to Central Link, West Kowloon Cultural District, Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass, Kai Tak Development, Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macao Bridge, North East New Territories New Development Areas and Hong Kong-Shenzhen Western Express Line
"%"	per cent

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements.

These forward-looking statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus.

You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to the following:

- our Group's operation and business prospects, including development plans for its existing and new businesses;
- future developments, trends and conditions in the industry and markets in which we operate;
- our Group's business objectives, business, strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which our Group operate;
- the regulatory environment and general outlook in the industry and markets in which our Group operate;
- the effects of the global financial markets and economic crisis;
- our Group's financial position;
- our Group's ability to reduce costs;
- our Group's dividend policy;
- the amount and nature of, and potential for, future development of our Group's business;
- various business opportunities that our Group may pursue;
- fluctuation in the prices of raw materials and our Group's ability to pass-through any increases in price to customers;

- our Group's ability to hire and retain talented employees;
- the actions and developments of our competitors and our Group's ability to compete under these actions and developments;
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends;
- the other factors that are described in the section headed "Risk Factors" in this prospectus and
- other factors beyond our Group's control.

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. As a result of these and other risks, uncertainties and assumptions, the forward looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement set out in this section.

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

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.

We believe that there are certain risks involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to the industry; (iii) risks relating to the Hong Kong; and (iv) risks relating to the Share Offer.

RISKS RELATING TO OUR BUSINESS

Our engagement with our customers are based on projects on hand of our customers. There is no guarantee that our existing customers will engage us again in future construction projects.

Our customers are mainly construction companies engaged in either public or private construction projects of which a number of them were recurring customers under our business operation. Our revenue may depend materially on the number and size of projects our customers are awarded and the number of our machinery are engaged in for such projects. When our customers complete the respective stages of the construction projects we are involved in, our engagements with them will terminate. There is no guarantee that our customers will continue to engage us for our services in future construction projects to a similar extent, or at all. In addition, we normally do not enter into any long-term leasing contract with our customers of which under the general leasing terms our customers are only subject to a minimum leasing period from seven days to 30 days. As a result, our customers may potentially terminate our existing leasing agreement in a short timeframe. Our customers may choose instead to lease or purchase construction machinery from our competitors for their future construction projects. If we cannot maintain our engagements with customers in the future, our business operation and future profits can be adversely affected.

There is no guarantee that our suppliers will extend the exclusive dealership agreements with us upon expiry of such agreements and our future profit and market share may be adversely affected.

As at the Latest Practicable Date, our Group has entered into exclusive dealership agreement with five of our suppliers in relation to their product dealership in the Hong Kong market, from which we sourced approximately 41.5%, 42.2%, 48.2% and 41.8% of our total purchase for the three years ended 31 March 2016 and the four months ended 31 July 2016 respectively. We are dependent on the continued supply of construction machinery from these suppliers to maintain our business operation.

Our existing exclusive dealership agreements are subject to validity terms and need to be renewed between the year ended 31 December 2018 and 31 December 2021. Details of our exclusive dealership agreements please refer to the section headed “Business — Exclusive dealership agreements”. However, there is no assurance that we can maintain our relationship with these suppliers and renew all the exclusive dealership agreements upon expiry. As a result, we may have to seek for other suppliers as substitutes, and this could lead to a significant adverse effect on our construction machinery trading business, financial conditions, and result of operations if we were unable to find suitable substitute suppliers in a timely manner, on favourable terms or at all. Even if we are able to purchase from other suppliers, they may not be provide product with similar quality to us or comprehensive after-sales services as our exclusive dealers provided currently. Our future profits and/or market share can be adversely affected.

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

According to the F&S Report, increasing infrastructure demand and the significant investment in construction by the Government are some of the main drivers of the construction market in Hong Kong. According to the 2015-16 Budget announced by the Government, the public expenditure on infrastructure is estimated to reach HK$70 billion in that fiscal year. Apart from the ongoing Ten Major Infrastructure Projects, the Government has also put forth other construction and civil works, such as Operation Building Bright and Revitalizing Historic Building. In view of the upcoming public infrastructure projects, such as Three Runway System Project of Hong Kong International Airport, Hong Kong-Zhuhai-Macau Bridge and Tuen Mun-Chek Lap Kok Link, and urban renewal plans, it is expected that investment into the construction projects will maintain at a relatively high level and boost the sales and demand for related construction industry from the public sector. The increasing demand for infrastructure is a main driver of the entire construction industry in Hong Kong.

Delay in the commencement of public projects may be caused by, among other things, political disagreements in relation to such projects, delay in approval of the funding proposals for public works due to political filibustering by law-makers and objections, protests or legal actions by affected residents, entities or other members of the public. Our engagement with our customers may depend on the timing of the funding approval by the committees of the Legislative Council of Hong Kong, where prolonged discussion by some members of the Legislative Council has often led to delays in the passing of public works funding proposals in recent years. All of our revenue is derived in Hong Kong, and any change of the political environment may also affect the economy and construction industry in the region, which may adversely affect our operations and results of operations.

Our major customers include some main contractors in Hong Kong engaging in public projects, therefore, the delay in the commencement of public projects may directly affect the utilisation of our machinery and our results of operation if we are not able to engage our machinery for other projects at the same or similar level. In addition to any delay in commencement, the uncertainty on the commencement the relevant projects also make it more difficult for us to make accurate planning for the demand, deployment, utilisation of our machinery, which may adversely affect our operations and financial performance.

We have a concentrated clientele base and our five largest customers for the three years ended 31 March 2016 and the four months ended 31 July 2016 accounted for approximately 60.4%, 54.7%, 59.3% and 54.4% of our revenue of the same period respectively. Any decrease in the number of contracts or leasing arrangements awarded by them to us would adversely affect our operations and financial results.

A significant portion of our revenue was derived from a small number of customers during the Track Record Period. Our five largest customers for the three years ended 31 March 2016 and the four months ended 31 July 2016 accounted for approximately 60.4%, 54.7%, 59.3% and 54.4% of our revenue of the same period, respectively. For the same period, our largest customer accounted for approximately 27.4%, 23.4%, 21.0% and 18.2% of our revenue, respectively.

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

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

Under the Technical Circular, exempted Regulated Machines under the NRMM Regulation in Hong Kong will be phased out progressively from 1 June 2015 and no exempted Regulated Machines, including generators, air compressors, excavators and crawler cranes will be allowed to be engaged in any new capital works contracts of public works including design and build contracts, with an estimated contract value exceeding HK$200 million and tenders invited by 1 June 2019. For details of the NRMM Regulation and the Technical Circular, please refer to the section headed "Regulatory Overview" in this prospectus.

As at the Latest Practicable Date, our Group has over 600 Regulated Machines in total and 482 of the Regulated Machines were granted exemption under the NRMM Regulation. The Technical Circular is to be adopted by relevant works departments of the Government and is related directly to the contractual terms in the contracts between the Government and the main contractors in the construction industry. It is neither binding nor regulatory to our Group's business operations and any breach of its clauses shall be a breach of contractual term between the respective government department and the respective main contractor of which our Group is not a party. Our Directors believe the implementation of the Technical Circular will not have material impact on the operation of our Group. Nonetheless, we cannot guarantee that the Government will not extend the scope or interpretation of the Technical Circular or issue other similar administrative tools which will cause any potential impact to our business operation, if there is such a case, our business, financial position, results of operations and prospects may be materially and adversely affected.

We plan to purchase new leasing machinery and transportation vehicles with a significant part of the proceeds from the Share Offer. We cannot guarantee that such new machinery will be utilised to the extent we expect and it may also reduce the overall utilisation rate of our leasing machinery. Our profitability may also be affected by the potential increase in depreciation expenses due to our investment in our leasing fleet.

We intend to use approximately HK$86.7 million, or 98.5% of the estimated net proceeds to us from the Share Offer, for investment in leasing fleet and transportation vehicles, as set out in details in the section headed "Future Plans and Use of Proceeds". The overall utilisation rate for our owned machinery was approximately 93.2%, 91.8%, 88.8% and 83.8% for the three years ended 31 March 2016 and the four months ended 31 July 2016 respectively. Our plan to purchase new machinery and transportation vehicles may reduce the overall utilisation rate of our leasing fleet. There is no guarantee that the new machinery or transportation vehicles will be utilised at the rate we expect, due to factors such as changes in the economy and decline in construction activities in Hong Kong, or changes in market demand which may reduce the overall utilisation rate of our leasing and/or transportation fleet. In the event that the new machinery and/or transportation vehicles are not utilised as we expect, our results of operation may be adversely affected.

We depreciate our machinery and transportation vehicles on a straight-line basis over their estimated useful lives. For more information on the relevant accounting policy, see the Accountant's Report as set out in Appendix I. As we continue to make significant investments in our leasing and transportation fleet, it is expected that additional depreciation expenses will be charged. If we are unable to utilise our new machinery or transportation vehicles at the rate we expect, the utilisation rate of our leasing or transportation fleet, our net profit margin and results of operation may be adversely affected.

We depend on our key management personnel.

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

We may not be able to secure suitable premises for storage of our machinery and for our office and we may have to relocate for alternatives.

We have entered into the tenancy agreement for a piece of land located in Ping Che, New Territories for the storage of our machinery and inventories. There is no assurance that we can continue to lease our land when the relevant agreement expires. If we are unable to renew our existing lease, secure suitable new premises, or if there is sudden change in demand for our leasing fleet, we may need to secure alternative. As storage facilities have to be located on premises which meet zoning and permitted land use requirements, such premises may not be immediately available when needed. If we cannot extend our current lease and/or cannot find alternative or additional premises when required, this may result in disruptions to our operations which will in turn adversely affect our operations.

We are exposed to foreign exchange risks.

Payments made by us for the settlement of our purchases are generally made in Hong Kong dollar, US dollar, Japanese Yen and Euro. Payments received by us from our customers are, on the other hand, only in Hong Kong dollar. We are therefore exposed to foreign exchange risk as the exchange rates between the Hong Kong dollar and foreign currencies at the time we place orders under such agreements, maybe substantially different from those at the time that we are required to make payments to the suppliers. In addition, if exchange rate fluctuations cause increases in our cost of sales, we may not be able to adjust our selling price promptly to pass such increment to our customers, which would negatively affect our profits.

Our Group has adopted a hedging policy to ensure that all of our hedging activities are properly conducted. For details of our hedging policy, please refer to the paragraph headed "Financial Information — Quantitative and Qualitative Disclosure about Market Risks — Hedging" in this prospectus. We are exposed to exchange rate fluctuations and such exposure may adversely affect our financial position.

We recorded net foreign exchange gain/(loss) of approximately HK$123,000, HK$1,793,000, HK$(47,000) and HK$(736,000) for the three years ended 31 March 2016 and the four months ended 31 July 2016 respectively.

The cost of new machinery may increase, which may cause us to spend significantly more for replacement machinery, and in some cases we may not be able to procure machinery at all due to supplier constraints.

We regularly replace our power and energy machinery which ages over 15 years, by adding brand new machinery into the leasing fleet. The cost of new machinery may increase, which may cause us to spend significantly more for replacement machinery, and in some cases we may not be able to procure machinery at all due to supplier constraints. The cost of machinery used in our leasing machinery fleet could increase, due to factors beyond our control, such as inflation, complying with governmental regulations or increased material costs. Price increases could materially adversely affect our business, financial condition and results of operations.

In addition, we may not be able to procure all necessary replacement machinery in a timely manner since our suppliers may not be able to meet our procurement schedules. If demand for new machinery increases significantly, manufacturers may not be able to meet customer orders on a timely basis. As a result, we may experience long lead-times for certain types of machinery and we cannot assure that we will be able to acquire the types or sufficient numbers of machinery that we need to replace older machinery according to our expected schedule. Consequently, we may have to age our fleet longer than we would consider optimal or shrink our fleet, either of which could restrict our ability to grow our business.

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

We may face the risk of loss or damage to our properties and construction machinery due to fire, flood, theft or other kinds of accidents in our day-to-day operations. Such events may lead to disruptions and may therefore adversely affect our profitability. We have currently maintained all plant risk insurance for majority of machinery in our leasing fleet covering fire, flood and other disasters and comprehensive insurance for our transportation vehicles. In the event that we face losses, damages or business interruption to our construction machinery, leasing fleet or inventories due to theft or any other accidents at our storage facilities, these losses may not be covered by our insurance and we may not be able to receive any compensation. It will then have an adverse impact on our business operations and financial position.

Notwithstanding our commitment to insure for our employees as well as for third party liabilities in our warehouse and office, our liabilities may not be fully covered by insurance in the event that there are claims made against us as a result of accidents. If that is the case, our profitability and financial performance will be adversely affected.

We engage third parties to carry out some of the tasks in our operations cycle. The sub-standard or delayed performance of these third parties may adversely affect our Group's reputation.

Our Group has engaged third party service providers for the delivery of construction machinery to customers' construction sites and assembly/disassembly of our construction machinery at customers' construction sites. Our Group may not be able to review and monitor the performance of these service providers as directly and as efficiently as managing our own staff. Our inability to ensure the service quality of these third party service providers could also hinder our ability to deliver services to customers in a timely and satisfactory manner. By engaging them for different tasks, our Group is exposed to risks associated with sub-standard or delayed performance by these third party service providers. If such risks materialise, our service quality to customers may deteriorate and could therefore impact upon our Group's profitability, financial performance and reputation, and result in litigation or damages claims.

In addition, if the third party service providers are in breach of any rules and regulations in relation to health and safety matters, it may expose our Group to prosecutions and/or liable to claims for loss and damages. If there is in fact a violation, our operations and therefore reputation and financial position will be adversely affected.

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

There is no assurance that our Group will declare dividends. The declaration, payment and amount of any future dividends are subject to the discretion of our Board depending on, among other things, our Group's earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors. For further details, please refer to the section headed "Financial Information — Dividend" in this prospectus. We cannot assure investors when or whether we will pay dividends in the future.

We recorded net current liabilities during the Track Record Period and may not generate sufficient cash flows in the future to finance our operations or satisfy our current liabilities.

As at 31 March 2014, 2015 and 30 November 2016, being the Latest Practicable Date for determining our Group's indebtedness, our Group had net current liabilities of approximately HK$11.9 million, HK$13.7 million and HK$9.2 million respectively. Our Group's net current liabilities as at 31 March 2014 and 2015 has arisen principally out of our Group's business expansion during the relevant years involving the material additions to our leasing fleet by means of purchases of machinery and equipment. For the years ended 31 March 2014 and 2015 and the four months ended 31 July 2016, our Group's purchases of machinery and equipment amounted to HK$24.4 million, HK$61.4 million and HK$19.7 million, respectively. Due to the nature of our business, our Group finance these material additions to our leasing fleet by means of primarily utilisation of positive cash flow from our operations and draw down of bank borrowings, as well as, to a lesser extent, bank overdrafts and finance leases. In addition, our Group also made use of bank borrowings for the financing of working capital. As all material additions to our leasing fleet were classified as non-current assets, while a large portion of the borrowings used for financing the purchases of machinery and equipment and working capital requirements were classified as current liabilities, the material additions to our leasing fleet has contributed to the incurrence of net current liabilities of our Group for the relevant financial years. Our Directors consider that because of our business model and the requirements under the HKFRSs and our accounting policies, our net current liabilities position might continue in the future. The net current liabilities position would expose us to liquidity risk which could restrict our ability to make necessary capital expenditure or develop business opportunities, and our business, operating results and financial condition could be materially and adversely affected.

In addition, if we are unable to generate sufficient cash flow for our operations or otherwise unable to obtain sufficient funds to finance our operations or satisfy our current liabilities in a timely manner, our business operations, our liquidity and our ability to raise funding may be materially and adversely affected by our net current liabilities and negative cash flow from operations. There can be no assurance that we will maintain sufficient working capital, revenues or raise necessary funding to pay off our current liabilities and meet our capital commitments. In such circumstances, our business, financial position, results of operations and prospects may be materially and adversely affected.

We have extensive use of lease arrangements in our business operation and future changes in lease accounting may negatively impact our future operating results.

Our Group is engaged in the business of the leasing of construction machinery. We mainly focus on the leasing of power generators which are commonly required in construction and electrical and mechanical engineering projects to provide electricity supply. Other than leasing out power and energy machinery, which is our focus, we also lease some foundation machinery. For the three years ended 31 March 2016 and the four months ended 31 July 2016, the construction machinery leasing business contributed approximately HK$31.5 million, HK$52.8 million, HK$67.0 million and HK$23.4 million, representing 27.9%, 25.4%, 32.6% and 40.0% of our Group's total revenue for aforementioned years and the four months ended 31 July 2016, respectively.

Our Group also leases construction machineries from third party construction companies for which we would then sub-lease to our customers. The sub-leasing expenses, which represents the leasing expenses paid to third parties construction companies for their construction machineries leased to us for our sub-leasing purposes, are charged to our Group's combined statements of comprehensive income as cost of sales and services. In addition, we leased two properties in Hong Kong as at the Latest Practicable Date. These leased properties are primarily used for office, and yards or warehouse for storing our machinery and accessories.

In May 2016, the Hong Kong Institute of Certified Public Accountants issued the HKFRS 16 "Leases", which is not expected to be applied by the Group until the year ended 31 March 2020. In presenting the financial information set out in this prospectus, the Group has not early adopted the relevant provisions of HKFRS 16.

Our Group is a lessee of various machinery, offices and warehouses which are currently classified as operating leases. Our Group's current accounting policy for such leases and future operating lease commitments, which are not reflected in the combined balance sheets, are set out in note 2.11 and note 24(b), respectively, to the Accountant's Report in Appendix I to this prospectus. HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the balance sheet. Instead, all long-term leases must be recognised in the balance sheet in the form of assets (for the rights of use) and lease liabilities (for the payment obligations). Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations.

The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the balance sheet. In profit or loss, rental expenses will be replaced with depreciation and interest expense. The impacts on our Group's financial results and position upon the adoption of HKFRS 16 as lessor of finance leases and operating leases are not expected to be material. Nevertheless, any further potential new or revisions to accounting standards for leases and the resulting changes to our Group's income and expenses arising out of leasing activities, in particular to the accounting for our Group's revenue as lessor of finance leases and operating leases, may negatively impact our future operating results.

RISKS RELATING TO OUR INDUSTRY

The construction machinery trading and leasing industry is competitive, and competitive pressures could lead to a decrease in our market share and our ability to sell or lease machinery at favourable prices.

The construction machinery trading and leasing industry is fragmented and competitive. According to the F&S Report, there were about 50 companies which provide construction machinery trading business and around 80 companies which provide construction machinery leasing business as us as in 2015 respectively. Despite of entry barriers for new entrants to enter the construction machinery services industry in Hong Kong, such as limited technical ability, established business relationship between contractors and existing market players and intensive initial capital investment, we face competitions with existing construction machinery service providers and potential new entrants into the market. We believe there may be increased competition in the construction machinery trading and leasing market from existing competitors or from new market entrants.

We believe that quality of products and services is the primary competitive factors in the construction machinery trading and leasing industry. From time to time, our competitors may compete by introducing similar or lower-priced substitutes. Competitive pressures could materially adversely affect our revenues and operating results by decreasing our market share or depressing the machinery prices. If we lower the prices in order to retain or increase market share, our operating margins and financial performance would be adversely impacted.

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

Our Group's operations are currently located in Hong Kong only. The demand for our construction machinery trading and leasing business is highly dependent on the continued availability of construction projects, external economic environment and the prevailing market conditions in the construction industry in Hong Kong. In addition, the market conditions of the construction industry in Hong Kong are influenced by various factors, including but not limited to: (i) shortage of skilled labour; (ii) macroeconomic environment; (iii) government budget on infrastructure projects; and (iv) ecological environment. Should there be a recurrence of recession, any significant deterioration in the demand for construction machinery, our operating results and financial conditions could be adversely affected.

RISKS RELATING TO CONDUCTING OPERATION IN HONG KONG

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

During the Track Record Period, all of our revenue was derived from construction industry in Hong Kong. We believe that the revenue generated in Hong Kong will continue to represent all or a very substantial proportion of our total revenue in the near future. Any economic downturn or recession in Hong Kong could lead to decline in demand for our products and services as such our overall business and results of operations may be materially and adversely affected.

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

Hong Kong is a special administrative region of the PRC and enjoys a high level of autonomy under the principle of "one country, two systems" according to the Basic Law of Hong Kong. However, we are not in any position to guarantee the implementation of the "one country, two systems" principle and the level of autonomy currently in place at the moment. Since all of our operations are based in Hong Kong, any change of such political arrangements may pose immediate threat to the stability of the economy in Hong Kong, thereby directly and adversely affecting our results of operations and financial positions.

RISKS RELATING TO THE SHARE OFFER

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

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

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

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

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

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

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

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

The Offer Price is higher than the net tangible asset value per Share. Hence, investors of our Offer Shares will experience an immediate dilution in the unaudited pro forma adjusted net tangible asset value to HK$0.18 per Share based on the Offer Price at HK$0.35 per Offer Share (being the low end of the proposed Offer price range).

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

THE SELLING SHAREHOLDER

The Selling Shareholder will offer 60,000,000 Sale Shares for sale under the Share Offer. For details of the Sale Shares by the Selling Shareholder, please refer to the section headed "Statutory and General Information — E. Other Information — 8. Particulars of the Selling Shareholder" in Appendix IV to this prospectus.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer which comprises the Placing and the Public Offer. For applicants under the Share Offer, this prospectus and the Application Forms set out the terms and conditions of the Share Offer.

The Listing is sponsored by the Sponsor. The Public Offer will be fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to the agreement to the Offer Price between our Company (for itself and on behalf of the Selling Shareholder) and AOCL (for itself and on behalf of the Underwriters). The Share Offer is managed by the Joint Lead Managers. The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by AOCL (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) on or around Monday, 6 February 2017 (Hong Kong time) or such later time as may be agreed between the AOCL (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder), but in any event no later than Tuesday, 7 February 2017 (Hong Kong time). If, for any reason, the Offer Price is not agreed between our Company (for itself and on behalf of the Selling Shareholder) and AOCL (for itself and on behalf of the other Underwriters), the Share Offer will not proceed.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms 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, nor is it calculated to invite or solicit offers 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 and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in the U.S., except in compliance with the relevant laws and regulations of such jurisdiction.

INFORMATION ON THE SHARE OFFER

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

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

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

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme).

No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or currently proposed to be sought in the near future.

HONG KONG BRANCH REGISTER OF MEMBERS AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Share Offer will be registered on our branch register of members to be maintained in Hong Kong by Tricor Investor Services Limited, our Hong Kong Branch Share Registrar. Our principal register of members will be maintained in the Cayman Islands by our Company's principal share registrar, Maples Fund Services (Cayman) Limited.

Dealings in Shares registered in our Hong Kong Branch Share Registrar will be subject to Hong Kong stamp duty. Only Shares registered on our Hong Kong branch register of members may be traded on the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for or purchasing, holding or disposing of or dealing in the Offer Shares, you should consult your professional advisers. None of the Company, the Sponsor, the Joint Lead Managers, the Underwriters, their respective directors, agents, employees or advisors and any other person involved in the Share Offer accepts 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 the Offer Shares.

OVER-ALLOTMENT OPTION AND STABILISATION

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

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 Public Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE SHARE OFFER

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

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or such other date HKSCC chooses. Investors should seek the advice of their stockbroker or other professional advisers for details of those settlement arrangements as such arrangements will affect their rights, interest and liabilities.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after a trading transaction.

All necessary arrangements have been made for the Shares to be admitted to CCASS.

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, 10 February 2017.

The Shares will be traded in board lots of 8,000 Shares each.

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese, Japanese, South Korean, Italian laws and regulations, governmental authorities, departments, entities, institutions, natural persons, facilities, certificates, titles and the like included in this prospectus are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

EXCHANGE RATES CONVERSION

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

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Siu Chun Yiu Jonathan (蕭振耀)	Flat 2, 7/F, Block C Park Place 7 Tai Tam Reservoir Road Repulse Bay Hong Kong	Chinese
Wong Fei Heung Terbe (王菲香)	Flat 2, 7/F, Block C Park Place 7 Tai Tam Reservoir Road Repulse Bay Hong Kong	Chinese
Yip Kam Ling (葉錦玲)	Flat G, 36/F Civic House, Affluence Garden Tuen Mun Hong Kong	Chinese
Ho King Chiu (何景超)	Room 2009 Wo Muk House Lei Cheng Uk Estate Sham Shui Po Hong Kong	Chinese
Independent non-executive Directors		
Chui Kwong Fun (徐廣勳)	Flat G, 18/F Block 12, Chi Fu Fa Yuen Pokfulam Hong Kong	British
Leung Siu Hong (梁兆康)	Flat E, 22/F Block 2, Academic Terrace 101 Pok Fu Lam Road Hong Kong	Chinese
Li Ching Wing (李正榮)	Flat 3, 18/F, Block E Sunway Gardens 989 King's Road Quarry Bay Hong Kong	Chinese

For further details, please refer to the section headed "Directors, Senior Management and Staff" of this prospectus.

PARTIES INVOLVED

Sponsor	**Ample Capital Limited** Unit A, 14/F., Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong
Joint Lead Managers and Bookrunners	**Ample Orient Capital Limited** Unit 902, Far East Consortium Building 121 Des Voeux Road Central Hong Kong **Gransing Securities Co., Limited** 805-806, Far East Consortium Building 121 Des Voeux Road Central Hong Kong
Co-Managers	**China Jianxin Financial Services Limited** **Head & Shoulders Securities Limited** **Huajin Securities (International) Limited** **Sorrento Securities Limited**
Public Offer Underwriters	**Ample Orient Capital Limited** Unit 902, Far East Consortium Building 121 Des Voeux Road Central Hong Kong **Gransing Securities Co., Limited** 805-806, Far East Consortium Building 121 Des Voeux Road Central Hong Kong
Legal advisers to our Company	*As to Hong Kong law:* **Hui & Lam LLP** Rooms 1505-06, 15th Floor, The Center 99 Queen's Road Central Hong Kong *As to British Virgin Islands and Cayman Islands laws:* **Maples and Calder (Hong Kong) LLP** 53rd Floor, The Center 99 Queen's Road Central Hong Kong

Legal advisers to the Sponsor and the Underwriters	*As to Hong Kong law:* **Francis & Co.** **in association with** **Addleshaw Goddard (Hong Kong) LLP** 802-804 Champion Tower 3 Garden Road Central Hong Kong
Legal advisers to Mrs. Siu in relation to the provisions of The JANTS Trust	*As to Singapore law:* **Quantum Law Corporation** 150 Cecil Street #09-02 Singapore 069543
Auditor and Reporting Accountant	**PricewaterhouseCoopers** *Certified Public Accountants* 22th Floor, Prince's Building Central Hong Kong
Receiving Bank	**The Bank of East Asia, Limited** 10 Des Voeux Road Central Hong Kong

Registered office in the Cayman Islands	Maples Corporate Services Limited PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Headquarters and principal place of business in Hong Kong	Rooms 6-7, 18/F Laws Commercial Plaza 788 Cheung Sha Wan Road Kowloon Hong Kong
Company's website address	www.sanrochk.com *(information contained in the website does not form part of this prospectus)*
Company secretary	Ms. Cheng Shing Yan *Certified Public Accountant* Flat RA, 53/F Tower 11, R Wing (Morning Haze) La Splendeur Lohas Park Tseung Kwan O Hong Kong
Compliance adviser	**Ample Capital Limited** Unit A, 14/F., Two Chinachem Plaza, 135 Des Voeux Road Central, Central Hong Kong
Authorised representatives	Mr. Siu Chun Yiu Jonathan Flat 2, 7/F, Block C Park Place 7 Tai Tam Reservoir Road Repulse Bay Hong Kong Ms. Cheng Shing Yan Flat RA, 53/F Tower 11, R Wing (Morning Haze) La Splendeur Lohas Park Tseung Kwan O Hong Kong
Audit Committee	Mr. Leung Siu Hong (chairman) Mr. Chui Kwong Fun Mr. Li Ching Wing

Nomination Committee	Mr. Siu Chun Yiu Jonathan (chairman) Mr. Chui Kwong Fun Mr. Li Ching Wing
Remuneration Committee	Mr. Chui Kwong Fun (chairman) Mr. Li Ching Wing Ms. Yip Kam Ling
Principal share registrar and transfer office in the Cayman Islands	Maples Fund Services (Cayman) Limited PO Box 1093 Boundary Hall, Cricket Square KY1-1102 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal banker	OCBC Wing Hang Bank Limited 161 Queen's Road Central Hong Kong

The information in the section has been partly derived from various publicly available government sources, market data providers and other independent third party sources. In addition, this section and elsewhere in the prospectus contains information extracted from a commissioned report (the "F&S Report"), prepared by Frost & Sullivan for the inclusion in this prospectus. We and the Sponsor believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We and the Sponsor have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by our Directors, the Sponsor, the Joint Lead Managers and the Underwriters or any party involved in Share Offer and no representation is given as to its correctness, accuracy and completeness. The information may not be consistent with other information compiled by other parties. As such, investors are cautioned not to place any undue reliance on the information and statistics set forth in this section. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information since the date of the F&S Report, which may quality, contradict or have an impact on the information as disclosed in this section.

REPORT CONDUCTED BY FROST & SULLIVAN

We have commissioned Frost & Sullivan, an independent professional market research company, to analyse and report on Hong Kong construction machinery leasing and trading market. We paid Frost & Sullivan a fee of HK$550,000 for the preparation of the report, which we believe to be consistent with the market rates. Frost & Sullivan is a global consulting company founded in 1961 in New York and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy.

The information contained in the F&S Report is derived by data and intelligence gathering such as: (i) secondary research, which sources are from Frost & Sullivan in-house research, industry report, market database, trade journals, industry literature, and annual report; (ii) primary research, including in-depth telephone and face to face interviews with experienced industry expert; (iii) information from authorised organizations regarding the market size and the market share of key manufacturers. Frost & Sullivan adopts multi-sources methodologies to build up industry data. Initiated from secondary research as a start point, they conducted interviews with industry participants across the industry chain, leading them to reach a market consensus.

The base year of this report is 2015, and the forecast period would be from 2016 to 2020. Frost & Sullivan will use the latest information available or make estimations based on past years' trend. Methodology integrates several forecasting techniques with the Market Engineering measurement-based system. It relies on the expertise of the analyst team in integrating the critical market elements investigated during the research phase of the project.

ASSUMPTIONS AND PARAMETERS FOR GROWTH AND FORECASTS USED IN F&S REPORT

The following assumptions are used in the F&S Report:

- The social, economic and political environment is likely to remain stable.
- Key industry drivers are likely to continue to affect the market over the forecast period from 2016 to 2020. For the projection of total market size, Frost & Sullivan plotted available historical data against macroeconomic data as well as data with respect to related industry drivers.

Reliability of the information and future forecast in the F&S Report

We are of the view that sources of information used in this section, which are extracted from the F&S Report, are reliable and not misleading as Frost and Sullivan is an independent market research company with extensive experience in their profession. Some of the analytical conclusions extracted from the F&S Report cover future forecasts. We consider the future forecasts, and the associated major bases and assumptions to be reliable, accurate and not misleading after taking into account that Frost and Sullivan is an independent market research company with extensive experience in their profession. Our Directors confirm that, to the best of their knowledge and after taking reasonable care, there is no material adverse change in market information contained in this section since the finalisation of the F&S Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF MACROECONOMIC CONDITION OF HONG KONG

Hong Kong Nominal GDP and GDP per Capita

Hong Kong nominal GDP increased from HK$1,776.3 billion in 2010 to HK$2,404.5 billion in 2015, representing a CAGR of 6.2%, and is expected to further increase to HK$3,394.4 billion in 2020, representing a CAGR of 7.2% during the forecast period. The nominal GDP per capita increased from approximately HK$252,000 in 2010 to approximately HK$329,000 in 2015, at a CAGR of 5.5%, and is expected to increase to approximately HK$451,000 in 2020, representing a CAGR of 6.6%.

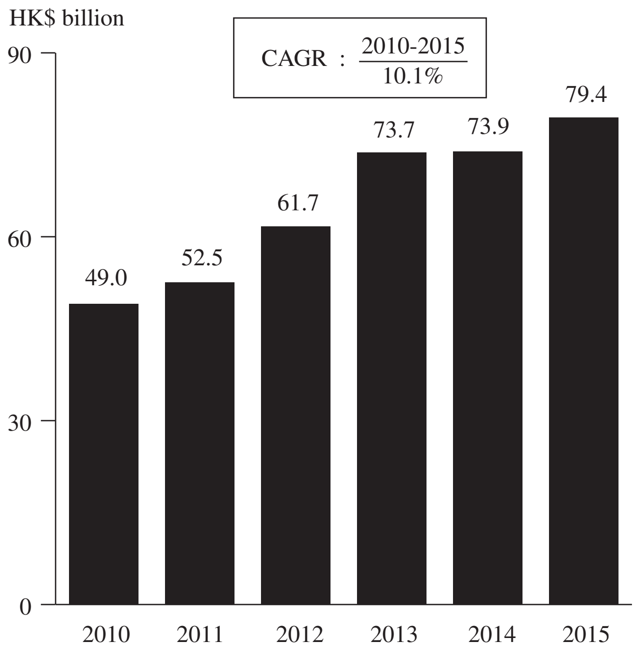
The Hong Kong economy witnessed a moderate growth in nominal GDP of 7.1% in 2015 which was slightly higher than previous year. The growth of GDP was mainly impacted by the weak external demand amid an austere global economic environment characterised by the unsettled Euro debt crisis and fragile recovery of the major advanced economies.

Hong Kong Public Expenditure on Infrastructure

The growth of Hong Kong construction engineering industry has been largely supported by the commencement of a series of large scale infrastructure projects in recent few years. Since the announcement of the Ten Major Infrastructure Projects, some cross border infrastructure projects and development projects of Hong Kong's infrastructures have been commenced to promote economic development in Hong Kong and bridge the economic connections between Hong Kong and mainland

China. The public expenditure on infrastructure in Hong Kong from 2010 to 2015 has been increased from HK$49.0 billion to HK$79.4 billion which concluded to have a CAGR of 10.1% in the recent five years. The increasing expenditure on infrastructure is according to the commencement of the infrastructure projects including the medical, transportation and educational infrastructures.

Public Expenditure on Infrastructure, Hong Kong, 2010-2015



Source: Hong Kong Census and Statistics Department, and F&S Report

MARKET OVERVIEW OF THE ENGINEERING CONSTRUCTION INDUSTRY IN HONG KONG

Increasing Infrastructure Demand

The rising trend in development projects may boost the demand for infrastructure in Hong Kong, including the ongoing the Ten Major Infrastructure Projects. The Government has also put forth with other construction and civil works, such as Operation Building Bright and Revitalizing Historic Building. The increasing demand for infrastructure stimulated the growth of the entire construction industry in Hong Kong.

Significant Investment in Construction Projects

According to the 2015-16 Budget announced by the Hong Kong Government, the public expenditure on infrastructure is estimated to reach HK$70 billion in the same fiscal year. In view of the upcoming construction projects (e.g. Three Runway System Project of Hong Kong International Airport, Hong Kong-Zhuhai-Macau Bridge, Tuen Mun-Chek Lap Kok Link) and urban renewal plans, it is expected that investment in construction projects will maintain at a relatively high level and boost the sales and demand for related construction industries from the public sector.

Reputable Construction Work

Construction companies in Hong Kong are well-known for high quality construction of high-rise buildings including apartment blocks and office towers. With the adoption of specialised construction techniques in various sectors in construction work, such as design-and-build methods, Hong Kong has earned a good reputation in regional market in Asia which drives the growth of the export market of Hong Kong's building and construction service.

Rising Environment Awareness

Construction companies are now paying more attention to the environmental protection in their construction work, which could enhance their market competitiveness. There is a surging demand for construction demand for construction machinery with lower emission. Moreover, with NRMM Regulation came into effect on 1 June 2015, all Regulated Machines are required to comply with the new emission standards. Therefore, the demand for low emission machinery will be driven up under the new regulation.

OVERVIEW OF CONSTRUCTION MACHINERY LEASING MARKET IN HONG KONG

Construction machinery is the tools and machineries used in a construction project including civil, building, electrical and mechanical (E&M) and repair, maintenance, alteration and addition (RMAA) works. Based on its functionality and application, construction machinery can be classified into foundation machinery, power and energy machinery, lifting machinery, high reach machinery, material handling machinery, earth moving machinery etc.

Classification and Application of Construction Machinery Offered by Leasing and Trading Service Provider, Hong Kong

Category	Application	Common Types
Foundation Machinery	Machinery primarily used in the site formation stage of construction project	Piling machine, oscillator, drill rig, vibrators
Power and Energy Machinery	Devices to provide energy/power for operation or illumination of the construction sites	Diesel generator, air compressor, light tower
Lifting Machinery	Machinery used to hoist heavy objects in construction sites	Tower crane, truck crane, crawler crane
High Reach Machinery	Mechanical devices used to provide access in high inaccessible areas	Diesel/electric scissor lift, vertical lift, boom lift
Earth Moving Machinery	Machinery primarily used to move earth in construction sites	Skid-steer, trencher, excavator, dozer, grader, dump truckers
Material Handling Machinery	Machinery used to raise heavy objects and move around	Reach forklift, telescopic handlers, loader, jack
Others	Other machinery used in construction works in both private and public sectors	Tunneling machinery, concrete machinery, diesel welder, etc.

Source: F&S Report

Introduction to Foundation and Power and Energy Machinery

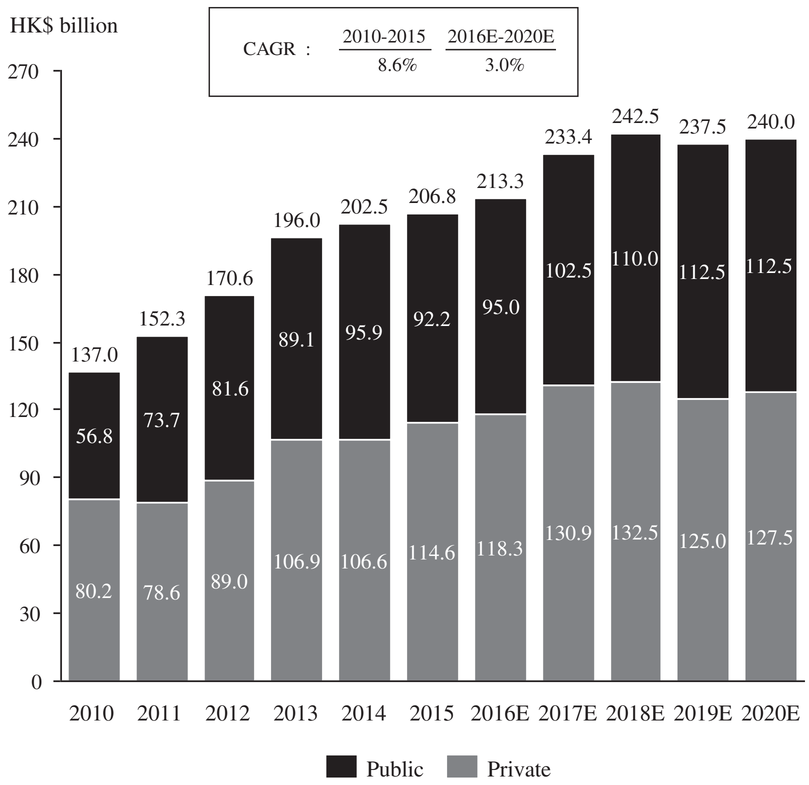
Foundation machinery can be divided into three categories: piling machines, DTH drilling rigs and bored pile machines. DTH drilling rigs are widely used in Hong Kong due to the geological properties of the soil and they create less noise pollution comparing to the piling machines. Drilling rigs can be categorised by different drilling techniques such as reverse circulation drilling rig and DTH drill. Power generator is widely used for various kinds of construction on-site power supply.

Market Size of Hong Kong's Construction Industry

The Hong Kong construction industry can be divided into two segments by end user type, namely the public and the private sector. Since 2007, the Ten Major Infrastructure Projects has been commenced in Hong Kong. It has greatly influenced both public and private sector. According to Hong Kong Construction Industry Council, the market demand for engineering construction in Hong Kong is expected to be approximately HK$90 billion to HK$110 billion each year from 2016 to 2020 for public sector and approximately HK$115 billion to HK$130 billion each year from 2016 to 2020 for private sector respectively, by conservative estimation. In the next few years, several factors ensure the steady growth from non-governmental construction investment. Firstly, Hong Kong property market sales has been gradually increasing since the second half of 2016. Secondly, over the past year, the major property developers have been obtaining a lot of new land reserves and actively planning to launch new projects in near future. The property developers in Mainland also showed great interest in Hong Kong's property market which boosts the confidence in the market. Furthermore, the Hong Kong Government is considering to issue relevant policies to benefit the steady growth of real estate and construction industry in Hong Kong.

The market size is expected to maintain steady growth from 2016 to 2020. The market size is expected to grow at 3.0% from 2016 to 2020 but the private sector may have some fluctuations in the future, subject to several factors such as the development planning of major developers and the contractors' preference in project type. In the public sector, there are plenty of small-sized projects with contract amount less than HK$200 million. Based on the statistics of the major public projects in Hong Kong during the past five years, the annual investment value of public project over HK$200 million ranged from HK$55 billion to HK$60 billion each year, which accounted for approximately 26% to 28% of the construction industry. Thus, in terms of project type by end user and project size, referring to the data of Hong Kong Construction Industry Council and Frost and Sullivan's statistical estimation, the private sector and the public sector with project size less than HK$200 million is expected to take up approximately HK$160 billion to HK$180 billion each year in the forecast period, which is expected to be over 70% of the total construction market. As the use of exempted NRMM will be not restricted in private projects or public projects with project size less than HK$200 million, which will be the major market driver of market demand for the exempted NRMMs in the next five years, it is projected that the demand for exempted NRMM will remain strong in the next five years.

Expenditure Value of Construction Industry by End User, Hong Kong, 2010-2020E



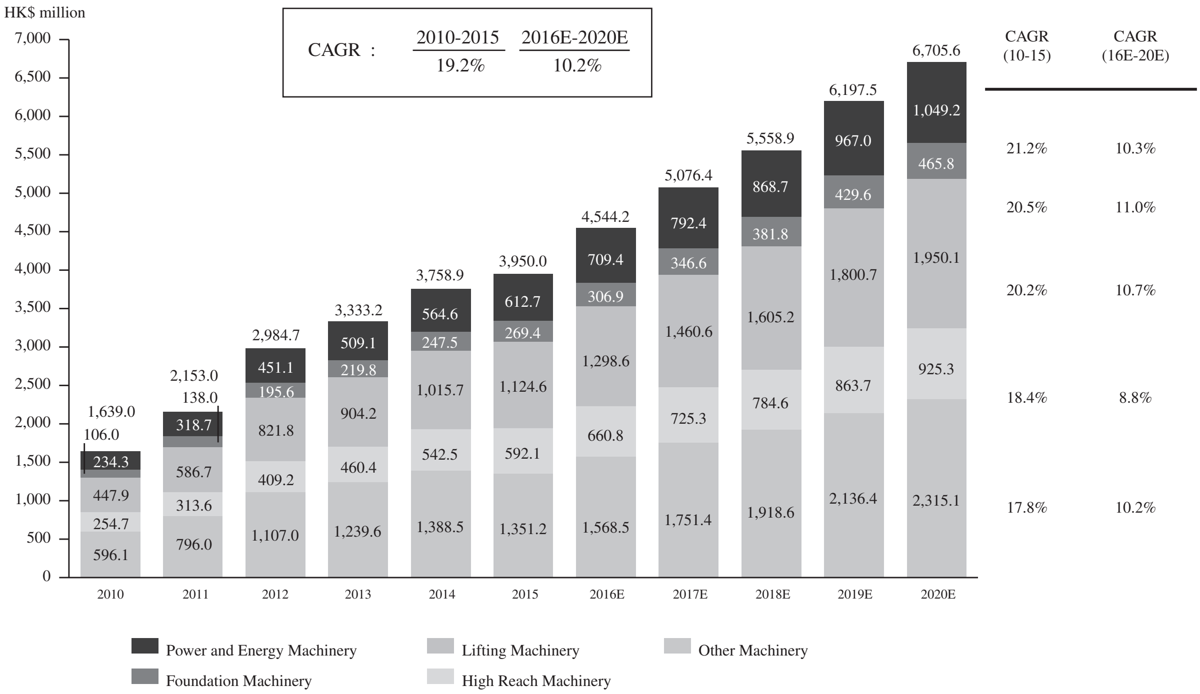
Sources: F&S Report, Hong Kong Construction Industry Council

Market Size of Hong Kong's Construction Machinery Leasing Market

Construction machinery leasing market can be categorised into five segments, namely power and energy machinery, foundation machinery, lifting machinery, high reach machinery, and other machinery. A boom is witnessed in the construction machinery leasing market as reflected by the huge growth of the market at a CAGR of 19.2% over the last six years. The strong growth of the market in recent years is attributed to the increasing number of construction projects with the continuous support from the Government. The Government spending on infrastructure in 2015 is estimated to reach HK$70 billion with an average growth rate of about 13% in the past five years. Along with the completion of several projects in 2017, the growth in demand of construction machinery leasing will turn moderate and keep at a modest rate with new projects expected from the Government.

Following the market trend, foundation machinery leasing market experienced high growth rates from 2010 to 2015 in CAGR higher than 20%. The market size of foundation machinery leasing tripled from about HK$100 million to nearly HK$270 million at the same period of time. It is expected that in the next five years, the leasing market of foundation machinery will drive the growth of the entire machinery leasing market, with the CAGR of 11.0%, exceeding the expected CAGR of 10.2% of the entire machinery leasing market. Power and energy machinery leasing market also has the fastest growth from HK$234.3 million to HK$612.7 million at a CAGR of 21.2% from 2010 to 2015. It is expected to maintain a market share of around 15% to 16% of the entire machinery leasing market over the next five years.

Market Size of Construction Machinery Leasing Market by Machinery Type, Hong Kong, 2010-2020E



Note: Other machinery also include material handling and earth moving machinery

Source: F&S Report

Business Practice of Machinery Leasing Business in Hong Kong

Leasing Method

There are two main types of machinery leasing — operating and finance lease. Operating leases are generally short-term business that allows end user to acquire machinery for a fraction of time in projects. On the other hand, finance lease allows end user to acquire machinery for a longer time. It is common for market players to sub-lease machinery from other construction machinery leasing companies suppliers, based on the sub-leasing agreement.

Leasing Period

Leasing period of construction machinery in Hong Kong market ranges from days to months or years subject to various factors such as the scale and schedule of projects, machinery type and requirement of customers.

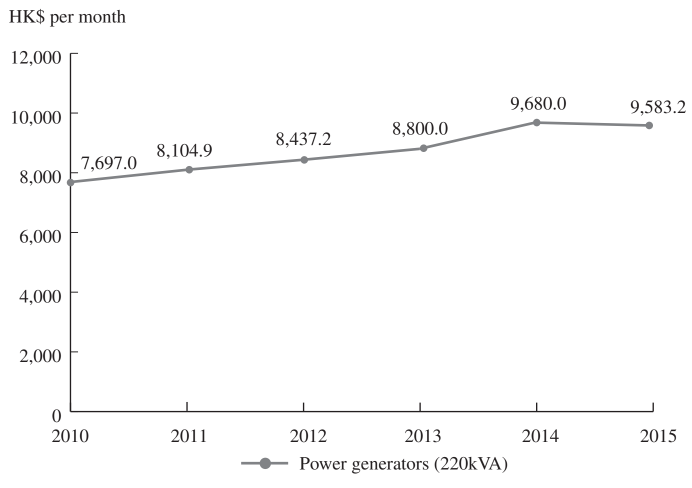
Payment Term

Leasing service providers usually offer a credit period ranging from one month to a longer period of time based on the credit of the customers.

Historical Price Trend in Hong Kong's Construction Machinery Leasing Market

The leasing fee rate of construction machinery varies greatly due to the difference in machinery category, model, capacity, condition and length of leasing period etc. The leasing fee rate is usually provided on a daily, weekly or monthly basis and excludes transportation cost. For generators of different capacities, the monthly leasing fee rate ranges between HK$3,000 per month to over HK$30,000 per month. Generators with capacity of 220 kVA are widely used in Hong Kong market. The average monthly leasing fee rate of power generator with capacity of 220 kVA, which is the most common type of gen-sets by power range, increased gradually over the past five years and reached approximately HK$10,000 in 2015 from approximately HK$8,000 in 2010 with a CAGR of 4.5%, as a result of booming demand in the construction market.

Historical Leasing Fee Rate of Power Generators (220kVA), Hong Kong, 2010-2015



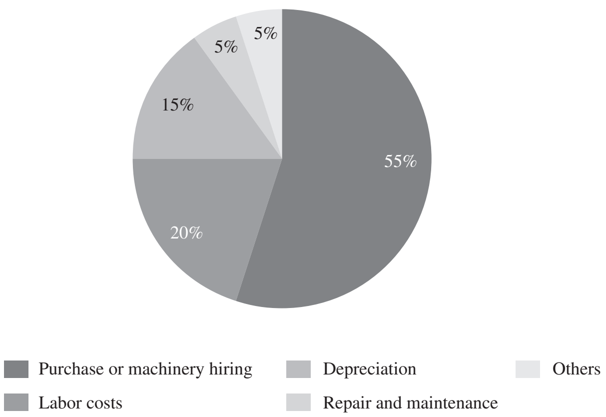
Source: F&S Report

Note: The fee rate excludes transportation.

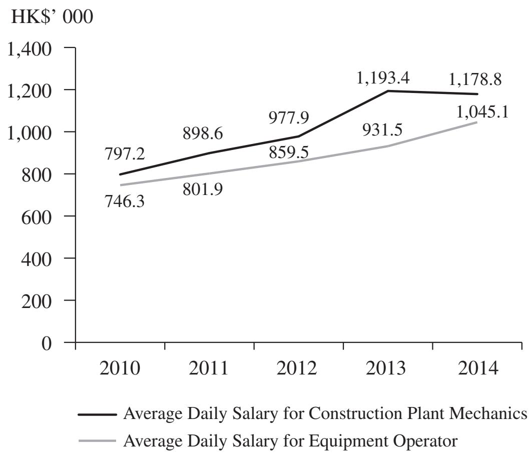
Cost Analysis of Hong Kong's Construction Machinery Leasing Market

The major costs of construction machinery leasing business include purchase or leasing expenses for machinery, depreciation of machinery, labor cost and maintenance cost, etc. The machinery leasing expenses are generally in line with the market leasing fee rate, and in particular account for the largest proportion of total cost for leasing business due to the high procurement cost of foundation machinery. Labor cost is another major cost as mechanics and operators are essential for the operation of the leasing fleet. From 2010 to 2014, the daily salary of construction plant mechanics and machinery operators has been increasing steadily with a CAGR of 10.3% and 8.8% respectively.

Cost Breakdown of Construction Machinery Leasing Business, Hong Kong, 2015



Average Labor Cost in Construction Machinery Leasing Market, Hong Kong, 2010-2014



Source: F&S Report

COMPETITIVE LANDSCAPE OF THE CONSTRUCTION MACHINERY LEASING MARKET

Situation of Competition

In 2015, the total market size of construction machinery leasing market in Hong Kong was approximately HK$3,950 million. There were nearly 80 to 90 competitors in Hong Kong's construction machinery leasing market with at least HK$3 million of annual leasing revenue. The leasing revenue of the five largest players accounted for 17.3% of the total market size of 2015, and the market concentration is very low.

In 2015, the total market size of power and energy machinery leasing market in Hong Kong was approximately HK$612.7 million. There were nearly 20 competitors in Hong Kong's power and energy machinery leasing market with at least HK$3 million of annual leasing revenue. The leasing revenue of the five largest players accounted for 38.0% of the total market size in the power and energy machinery leasing market of 2015.

In 2015, the total market size of foundation machinery leasing market in Hong Kong was approximately HK$269.4 million. There were nearly 15 to 20 competitors in Hong Kong's foundation machinery leasing market with at least HK$2 million of annual leasing revenue. The leasing revenue of the five largest players accounted for 58.4% of the total market size of 2015, and the market concentration was high.

Factors of Competition

There are a number of factors which main-contractors and sub-contractors will consider when they are in demand for the leasing of construction machinery services, including (i) efficient supply of high-quality machinery; (ii) long-lasting and stable relationship with customer; (iii) professional and timely after-leasing service; and (iv) attractive discount for customer.

The five largest players in power and energy machinery leasing market in 2015

Rank	Company	Leasing Revenue *(HK$ million)*	Market Share
1	Competitor A	70.7	11.5%
2	Our Group	54.7	8.9%
3	Competitor B	46.3	7.6%
4	Competitor C	42.0	6.9%
5	Competitor D	18.9	3.1%
	Others	380.1	62.0%
	Total	**612.7**	**100.0%**

Source: F&S Report

Note: Revenue of our Group represents our revenue from leasing of power and energy machinery for the year ended 31 March 2016

Market growth drivers of Hong Kong's Construction Machinery Leasing Market

Increasing demand from public construction projects

A number of public construction projects have been launched in recent years, such as a large scale public housing construction project and construction of Three Runway System Project for the Hong Kong International Airport etc, which will lead to a continuing demand for construction machinery including power generation machinery and foundation machinery and drive the growth of Hong Kong's construction machinery leasing market.

More stringent environmental regulations driving equipment upgrade

Due to the increasingly stringent environmental regulations, such as the implementation of NRMM Regulation, on the standard of noise pollution and exhaust emission of construction machinery in Hong Kong, various machinery including generators, air compressors and crawler cranes are required to acquire an approved label issued by EPD until 2019. Hong Kong's construction machinery leasing market will be driven by this trend.

Efficiency of leasing for construction projects

Construction machinery leasing service offers a complete set of service including machinery transportation, operators arrangement, emergency response, machinery maintenance etc. This set of service can save a lot of human capital and management expenditure for contractors and guarantee efficient service with rich experience.

Reduced quality risk

Large construction machinery such as power and energy machinery and foundation machinery usually account for high proportion of expenditure for a construction project. Machinery leasing companies can help their customers to reduce the quality risk during the construction period with their after-sale service, specialised management and technical teams.

Threats of Hong Kong's Construction Machinery Leasing Market

Uncertainty of public construction projects

Public construction projects provide high demand for construction machinery leasing service, especially for generators and foundation machinery, but they are also influenced by several factors, like macroeconomic environment, government budget, delay of funding, political reasons and ecological environment etc, which may cause uncertainties to the construction projects and adverse effects on construction machinery leasing industry.

Weak recovery of global economy and its effect on Hong Kong

The global economy has experienced weak recovery after the financial crisis in 2009. Hong Kong is also largely influenced by the external economic environment. If the global economy continues to be stuck in gloomy situation, Hong Kong would face shrink in demand in private construction sector which will influence the prosperity of construction leasing market.

Limited potential in development due to size of the city

Despite the growth of the market mainly driven by the public construction projects, Hong Kong's construction engineering market is confronted with limited potential in development mainly due to the size of the city. It is critical for Hong Kong's construction engineering industry and related construction service industries including machinery leasing market to seek out new development opportunities in overseas markets.

Entry Barriers of Hong Kong's Construction Machinery Leasing Market

Qualification and Environmental Requirement

With an increasing awareness on environmental protection, government imposed restrictions on the environmental impact of construction machinery, construction machinery leasing companies have to obtain certifications such as Emission Control of NRMM and QPME for their leasing fleets. The technical circular specifies all NRMM construction machinery sold or leased for use in Hong Kong must be approved or exempted with a label issued by EPD. A plan to phase out exempted NRMM by 2019 is scheduled. Construction machinery leasing companies need to purchase machinery with approved label, and small scale players that do not have sufficient capital to invest in machinery with approved label will be phased out.

Capital Intensiveness

Huge investment is needed in the construction machinery leasing market as a number of machinery fleet has to be purchased at the beginning so as to operate the machinery leasing business. Large construction machinery such as generators and foundation machinery requires higher purchase cost because of the higher monetary value of the machinery. In addition, capital investment is also required for maintenance and repair of machinery. As a result, financing capability of the company would be another key challenge for new market players.

Technical Barrier and Understanding on Know-how

Construction machinery leasing business needs to provide technical service such as repair and maintenance. Power and energy machinery and foundation machinery mainly require high monetary value, and therefore substantial technical experience and understanding on know-hows is required for leasing service providers. As a result, it is necessary for the market players to have a technical team to provide good technical service for customers. This restraints the potential market players entering the market.

Track Record and Customer Barrier

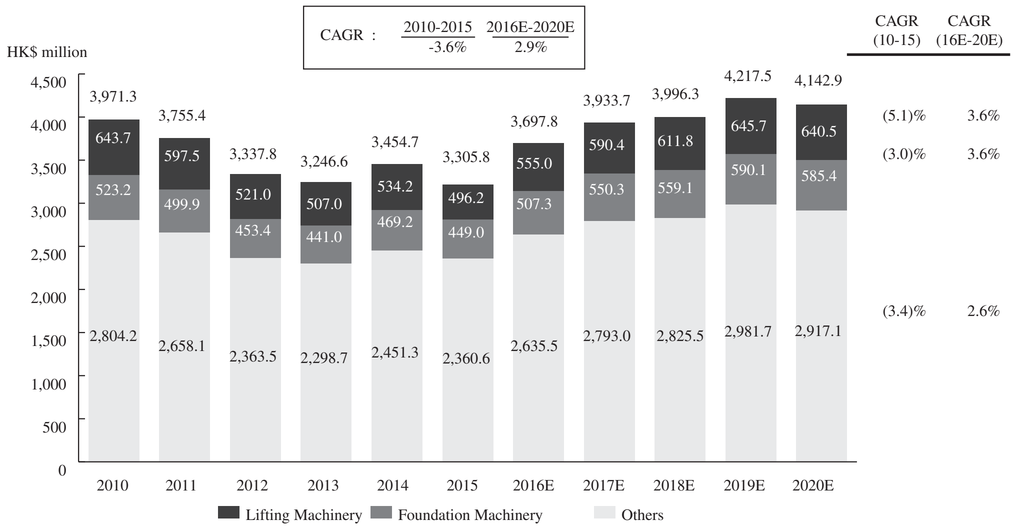
It is the industry norm that construction contractors value the experience of construction machinery leasing service providers and tend to establish long-term business relationship with their suppliers. It is difficult for new entrants to compete with the established players due to the lack of track record and market experience.

CONSTRUCTION MACHINERY TRADING MARKET IN HONG KONG

Market Size of Hong Kong's Construction Machinery Trading Market

Prompted by the commencement of major infrastructural construction projects about high-speed railways and subways during 2007 and 2008, the construction machinery trading market in Hong Kong reached its top in 2010, with a total revenue of HK$3,971.3 million. As the machinery fleet satisfied the market demand and the percentage of leasing gradually increased over the past five years, trading of new construction machinery declined slightly with a CAGR of -3.6% from 2010 to 2015. Following the market trend, trading market of lifting machinery and foundation work machinery also experienced slightly decline over the past five years. In the next five years, the construction machinery trading market is estimated to pick up and grow at a moderate rate of 2.9%, mainly due to the on-going construction of the infrastructure projects and expected commencement of new large-scale reconstruction project in Kowloon City.

Market Size of Construction Machinery Trading Market by Machinery Type, Hong Kong, 2010-2020E



Note: Except foundation and lifting machinery, all the other types of machinery are included into "others"
Source: *F&S Report*

Business Practice of Hong Kong's Construction Machinery Trading Market

Sales Process

The sale of construction machinery typically involves several processes, including customer inquiry, price confirmation, down payment, delivery, billing, final payment and after-sales maintenance. The period of whole sale process ranges widely from few to dozens of months, which is subject to the supply-demand relationship and time of delivery required by customers.

Payment

The payment of construction machinery sale is divided into several stages in alignment with the sales process. Down payment is usually required for the sale of new machinery, which typically accounts for 10% of the price. The final payment will be completed before or after delivery in accordance with specific conditions. For the sale of second hand machinery, full payment is required in some cases.

Credit Management

Credit management is needed in most cases of construction machinery sale due to large monetary value. Customers are usually given a credit term during which they have to complete the payment after receiving the billing document. The credit term is usually determined based on the customer's credit record.

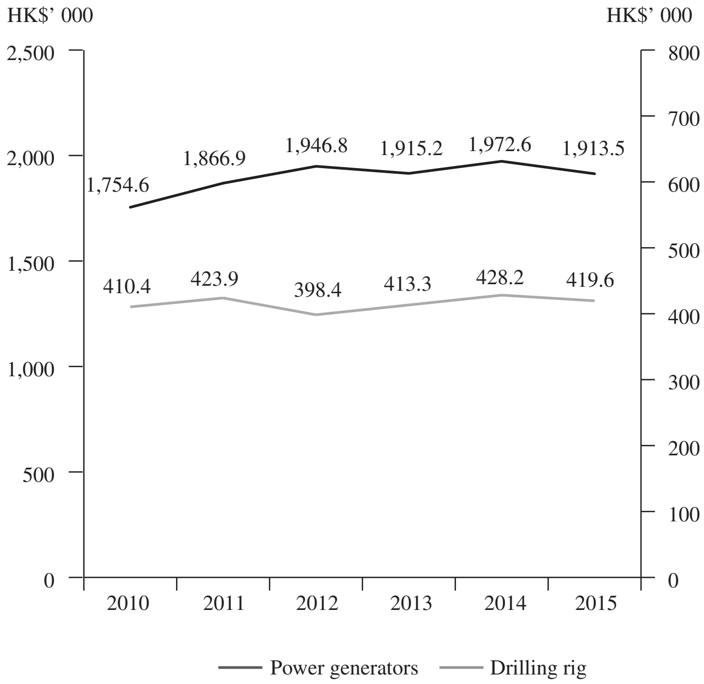
Delivery and Lead Time

The lead time of construction machinery sale varies largely from few weeks to several months according to various requirement of customers such as time of delivery, availability of machinery and transportation time. The machinery also needs inspection before delivery.

Historical Price Trends in Hong Kong's Construction Machinery Trading Market

For power generators, prices of different models with different output capacity vary significantly from less than 100kVA to more than 400kVA. From 2010 to 2015, the average selling price of power generators in Hong Kong market has fluctuated between HK$398,400 to HK$428,200. The average selling price of drilling rig had a moderate increase from 2010 to 2014 due to growing construction demand driven by the Ten Major Infrastructure Projects. As most parts of the infrastructure projects are near completion, the average price experienced a small drop in 2015 due to the fall in demand in the market. As drilling rigs have high monetary value (over HK$1 million on average) due to large size and heavy duty of machines, many customers tend to purchase second-hand machinery. Prices of second-hand machinery vary with the production date, depreciation rate and current conditions. On the other hand, the increasingly stringent environmental protection regulations will promote the upgrade of drilling rigs and the sale of machinery with QPME and approved labels issued by EPD.

Average Selling Price of Drilling Rig and Power Generator, Hong Kong, 2010-2015



Source: F&S Report

COMPETITIVE LANDSCAPE OF THE CONSTRUCTION MACHINERY TRADING MARKET

Situation of Competition

In 2015, the total market size of construction machinery trading market in Hong Kong was approximately HK$3,305.8 million. There were approximately 50 competitors in Hong Kong's construction machinery trading market with at least HK$10 million of annual trading revenue. The trading revenue of the five largest players accounted for 50.8% of the total market size of 2015.

In 2015, the total market size of foundation machinery trading market in Hong Kong was approximately HK$449.0 million. There were approximately 15 competitors in Hong Kong's foundation machinery trading market with at least HK$5 million of annual trading revenue. The trading revenue of the five largest players accounted for 71.5% of the total market size of 2015.

Factors of Competition

There are a number of factors which main-contractors and sub-contractors will consider when they are in demand for the purchase of construction machinery, including but not limited to (i) dealership of top-tier foreign brands; (ii) close relationships with major customers; (iii) attractive prices for the contractor; and (iv) effective management of logistics.

The five largest players in construction machinery trading market in 2015

Rank	Company	Trading revenue *(HK$ million)*	Market share
1	Competitor E	678.4	20.5%
2	Competitor F	604.8	18.3%
3	Our Group	137.1	4.1%
4	Competitor G	130.5	3.9%
5	Competitor H	128.9	3.9%
	Others	1,626.1	49.2%
	Total	**3,305.8**	**100.0%**

The five largest players in foundation machinery trading market in 2015

Rank	Company	Trading revenue *(HK$ million)*	Market share
1	Our Group	127.0*	28.3%
2	Competitor I	112.0	24.9%
3	Competitor J	30.5	6.8%
4	Competitor K	29.3	6.5%
5	Competitor E	22.4	5.0%
	Others	127.8	28.5%
	Total	**449.0**	**100.0%**

* Total revenue generated in foundation machinery trading market are derived from foundation machinery, drilling accessories and relevant spare parts.

Source: *F&S Report*

Note: Revenue of our Group represents our respective segment revenue for the year ended 31 March 2016

Market growth drivers of Hong Kong's Construction Machinery Trading Market

Increasing demand for construction that requires machinery

The Ten Major Infrastructure Projects have significantly stimulated the Hong Kong construction market. It is projected that a number of new projects such as the public and private housing plan and the construction of a new runway at the airport will be put into practice in the following years with the Government's support as a part of infrastructure plan. With the increase in demand of construction projects in the long run, contractors are likely to maintain a machinery fleet to ensure efficient operation, which leads to the growing demand for purchase of construction machinery as reserve.

Cost reduction due to production overcapacity of construction machinery manufacturer

As the global economy has experienced slow recovery, the demand for construction projects has greatly contracted which also led to the contraction of the construction machinery manufacturing industry and excess production. However, this would trigger a fall in the purchase cost of construction machinery, which drives the Hong Kong construction machinery trading market.

More stringent environmental regulations driving equipment upgrade

With increasingly higher environmental protection awareness, the Government is promoting more use of environmentally friendly construction machinery through stringent implementation of environmental regulations such as QPME and NRMM. For public construction projects, various types of machinery including foundation machinery, power generators and air compressors are required to acquire approved labels. Such regulation will drive the upgrade of construction machinery to meet the requirement of the Government and stimulate the construction machinery trading market.

Threats of Hong Kong's Construction Machinery Trading Market

Uncertainty of public construction projects

Public construction projects provide huge demand for construction machinery trading service, especially for foundation machinery, but they are also influenced by factors such as the macroeconomic environment, government budget and ecological environment, which might cause uncertainties to construction projects and adverse effects on upstream construction machinery trading industry.

The Legislative Council got filibuster, which resulted in the suspension of at least 80 percent of construction projects which have been submitted to the Legislative Council by the government in the first half year of 2016. For instance, Hong Kong section of the Guangzhou-Shenzhen-Hong Kong High Speed Railway project, which is planned to complete in 2015 with investment of HK$65 billion, is estimated to complete in 2018 with investment rising to HK$84 billion. If the Legislative Council was unable to approve the funding of the projects, the foundation works, which are needed at the very beginning of the construction projects, are expected to be greatly influenced. Further, the contractors would prefer to leasing machinery rather than by trading to avoid loss of investment. However, it is expected that the market demand for construction machinery trading will resume to high demand after the filibuster is settled.

Weak recovery of global economy and its effect on trading market

The global economy has experienced slow recovery after the financial crisis in 2009, and has unflavored the construction industry. As a major trading hub in the global economy, the Hong Kong construction machinery market is largely dependent on the external economic environment. If mainland China and Macau continue to experience a slowdown in the construction industry, it is expected that there will be a decline in the demand for import of construction machinery from Hong Kong.

Increasing cost in Hong Kong's construction industry

The construction industry is facing high cost due to labor shortage and other factors. The hiring of operators and mechanics is necessary for the operation of construction machinery which poses financial burden on end users, forcing them to switch to construction machinery leasing so as to lower the operating costs.

Entry Barriers of Hong Kong's Construction Machinery Trading Market

Management with Professionals

The regional leaders in Hong Kong construction machinery market have already earned a high reputation over the years. The local players who introduce advanced management, are carrying out their businesses more efficiently and with high quality.

Hong Kong has developed a system for the construction machinery trading market where the players are merging foreign successful experience with the local construction machinery sale demand. In addition, the management professionals can maximize their efficiency and work quality in the trading market to keep the core competitiveness.

For new entrants, the professional management is a key entry barrier of the construction machinery trading market as the method of managing the machinery trading business needs time and experience to improve.

Experience and Customer Relationship

Construction machinery trading industry is relatively fragmented with a large number of industry competitors, and therefore building up good customer relationship with major large-scale contractors is necessary as it guarantees a stable customer base for the sale of construction machinery. Incumbent market players have established their brand reputation and brand loyalty through long-term business relationship with customers while it takes time for new market entrants to achieve that within a short period of time.

Barrier of Technical Ability

Technical ability is another key barrier for new players in the construction machinery market. For power and energy machinery such as generator set, trading agents are mainly responsible for the after-sales service including operation and maintenance for a long period of time. Moreover, customers in Hong Kong tend to pay high attention to the quality of service. Therefore, it is important for trading agents to have technical ability to provide qualified technical service.

FUTURE TRENDS OF HONG KONG'S CONSTRUCTION MACHINERY LEASING AND TRADING MARKET

Specialised Products and Quick Delivery

For construction machinery leasing and trading companies, it is highly valued by contractors that they have extensive product portfolio and quick delivery. It is a trend that construction machinery leasing and trading companies will develop further partnership with top-tier suppliers to enhance their supply chain.

More Focus on Value-added Service

Construction machinery leasing and trading companies will focus more on value-added services such as transportation, debugging, installation and testing service prior to leasing and after-sales service such as machinery management, maintenance and repair. As competition becomes increasingly fierce, companies offering high quality services will have more bargaining power in project bidding.

Preference for Environmental-friendly Equipment

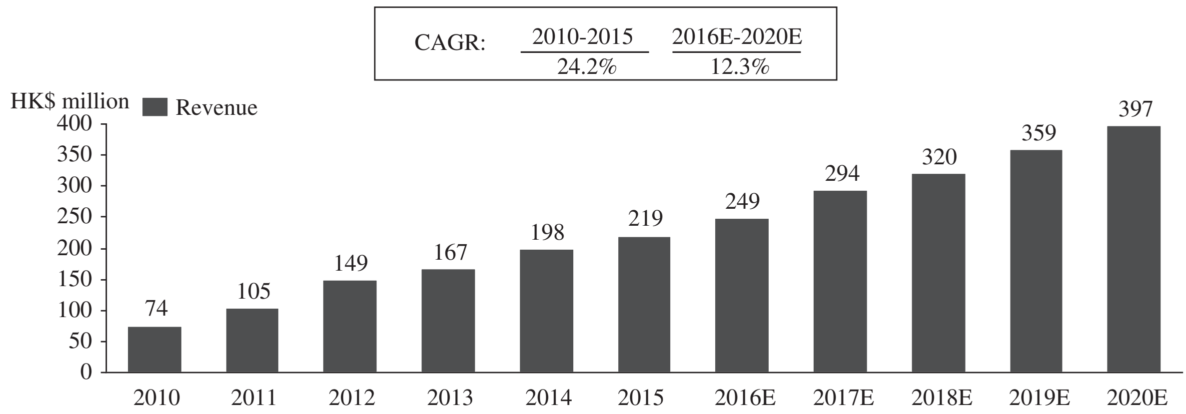
The Government has imposed a series of regulations to improve environmental standard of construction sites, and will tighten the standard in the following years. With the introduction of QPME System and NRMM Regulation, outdated equipment will be phased out by environmentally-friendly machinery.

Effect of the political filibuster

Since 2015, the construction industry in Hong Kong has been affected by political filibuster resulting delay of funding approval. In general, the negative impact of political filibuster will not be eliminated completely in a short time. Taking flexibility into consideration, construction companies prefer to lease machinery rather than purchase machinery to avoid the loss caused by political filibuster. Part of the demand for trading of construction machinery will shift to leasing of construction machinery during such period of time. In view of this, trading of construction machinery business will be adversely affected by the delay in funding approval, yet it is anticipated to recover as soon as the political filibuster is settled.

OVERVIEW OF TRANSPORTATION SERVICES MARKET IN HONG KONG

Market Size of Crane Lorry Leasing Service in Construction Industry, Hong Kong, 2010-2020E



Source: Hong Kong Census and Statistics Department, and F&S Report

Crane lorry is a type of mobile lifting machinery. Different from other types of mobile lifting machinery such as truck crane and crawler crane, crane lorry does not only unload, hoist and install heavy components of construction machinery, but also perform the function of transportation of these components and raw materials among construction sites. The crane lorry leasing services can be further categorised into two types, including: (i) with the provision of operator; and (ii) without the provision of operator.

Benefited from the Ten Major Infrastructure Projects and other repair, maintenance, alteration and addition (RMAA) works projects in Hong Kong, the market demand for crane lorry leasing service in construction industry experienced high growth of CAGR 24.2% from 2010 to 2015. In the forecast period, the crane lorry leasing services market in Hong Kong is expected to maintain stable growth at CAGR 12.3% due to the increasing demand and investment in construction projects such as the Three Runway Project of Hong Kong International Airport, which is expected to cost HK$141.5 billion during its construction from 2016 to 2023. Further, the population in Hong Kong is expected to keep increasing and reach 8.6 million in 2036, which will lead to large demand for residential buildings. According to 2015 Policy Address, private projects will provide around 14,600 housing units per year from 2015 to 2019, which increased by 28.1% comparing with that of 2010 to 2014. The increasing demand for both public and private projects will stimulate the growth of the construction industry and crane lorry leasing services market correspondingly.

There were less than 50 companies in Hong Kong's crane lorry leasing market with high concentration as the market entrant should be able to bear the high initial capital outlay and have certain expertise of fleet management. The average rental rate of crane lorries with lifting capacity from 15 tonnes to 30 tonnes reached 80%.

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

Other than the relevant provisions of the Companies Ordinance, and other related requirements for business registration, applicable to companies in Hong Kong, there is no legal regulation in Hong Kong requiring construction machinery suppliers in Hong Kong to obtain specific operating licence from the Government in order to carry out construction machinery trading and leasing services. The above notwithstanding, however, during the provision of services, including the installation, operation, inspection, maintenance and dismantling of construction machinery, we are required to abide by the following relevant laws and regulations:

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

Under the FIUO, every proprietor of an industrial undertaking has a duty to ensure the safety and health conditions at work of all staff members employed by him. The said general duty extends, in particular, to include the following:-

(a) Provision and maintenance of plant and systems of work that are safe, and without risks, to health;

(b) Arrangements for ensuring safety, and absence of risks, to health in connection with the use, handling, storage and transport of articles and substances;

(c) Provision of information, instruction, training and supervision to ensure the safety and health conditions at work of all individuals employed;

(d) Maintenance of the industrial undertaking under the proprietor's control under conditions which are safe, and without risks, to health, and provision and maintenance of means of access to, and egress from, the industrial undertaking which are also safe and without health risks; and

(e) Provision and maintenance of a working environment which is safe and without risks to health.

A proprietor who contravenes the above duties commits an offence, and is liable to a fine of HK$500,000. A proprietor who contravenes the above duties wilfully, and without reasonable excuse, commits an offence, and is liable to a fine of HK$500,000, and to imprisonment for six (6) months.

The FIUO also stipulates that the proprietor of a construction work undertaking shall not employ any person to carry out construction work unless the relevant individual has been issued with a valid certificate for attending a safety training course recognized by the Commissioner for Labour. Such an individual employed by the relevant proprietor shall carry the said certificate with him while at work, and shall produce the same upon demand. A proprietor who contravenes the above duty commits an offence, and is liable to a fine of HK$50,000.

The Code of Practice for Safe Use of Mobile Cranes (the "Code of Practice")

Section 7A of the FIUO confers upon the Commissioner for Labour the authority to issue codes of practice for the purpose of providing practical guidance in respect of any one or more of the requirements of the FIUO. The Code of Practice provides guidance on the safe use and operation of mobile cranes to ensure the safety of personnel working at or nearby the said cranes, and covers, inter alia, the responsibilities of the owners and operators of the said mobile cranes.

An owner of any crane includes the lessee, hirer, and any person who is in charge, or has control or management, of the crane, and includes the contractor who has control over the way any construction work, involving the use of the crane, is carried out. Under the Code of Practice, an owner of mobile cranes is responsible for putting together a safe system of work, and educating all related personnel on safe practices and the assignment of definite, individual safety responsibilities. The owner shall plan all phases of the operation involving the crane, and is responsible for ensuring that the individuals who prepare, erect, operate, and work with the machinery are well trained in both safety and operating procedures. The owner shall also ensure that all mobile cranes are operated by trained, experienced, competent and qualified crane operator, and that the individuals who direct, rig and handle the loads have received proper training in the principles of the operation of the said cranes, are able to establish weights and judge distances, heights and clearances, are capable of selecting the relevant lifting gear of the said cranes, as well as the suitable rigging method for the lifting of loads, and are capable of directing the movement of the said cranes and relevant loads of the said cranes to ensure the safety of all personnel at all times.

The Code of Practice also sets out the responsibilities of the mobile crane operators, and stipulates that mobile crane operators shall ensure, at all times, the safe operation of the crane under his control, and, in this regard, follow the correct operation of the said cranes in accordance with the manufacturer's instructions, and within a safe system at work. He should, at any one time, only respond to the signals from one slinger or signaller, who should be clearly identified.

Failure by any individual to observe the Code of Practice shall not, of itself, cause him/her to incur any criminal liability. However, the compliance or contravention of the Code of Practice may be relied on by any party in criminal proceedings where the compliance with a provision of the Code of Practice is found by the court to be relevant to any question in the proceedings.

Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Chapter 59J of the Laws of Hong Kong) (the "FIU (LALG) Regulations")

Safety of lifting appliances and lifting gear used at construction sites is mainly regulated by the FIU (LALG) Regulations administered by the Commissioner for Labour which prescribe relevant requirements with respect to the construction, inspection, testing, thorough examination, operation, erection, dismantling and alteration of lifting appliances. For instance, the FIU (LALG) Regulations specifically require the owner to, inter alia, ensure that a lifting appliance shall not be used unless : (a) it is of good mechanical construction, made of strong and sound materials, and free from patent defect; (b) it is properly maintained; (c) the arrangements for fixing and anchoring the appliance are adequate to secure its safety; (d) it is adequately and securely supported; and (e) every structure supporting it is of good construction and adequate strength, of sound materials and free from patent defect.

Under the FIU (LALG) Regulations, the owner of any crane or lifting appliance shall ensure that it is properly tested and thoroughly examined by a competent examiner prior to its use. The competent examiner shall immediately inform the owner of the lifting appliance if it cannot be used safely unless certain repairs are carried out, and the owner of the lifting appliance shall ensure that the lifting appliance shall not be used unless and until the relevant repairs have been effected to rectify the situation.

In addition, pursuant to the FIU (LALG) Regulations, the owner of a crane (except for a crane with a maximum safe working load of one (1) tonne or less, or a crane that operates with a grab or any electro magnetic means) shall ensure that it shall not be used unless it is fitted with an automatic safe load indicator that: (a) functions properly; (b) has been tested by a competent examiner on each occasion that a test and thorough examination of the crane is required under regulation 5 thereof, and the competent examiner has given the owner a certificate in the approved form in which he has made a statement to the effect that the automatic safe load indicator is in good working order; and (c) has been inspected by a competent person, and determined to be in safe working order during each inspection of the crane required under regulation 7A thereof, and the competent person has given the owner a certificate in the approved form in which he has made a statement to the effect that the automatic safe load indicator is in good working order.

Under the FIU (LALG) Regulations, before a lifting appliance shall be used at, or moved in, an industrial undertaking, the owner of the appliance shall take appropriate precautions to ensure its stability. The owner of a crane shall, for the purpose of securing the stability of the crane, ensure that, before use: (a) the crane shall be securely anchored, or adequately weighted by suitable ballast, which is properly placed on the structure of the crane, and secured in a manner sufficient to prevent the ballast from being accidentally displaced; and (b) no part of any rail on which the crane is mounted, or any sleeper supporting such rail, shall be used as an anchorage.

For the purposes of the FIU (LALG) Regulations, “owner”, in relation to any lifting appliance or lifting gear, includes the lessee or hirer thereof, and any overseer, foreman, agent or person in charge or having the control or management of the lifting appliance or lifting gear, and the contractor who has control over the way any construction work involving the use of the lifting appliance or lifting gear is carried out and, in the case of a lifting appliance or lifting gear used in connection with work on a construction site, also includes the contractor responsible for the construction site.

Pursuant to the FIU (LALG) Regulations, the owner shall ensure that the crane shall only be operated by a person who : (a) has attained the age of eighteen (18) years; (b) holds a valid certificate issued by the Construction Industry Council or any other person specified by the Commissioner for Labour; and (c) in the opinion of the owner, shall be competent to operate the crane by virtue of his experience.

Any owner who contravenes the provisions of the FIU (LALG) Regulations commits an offence, and shall be liable to the imposition of a fine of up to HK$200,000, and to imprisonment for twelve (12) months.

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

Under the NRMM Regulation, which took effect on 1 June 2015, a person shall not sell or lease, or cause to be sold or leased, a Regulated Machine for use in Hong Kong, unless the machine has been approved. A person who fails to comply with this requirement commits an offence, and shall be liable, on conviction, to the imposition of a fine of HK$200,000, and to imprisonment for six (6) months.

A person who sells or leases, or causes to be sold or leased, a Regulated Machine that is approved or exempted shall ensure that: (a) the machine bears a label that complies with the requirements specified in the NRMM Regulation, and shall be painted or affixed on the machine, and properly maintained in accordance with the requirements specified in the NRMM Regulation; and (b) the information set out in the label shall conform with the information provided to the relevant authority in support of the application for the approval or exemption of the machine. A person who fails to comply with the above requirements commits an offence, and shall be liable, on conviction, to the imposition of a fine of HK$50,000, and to imprisonment for three (3) months.

From 1 September 2015, all Regulated Machines sold or leased for use in Hong Kong shall be approved or exempted with a label issued by the EPD. Owners of existing non-road mobile machineries (the "NRMMs") shall apply for exemption during the six (6)-month grace period between 1 June and 30 November 2015. Late application shall not be considered. Commencing from 1 December 2015, only approved or exempted NRMMs with a proper label shall be allowed to be used in specified activities and locations, including the restricted area of the Hong Kong Airport, port facilities, construction sites, designated waste disposal facilities and specified processes.

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

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

Under the said ordinance, employers shall, so far as reasonably practicable, ensure the compliance of the relevant prescribed safety and health conditions at work of all their employees. This includes, but is not limited to, the following:-

(a) providing and maintaining plant and systems of work which are, so far as reasonably practicable, safe and without risks to health;

(b) making arrangement for ensuring, so far as reasonably practicable, safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;

(c) providing all necessary information, instruction, training and supervision as may be necessary to ensure, so far as reasonably practicable, the safety and health at work of their employees;

(d) as regards any workplace under the employers' control:-

(i) maintaining the workplace in a condition that is, so far as reasonably practicable, safe and without risks to health;

(ii) providing or maintaining means of access to, and egress from, the workplace which are, so far as reasonably practicable, safe and without risks to health; and

(e) providing or maintaining a work environment for their employees which is, so far as reasonably practicable, safe and without risks to health.

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

The Commission for Labour shall also be entitled to issue an improvement notice against non-compliance of this ordinance or the FIUO. Failure to comply with such notice without reasonable excuse constitutes an offence punishable by the imposition of a fine of HK$200,000, and imprisonment of up to twelve (12) months. The Commissioner for Labour shall also be entitled to issue a suspension notice against an activity undertaken on the premises, or the condition or use of the premises or of any plant or substance located on the premises, 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 the imposition of a fine of HK$500,000, and imprisonment of up to twelve (12) months, and by the imposition of a further fine of HK$50,000 for each day, or part of a day, during which the offender knowingly and intentionally continues the contravention.

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

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

Under the Employees' Compensation Ordinance, in the event that an employee sustains an injury, or dies as a result of an accident arising out, and in the course, of his employment, his employer shall, in general, be liable to pay compensation, even if the employee might have committed acts of faults or negligence upon the occurrence of the relevant accident. Similarly, an employee who suffers incapacity resulting from an occupational disease prescribed under the Employees' Compensation Ordinance, which is due to the nature of any occupation in which the employee was employed at any time within the prescribed period immediately preceding such incapacity or death, shall be entitled to receive the same compensation as that payable to an employee injured in an accident arising out, and in the course, of employment.

According to Section 24 of the Employees' Compensation Ordinance, a principal contractor shall be liable to pay to his sub-contractor, or any other sub-contractor, in relation to the execution of the work, any compensation under the Employees' Compensation Ordinance which the principal contractor would have been liable to pay in the event that the relevant employee had been immediately employed by him. Under such circumstances, the principal contractor shall, nevertheless, be entitled to be indemnified by the sub-contractor who would have been liable to pay compensation to the injured employee, and the employees in question shall be required to serve a notice in writing on the principal contractor before making any claim or application against the said principal contractor.

Pursuant to Section 40 of the Employees' Compensation Ordinance, all employers shall be required to take out insurance policies to cover their liabilities to pay compensation for any injury caused via accident, or for the death of an employee arising out, and in the course, of employment. An employer who fails to so comply is liable, on conviction and upon indictment, to the imposition of a fine of HK$100,000, and imprisonment for two (2) years.

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

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

Under the said ordinance, statutory minimum wage becomes effective on 1 May 2011, and, with effect from 1 May 2015, the rate in relation to which shall be set at a minimum of HK$32.5 per hour.

The Minimum Wage Commission shall report on any recommended changes in statutory minimum wage at least once every two (2) years to the Chief Executive of Hong Kong, who shall be entitled to make adjustments thereto having regard to the said recommendation.

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

Employers shall be required to enrol their regular employees (except for certain exempt persons) aged between eighteen (18) and sixty five (65), and employed for sixty (60) days or more, in an MPF scheme within the first sixty (60) days of employment.

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

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

The Competition Ordinance, which fully came into full force and effect on 14 December 2015 prohibits conduct which: (a) prevents, restricts or distorts competition in Hong Kong; (b) prohibits mergers that substantially lessen competition in Hong Kong; and (c) provides for incidental and connected matters. The Competition Ordinance also provides for the establishment of the Competition Commission with investigative powers, and the Competition Tribunal with adjudicative powers. The Competition Ordinance includes, among other provisions, the First Conduct Rule, which prohibits anti-competitive conduct involving more than one party, and the Second Conduct Rule, which prohibits anti-competitive conduct by a party with substantial market power.

The First Conduct Rule

The First Conduct Rule provides that an undertaking shall not: (a) make or give effect to an agreement; (b) engage in a concerted practice; or (c) as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong. Examples of serious anti-competitive conduct includes: (a) fixing, maintaining, increasing, or controlling the price for the supply of goods or services; (b) allocating sales, territories, customers or markets for the production or supply of goods or services; (c) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services; and (d) bid-rigging practices.

The Second Conduct Rule

The Second Conduct Rule provides that an undertaking that has a substantial degree of market power in a market shall not abuse that power by engaging in conduct which has, as its object or effect, the prevention, restriction or distortion of competition in Hong Kong. Factors which may be taken into account, when determining whether an undertaking has such power, includes: (a) the market share of the undertaking; (b) the undertaking's power to make pricing and other decisions; and (c) any barriers to entry to competitors into the relevant market. The Competition Ordinance also provides two examples of such abusive conduct: (a) engaging in "predatory behaviour towards competitors" or (b) "limiting production, markets or technical development to the prejudice of consumers".

The Second Conduct Rule only applies to conduct engaged in by an undertaking with an annual turnover of more than HK$40 million.

Consequences of non-compliance with the Competition Ordinance

Penalties which the Competition Tribunal shall be entitled to impose for contraventions of a competition rule, which includes the First Conduct Rule and the Second Conduct Rule, include pecuniary penalties, awards of damages, and interim injunctions. In this relation, the maximum pecuniary penalty in relation to a "single contravention" shall be up to 10% of the annual turnover obtained by the undertaking concerned in Hong Kong for each year the infringement lasted, and, in the event that the contravention occurred within three (3) years or more, 10% of the turnover for the three (3) years during which the contravention occurred which saw the highest, second highest and third highest turnover. The Competition Tribunal shall also be entitled to order the disqualification of responsible directors for up to five (5) years, award injunctions, declare agreements to be void, award damages, confiscate illegal profits, and order the payment of costs of the relevant Competition Commission's investigation.

OUR HISTORY

Our history can be traced back to the 1990s. Sanroc International, as one of our three (3) principal operating subsidiaries, was incorporated in Hong Kong on 26 September 1996. In November 1996, Liloy Holdings Limited ("**Liloy Holdings**") (a company owned by Mr. Siu and Ms. Bae Kay Hyosook at that point in time) owned 99.99% of the shareholding interest in Sanroc International as a result of allotment by Sanroc International on 28 November 1996. Thereafter, through various relevant allotments and transfers of shares of Sanroc International prior to the Reorganisation, Mr. Siu and Mrs. Siu became the beneficial owners of the entire shareholding interest in Sanroc International.

In 1998, the second principal operating subsidiary of our Group, Sanroc Leasing was incorporated. Shortly after incorporation on 12 August 1998, various allotments and transfers of shares of Sanroc Leasing had taken place. In December 1999, Foundton Worldwide Limited and Liloy Holdings (a company owned by Mr. Siu and Ms. Bae Kay Hyosook at that point of time) owned 99.9998% and 0.0002% of the shareholding interests in Sanroc Leasing, respectively. Thereafter, through various relevant share transfers and allotments of shares of Sanroc Leasing prior to the Reorganisation, Mrs. Siu became the beneficial owner of the entire shareholding interest in Sanroc Leasing.

Our third principal operating subsidiary of our Group, Santech Transportation, was incorporated on 25 July 1991. Mr. Siu owned 49.99% of the shareholding interest in Santech Transportation as a result of allotment by Santech Transportation on 7 October 1991 for the development of foundation machinery trading business. Thereafter, through various relevant share transfers and allotments of shares of Santech Transportation prior to the Reorganisation, Mr. Siu and Mrs. Siu became the beneficial owners of the entire shareholding interest in Santech Transportation.

Pursuant to an acting-in-concert confirmation entered into between Mr. Siu and Mrs. Siu on 9 August 2016, Mr. Siu and Mrs. Siu confirmed the existence of their previous acting-in-concert arrangements, and their intention to continue to maintain such arrangements for purposes of consolidating their control over our Group.

DEVELOPMENT

Our Group is principally engaged in: (i) trading of construction machinery, which are mainly foundation machinery and drilling accessories; (ii) leasing of construction machinery, which are mainly power and energy machinery; and (iii) local transportation services via our crane lorries during the year ended 31 March 2016. For further information in relation to our business, please refer to the section headed "Business" in this prospectus.

The following table summarises the key milestone events which have occurred during the course of development of the business of our Group:

Year	Event
1991	Mr. Siu, our founder and executive Director acquired 49.99% of shares of Sanetech Limited to develop foundation machinery trading business in Hong Kong
1996	Sanroc International was incorporated in Hong Kong on 26 September 1996
1997	Sanroc International commenced its construction machinery trading business
1998	Sanroc Leasing was incorporated under the name "Huddy International (Far East) Limited" in Hong Kong on 12 August 1998
2003	Sanroc Leasing commenced its construction machinery leasing business
2015	Santech Transportation commenced its business of providing limited local transportation services via its crane lorries

CORPORATE HISTORY

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

THE COMPANY

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 25 July 2016 with an authorised share capital of HK$380,000 divided into 380,000 Shares of HK$1.00 each, of which one (1) Share was allotted and issued to Mapcal Limited as its initial subscriber and on the same date transferred to Lion Spring Enterprises Limited. As part of the Reorganisation, the Company became the ultimate holding company of our Group. As at the Latest Practicable Date, all allotted and issued Shares of the Company were held by Lion Spring Enterprises Limited.

THE SUBSIDIARIES

Sanroc International

Sanroc International was incorporated in Hong Kong as a limited liability company on 26 September 1996 with an authorised share capital of HK$10,000.00 divided into 10,000 shares of HK$1.00 each. Sanroc International is principally engaged in the trading and leasing of construction machinery.

On 26 September 1996, Realty Dragon Limited and Onglory Company Limited each subscribed for one (1) ordinary share in Sanroc International. On 28 November 1996, 9,998 shares of Sanroc International, all credited as fully paid, were allotted and issued to Liloy Holdings at a consideration of HK$1.00.

Since then, various changes in shareholding of Sanroc International had taken place between 1996 and 2002.

On 31 March 2003, 990,000 shares were allotted and issued to Liloy Holdings at a consideration of HK$1.00 each. Upon completion of the said allotment, and up to the period immediately preceding the Reorganisation, Sanroc International was owned as to 99.9999% by Liloy Holdings and 0.0001% by Regal Nominees Limited.

Sanroc Leasing

Sanroc Leasing was incorporated in Hong Kong as a limited liability company on 12 August 1998 under the name "Huddy International (Far East) Limited" with an authorised share capital of HK$10,000.00 divided into 10,000 shares of HK$1.00 each. The name of Huddy International (Far East) Limited was changed to Sanroc Leasing (Plant & Machinery) Limited (善樂機械租賃有限公司) with effect from 21 May 2002. Sanroc Leasing is principally engaged in the leasing of power energy machinery, and the provision of related after sales services.

On 12 August 1998, Realty Dragon Limited and Onglory Company Limited each subscribed for one (1) ordinary share in Sanroc Leasing.

Since then, various changes in shareholding of Sanroc Leasing had taken place between 1998 and 2003.

On 1 April 2003, Mrs. Siu acquired one (1) share and 249,999 shares of Sanroc Leasing from Liloy Holdings and Foundton Worldwide Limited respectively at a consideration of HK$1.00 and HK$249,999.00 respectively. On the same date, Ms. Yip Kam Ling acquired 250,000 shares of Sanroc Leasing from Foundton Worldwide Limited at a consideration of HK$250,000. Subsequently, such shares held by Ms. Yip Kam Ling came to be held on trust for Mrs. Siu. Upon completion of the above transfers, and up to the period immediately preceding the Reorganisation, Sanroc Leasing was owned as to 50% by each of Mrs. Siu and Ms. Yip Kam Ling.

Santech Transportation

Santech Transportation was incorporated in Hong Kong as a limited liability company on 25 July 1991 under the name "Sanetech Limited (善達有限公司)" with an authorised share capital of HK$10,000.00 divided into 10,000 shares of HK$1.00 each. The name of Sanetech Limited (善達有限公司) was changed to Santech Transportation Limited (善達運輸有限公司) with effect from 11 June 2015. Santech Transportation commenced its business of providing local transportation services via its crane lorries during 2016.

On 25 July 1991, Sheen Friendship Limited and True Friendship Limited each subscribed for one (1) ordinary share in Santech Transportation. Since then, various changes in shareholding of Santech Transportation had taken place.

Up to the period immediately preceding the Reorganisation, Santech Transportation was owned as to 59.9% by Liloy Holdings and 40.1% by Mrs. Siu.

Jubilee Land Holdings Limited

In anticipation of the Reorganisation, Jubilee Land Holdings Limited was incorporated in the BVI on 12 May 2016 as a limited liability company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each, and serves as an investment holding company of our Group upon the completion of the Reorganisation. On 1 August 2016, one (1) share of Jubilee Land Holdings Limited, credited as fully paid, and representing 100% of the entire issued shares of the said company, was held by Mrs. Siu.

Red Day Global Limited

In anticipation of the Reorganisation, Red Day Global Limited was incorporated in the BVI on 6 June 2016 as a limited liability company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each, and serves as an investment holding company of our Group upon the completion of the Reorganisation. On 1 August 2016, one (1) share of Red Day Global Limited, credited as fully paid, and representing 100% of the entire issued shares of the said company, was held by Liloy Holdings.

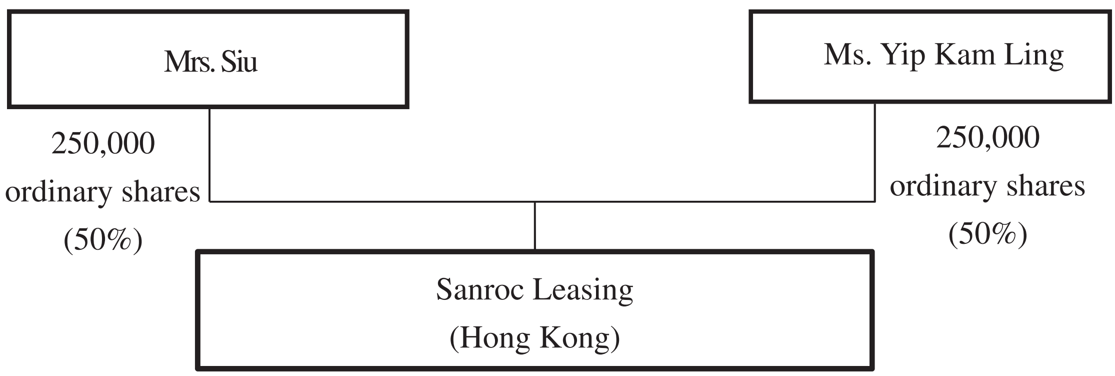
Jovial Lead Global Limited

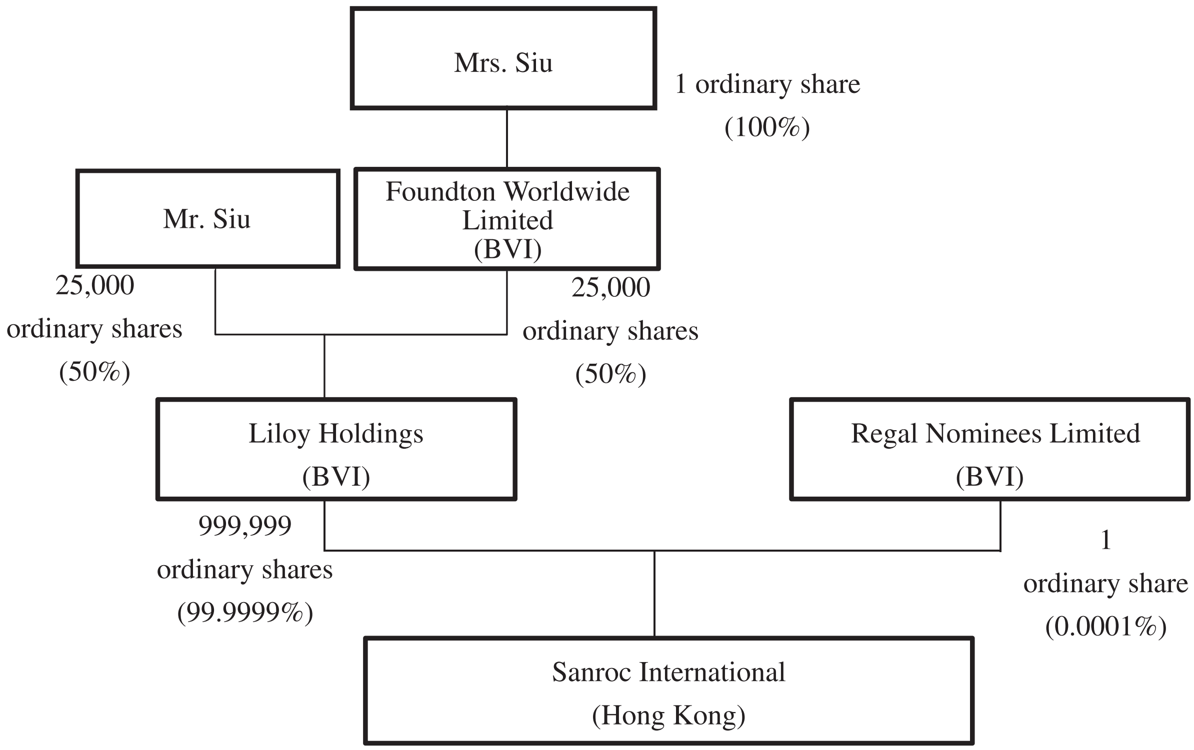
In anticipation of the Reorganisation, Jovial Lead Global Limited was incorporated in the BVI on 11 April 2016 as a limited liability company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each, and serves as an investment holding company of our Group upon the completion of the Reorganisation. On 1 August 2016, one (1) share of Jovial Lead Global Limited, credited as fully paid, and representing 100% of the entire issued shares of the said company, was held by Liloy Holdings.

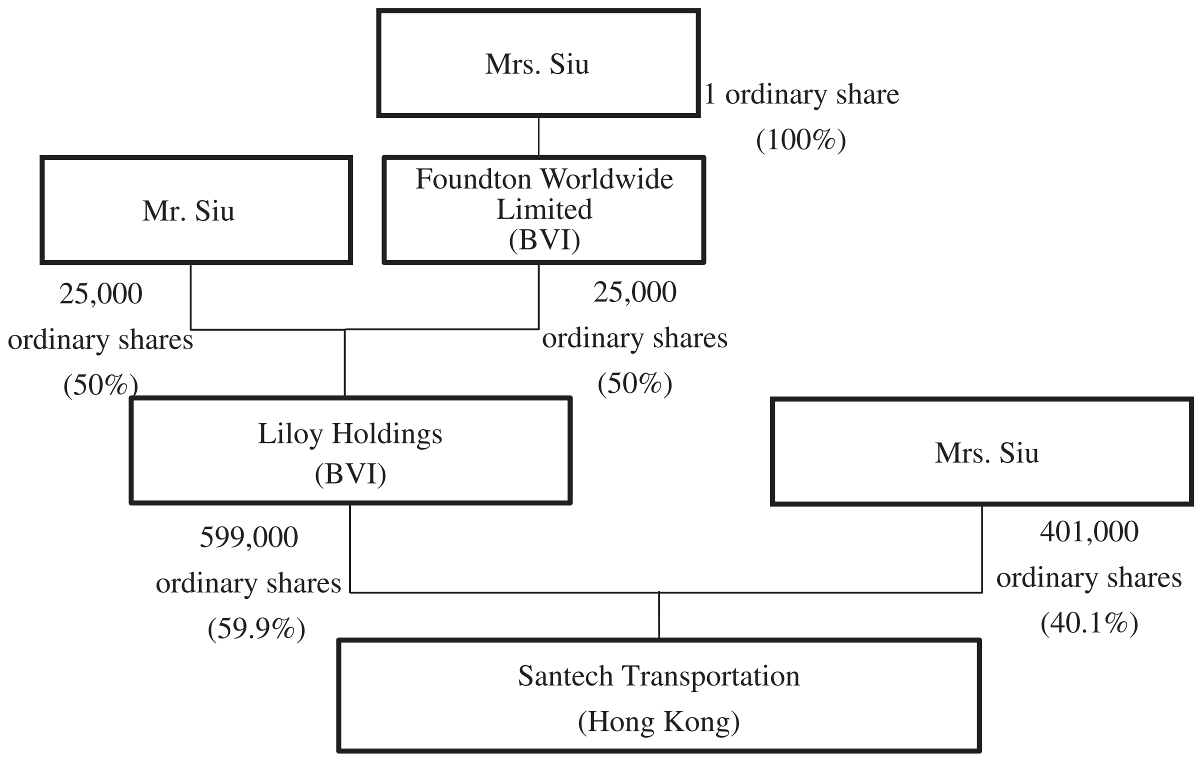
REORGANISATION

As part of, and pursuant to, the Reorganisation in preparation for the Listing, a number of share transfers had been effected, and, as a result of which, the Company became the holding company of our Group on 10 November 2016.

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




Mrs. Siu
1 ordinary share
(100%)
Mr. Siu
Foundton Worldwide Limited (BVI)
25,000
ordinary shares
(50%)
25,000
ordinary shares
(50%)
Liloy Holdings
(BVI)
Regal Nominees Limited
(BVI)
999,999
ordinary shares
(99.9999%)
1
ordinary share
(0.0001%)
Sanroc International
(Hong Kong)


Mrs. Siu
1 ordinary share
(100%)
Mr. Siu
Foundton Worldwide Limited (BVI)
25,000
ordinary shares
(50%)
25,000
ordinary shares
(50%)
Liloy Holdings
(BVI)
Mrs. Siu
599,000
ordinary shares
(59.9%)
401,000
ordinary shares
(40.1%)
Santech Transportation
(Hong Kong)

In preparation of the Listing, our Group underwent the Reorganisation through the following major steps:

(i) By virtue of a trust deed entered into by Ms. Yip on 5 January 2004, the 250,000 Sanroc Leasing ordinary shares held by Ms. Yip came to be held on trust for Mrs. Siu. On 1 August 2016, Ms. Yip transferred the said ordinary shares back to Mrs. Siu at nil consideration. As a result, 500,000 Sanroc Leasing ordinary shares, all credited as fully paid, have been held by Mrs. Siu, representing the entire issued share capital of the said company, since 3 August 2016.

(ii) By virtue of a trust deed entered into by Regal Nominees on 29 March 2001, the one (1) Sanroc International ordinary share held by Regal Nominees, came to be held on trust for Liloy Holdings. On 7 June 2016, Regal Nominees transferred its one (1) Sanroc International share back to Liloy Holdings at nil consideration. As a result, 1,000,000 Sanroc International shares, all credited as fully paid, have been held by Liloy Holdings, representing the entire issued share capital of the said company, since 7 June 2016.

(iii) On 12 September 2016, Mrs. Siu, as seller, and Liloy Holdings as purchaser, entered into a share sale and purchase agreement, pursuant to the terms of which Mrs. Siu transferred her 401,000 Santech Transportation ordinary shares, representing 40.1% of the issued share capital of Santech Transportation to Liloy Holdings. In consideration, Liloy Holdings allotted and issued two (2) of its shares, all credited as fully paid at par, to Mrs. Siu. As a result, 1,000,000 Santech Transportation ordinary shares, all credited as fully paid, have been held by Liloy Holdings, representing the entire issued share capital of the said company, since 7 October 2016.

(iv) Jubilee Land Holdings Limited was incorporated on 12 May 2016 in the BVI, and is authorised to issue a maximum of 50,000 shares with par value of US$1 each. On 1 August 2016, one (1) share of Jubilee Land Holdings Limited, credited as fully paid, and representing 100% of the entire issued shares of the said company, was held by Mrs. Siu.

(v) Red Day Global Limited was incorporated on 6 June 2016 in the BVI, and was authorised to issue a maximum of 50,000 shares with par value of US$1 each. On 1 August 2016, one (1) share of Red Day Global Limited, credited as fully paid, and representing 100% of the entire issued shares of the said company, was held by Liloy Holdings.

(vi) Jovial Lead Global Limited was incorporated on 11 April 2016 in the BVI, and was authorised to issue a maximum of 50,000 shares with par value of US$1 each. On 1 August 2016, one (1) share of Jovial Lead Global Limited, credited as fully paid, and representing 100% of the entire issued shares of the said company, was held by Liloy Holdings.

(vii) On 26 August 2016, Mrs. Siu, as seller, and Jubilee Land Holdings Limited as purchaser, entered into a share sale and purchase agreement, pursuant to the terms of which Mrs. Siu transferred her 500,000 Sanroc Leasing ordinary shares to Jubilee Land Holdings Limited.

In consideration, Jubilee Land Holdings Limited, allotted and issued one (1) share, credited as fully paid, to Mrs. Siu. As a result, 500,000 Sanroc Leasing ordinary shares, all credited as fully paid, have been held by Jubilee Land Holdings Limited, representing the entire issued share capital of the said company, since 12 September 2016.

(viii) On 19 September 2016, Mrs. Siu and Liloy Holdings entered into a capital contribution agreement, pursuant to the terms of which Mrs. Siu transferred all her Jubilee Land Holdings Limited shares to Liloy Holdings. In exchange, Liloy Holdings allotted and issued 57,617 of its shares, all credited as fully paid, to Mrs. Siu. As a result, two (2) Jubilee Land Holdings Limited shares, all credited as fully paid, have been held by Liloy Holdings, representing the entire issued share capital of the said company, since 22 September 2016.

(ix) On 1 September 2016, Liloy Holdings (as transferor) and Red Day Global Limited (as transferee) entered into a capital contribution agreement, pursuant to the terms of which Liloy Holdings transferred all its Sanroc International shares to Red Day Global Limited In exchange, Red Day Global Limited allotted and issued one (1) share, credited as fully paid, to Liloy Holdings. As a result, 1,000,000 Sanroc International shares, all credited as fully paid, have been held by Red Day Global Limited, representing the entire issued share capital of the said company, since 22 September 2016.

(x) On 11 October 2016, Liloy Holdings (as transferor) and Jovial Lead Global Limited (as transferee) entered into a capital contribution agreement, pursuant to the terms of which Liloy Holdings transferred all its Santech Transportation shares to Jovial Lead Global Limited. In exchange, Jovial Lead Global Limited allotted and issued one (1) share, credited as fully paid, to Liloy Holdings. As a result, 1,000,000 Santech Transportation shares, all credited as fully paid, have been held by Jovial Lead Global Limited, representing the entire issued share capital of the said company, since 11 October 2016.

(xi) As the intended listing vehicle, our Company, was incorporated in the Cayman Islands with limited liability on 25 July 2016, with an authorised share capital of HK$380,000 divided into 380,000 Shares with a par value of HK$1.00 each. On the date of incorporation, 1 Share of our Company, credited as fully paid, and representing 100% of the entire issued shares of the said company, was issued to Mapcal Limited as initial subscriber and on the same date transferred to Lion Spring Enterprises Limited.

(xii) Lion Spring Enterprises Limited was incorporated on 18 May 2016 in the BVI, and is authorised to issue a maximum of 50,000 shares with a par value of US$1 each. On 1 August 2016, three (3) shares of Lion Spring Enterprises Limited, all credited as fully paid, and representing 100% of the entire issued shares of Lion Spring Enterprises Limited, were allotted and issued, and each of Mr. Siu, Mrs. Siu and Foundton Worldwide Limited held 1 share of Lion Spring Enterprises Limited.

(xiii) On 12 October 2016, Mr. Siu, as transferor, Lion Spring Enterprises Limited, as transferee, entered into a capital contribution agreement, pursuant to the terms of which Mr. Siu transferred all his 25,000 Liloy Holdings ordinary shares to Lion Spring Enterprises Limited. In exchange, Lion Spring Enterprises Limited allotted and issued 24,999 of its shares, all credited as fully paid, to Mr. Siu.

(xiv) On 12 October 2016, Mrs. Siu, as transferor, Lion Spring Enterprises Limited, as transferee, entered into a capital contribution agreement, pursuant to the terms of which Mrs. Siu transferred all her 57,619 Liloy Holdings ordinary shares to Lion Spring Enterprises Limited. In exchange, Lion Spring Enterprises Limited allotted and issued 57,618 of its shares, all credited as fully paid, to Mrs. Siu.

(xv) On 12 October 2016, Foundton Worldwide Limited, as transferor, Lion Spring Enterprises Limited, as transferee, entered into a capital contribution agreement, pursuant to the terms of which Foundton Worldwide Limited transferred all its 25,000 Liloy Holdings ordinary shares to Lion Spring Enterprises Limited. In exchange, Lion Spring Enterprises Limited, allotted and issued 24,999 of its shares, all credited as fully paid, to Foundton Worldwide Limited.

(xvi) Liloy Holdings made an entity classification election to be treated as a disregarded entity for US federal income tax purposes by filing Form 8832, Entity Classification Election, effective on 14 October 2016. Form 8832 must be filed within 75 days of 14 October 2016, its requested effective date. The making of an entity classification election to be treated as a disregarded entity has an effect of a deemed liquidation for US federal income tax purposes only. Liloy Holdings would be deemed to distribute all its assets, including its Jubilee Land Holdings Limited, Red Day Global Limited and Jovial Lead Global Limited shares concurrent with the deemed liquidation.

The actual distribution of Liloy Holdings's assets would need to be effectuated through the execution of the relevant legal documents. On or after the effective date of Liloy Holdings' entity classification election, Liloy Holdings would be liquidated and distribute its Jubilee Land Holdings Limited, Red Day Global Limited and Jovial Lead Global Limited shares to Lion Spring Enterprises Limited. As a result, all Jubilee Land Holdings Limited, Red Day Global Limited and Jovial Lead Global Limited shares have been held by Lion Spring Enterprises Limited since 3 November 2016.

Following the distributions, Liloy Holdings shall be legally liquidated. The plan is that Liloy Holdings would be legally liquidated in 2017.

Based on the confirmation of the sole director of Liloy Holdings that Liloy Holdings is not insolvent at the time it enters into each transaction undertaken by Liloy Holdings as part of the Reorganisation, and that such transactions do not cause Liloy Holdings to become insolvent, our BVI legal advisers confirm that, as a matter of BVI law, the liquidation of Liloy Holdings shall not affect the validity of any of such transactions.

Our Hong Kong legal advisers also confirm that, as a matter of Hong Kong law, the liquidation of Liloy Holdings shall not affect the validity of any of the transactions undertaken by Sanroc Leasing, Sanroc International and Santech Transportation as part of the Reorganisation.

(xvii) On 9 November 2016, Lion Spring Enterprises Limited and our Company, with Mr. Siu and Mrs. Siu (as warrantors), entered into a capital contribution agreement, pursuant to the terms of which Lion Spring Enterprises Limited transferred all its Jubilee Land Holdings Limited shares, i.e. 2 shares, to our Company. In exchange, our Company allotted and issued one (1) Share, credited as fully paid, to Lion Spring Enterprises Limited. As a result, two (2) Jubilee Land Holdings Limited shares, all credited as fully paid, have been held by the Company, since 10 November 2016.

(xviii) On 9 November 2016, Lion Spring Enterprises Limited and our Company, with Mr. Siu and Mrs. Siu (as warrantors), entered into a capital contribution agreement, pursuant to the terms of which Lion Spring Enterprises Limited transferred all its Red Day Global Limited shares, i.e. 2 shares, to our Company. In exchange, our Company allotted and issued one (1) Share, credited as fully paid, to Lion Spring Enterprises Limited. As a result, two (2) Red Day Global Limited shares, all credited as fully paid, have been held by the Company, since 10 November 2016.

(xix) On 9 November 2016, Lion Spring Enterprises Limited and our Company, with Mr. Siu and Mrs. Siu (as warrantors), entered into a capital contribution agreement, pursuant to the terms of which Lion Spring Enterprises Limited transferred all its Jovial Lead Global Limited shares, i.e. 2 shares, to our Company. In exchange, our Company allotted and issued one (1) Share, credited as fully paid, to Lion Spring Enterprises Limited. As a result, two (2) Jovial Lead Global Limited shares, all credited as fully paid, have been held by the company, since 10 November 2016.

(xx) On 18 January 2017, a U.S. trust ("**AMSC GRAT of 2017**") was established by Mr. Siu as the grantor, and Mr. Siu as the trustee, of the same. The U.S. trust is a grantor retained annuity trust.

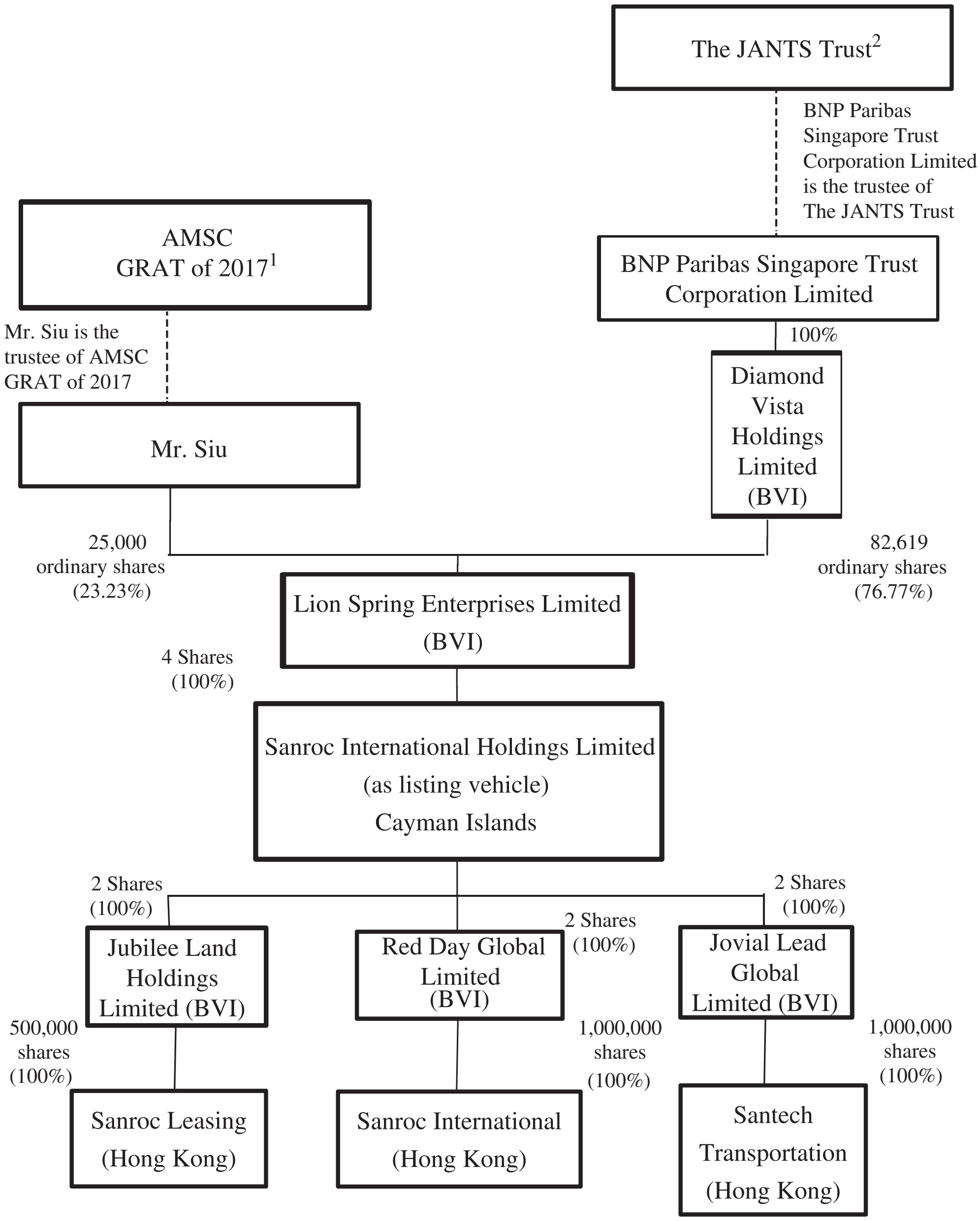
On 18 January 2017, Mr. Siu declared all his shareholding interests in Lion Spring Enterprises Limited, representing 23.23% of the issued share capital of the Company, to be held in trust for Mrs. Siu, with Mr. Siu as trustee under the trust AMSC GRAT of 2017.

Effectively, Mr. Siu as the trustee of AMSC GRAT of 2017 holds 23.23% interest in Lion Spring Enterprises Limited since 18 January 2017. The term of the U.S. trust shall begin upon the date on which Mr. Siu transfers the assets to himself as trustee (the "**Creation Date**"), and shall conclude on the third anniversary of the Creation Date. The annuitant of AMSC GRAT of 2017 during its three-year term is Mr. Siu, and the remainder beneficiary upon the expiration of the term of AMSC GRAT of 2017 is Mrs. Siu.

(xxi) On 22 July 2016, Diamond Vista Holdings Limited was incorporated in BVI. On 1 November 2016, a discretionary trust ("**The JANTS Trust**") was established by Mrs. Siu as the settlor, and BNP Paribas Singapore Trust Corporation Limited as the trustee, of the same. On 23 January 2017, Foundton Worldwide Limited transferred all its shares in Lion Spring Enterprises Limited to Mrs. Siu at nil consideration. On 23 January 2017, Mrs. Siu transferred all her shares in Lion Spring Enterprises Limited to Diamond Vista Holdings Limited, a wholly-owned subsidiary of the trustee of The JANTS Trust. Effectively, since 23 January 2017, Diamond Vista Holdings Limited holds 76.77% interest in Lion Spring Enterprises Limited on trust for Mrs. Siu and the children born to Mr. Siu and Mrs. Siu.

As a result of the Reorganisation, the Company became the holding company of our Group comprising Sanroc International, Sanroc Leasing and Santech Transportation.

The following chart sets out our corporate structure and shareholding structure immediately following the completion of the Reorganisation:



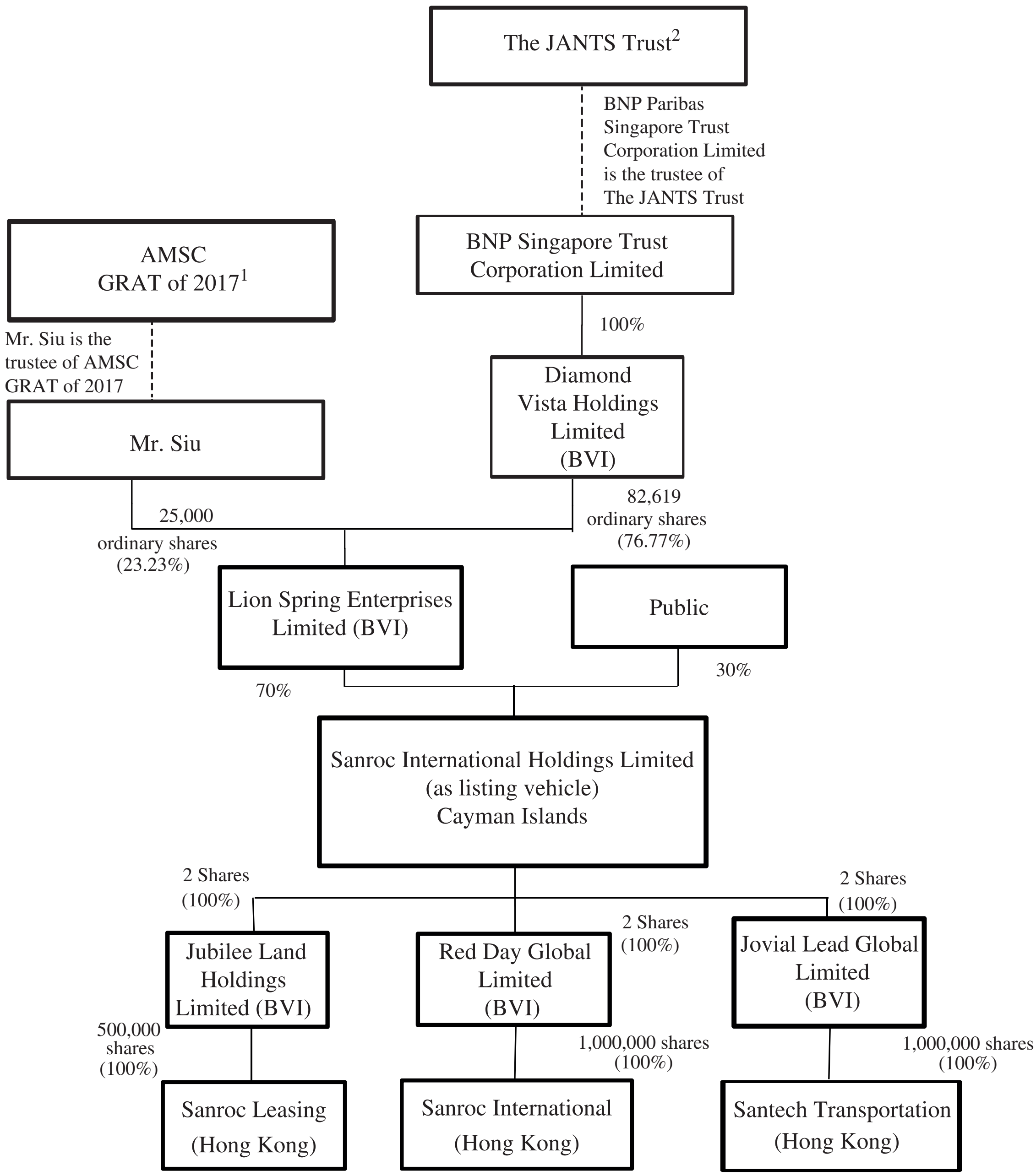
Notes:

1. Mr. Siu, as the grantor, established the AMSC GRAT of 2017, and also act as the trustee of the same. Prior to the Listing, Mr. Siu transferred and delivered all his shares in Lion Spring Enterprises Limited to himself as trustee of the AMSC GRAT of 2017 (he therefore, came to hold a 23.23% shareholding interest in Lion Spring Enterprises Limited). The term of the U.S. trust commenced as of the time during which Mr. Siu transferred the assets to himself as trustee (the "**Creation Date**"), and shall terminate on the third anniversary of the Creation Date. The annuitant of the AMSC GRAT of 2017 during its three-year term shall be Mr. Siu, and the remainder beneficiary upon the expiration of the term of the AMSC GRAT of 2017 shall be Mrs. Siu. Commencing on the first anniversary of the Creation Date, and continuing on an annual basis during the term of the AMSC GRAT of 2017, Mr. Siu, as trustee, shall distribute to himself as the

annuitant an "Annuity Amount". The Annuity Amount for each year shall be a percentage of the initial fair market value of the assets contributed to Mr. Siu as trustee as finally determined for federal tax purposes. Accordingly, during the three-year term of the AMSC GRAT of 2017, Mr. Siu shall hold a beneficial interest in the trust assets as the annuitant and a direct interest in the trust assets as the trustee, and shall, therefore, hold both a direct and a beneficial interest in the Group. Mr. Siu signed the AMSC GRAT of 2017 on 18 January 2017 and funded it with USD100,000 cash and 25,000 shares of Lion Spring Enterprises Limited. The Company's BVI legal adviser has confirmed that, after the funding of AMSC GRAT of 2017 and after Mr. Siu, as the trustee of the AMSC GRAT of 2017 becomes the registered shareholder of the 25,000 shares of Lion Spring Enterprises Limited, Mr. Siu, as the trustee of the AMSC GRAT of 2017 is the sole legal owner of such shares of Lion Spring Enterprises Limited.

2. The JANTS Trust was established by Mrs. Siu on 1 November 2016. It is confirmed by the Singaporean legal adviser that, The JANTS Trust will not be the legal owner of any shares of Lion Spring Enterprises Limited upon completion of the Reorganization. Diamond Vista Holdings Limited will be the legal owner of 76.77% in the share capital of Lion Spring Enterprises Limited.

The following chart sets out our corporate and shareholding structure of our Group immediately after completion of the Capitalisation Issue and the Share Offer, assuming the Over-allotment Option is not exercised:



Notes:

1. Mr. Siu, as the grantor, established the AMSC GRAT of 2017, and also act as the trustee of the same. Prior to the Listing, Mr. Siu transferred and delivered all his shares in Lion Spring Enterprises Limited to himself as trustee of the AMSC GRAT of 2017 (he therefore, came to hold a 23.23% shareholding interest in Lion Spring Enterprises Limited). The term of the U.S. trust shall commence as of the time during which Mr. Siu transfers the assets to himself as trustee (the "**Creation Date**"), and shall terminate on the third anniversary of the Creation Date. The annuitant of the AMSC GRAT

of 2017 during its three-year term shall be Mr. Siu, and the remainder beneficiary upon the expiration of the term of the AMSC GRAT of 2017 shall be Mrs. Siu. Commencing on the first anniversary of the Creation Date, and continuing on an annual basis during the term of the AMSC GRAT of 2017, Mr. Siu, as trustee, shall distribute to himself as the annuitant an "Annuity Amount". The Annuity Amount for each year shall be a percentage of the initial fair market value of the assets contributed to Mr. Siu as trustee as finally determined for federal tax purposes. Accordingly, during the three-year term of the AMSC GRAT of 2017, Mr. Siu shall hold a beneficial interest in the trust assets as the annuitant and a direct interest in the trust assets as the trustee, and shall, therefore, hold both a direct and a beneficial interest in the Group. Mr. Siu signed the AMSC GRAT of 2017 on 18 January 2017 and funded it with USD100,000 cash and 25,000 shares of Lion Spring Enterprises Limited. The Company's BVI legal adviser has confirmed that, after the funding of AMSC GRAT of 2017 and after Mr. Siu, as the trustee of the AMSC GRAT of 2017 becomes the registered shareholder of the 25,000 shares of Lion Spring Enterprises Limited, Mr. Siu, as the trustee of the AMSC GRAT of 2017 is the sole legal owner of such shares of Lion Spring Enterprises Limited.

2. The JANTS Trust was established by Mrs. Siu on 1 November 2016. It is confirmed by the Singaporean legal adviser that, The JANTS Trust will not be the legal owner of any shares of Lion Spring Enterprises Limited upon completion of the Reorganization. Diamond Vista Holdings Limited will be the legal owner of 76.77% in the share capital of Lion Spring Enterprises Limited.

OVERVIEW

Our Group provides construction machinery trading and leasing services in Hong Kong. Our business includes: (i) trading of construction machinery, which are mainly foundation machinery and drilling accessories; (ii) leasing of construction machinery, which are mainly power and energy machinery; and (iii) the provision of local transportation services with our crane lorries, which started in July 2015.

For the three years ended 31 March 2016 and the four months ended 31 July 2016, our revenue derived from different business segments was as follows:

	For the year ended 31 March						For the four months ended 31 July	
	2014		2015		2016		2016	
	Revenue HK$'000	*% of total revenue*	*Revenue HK$'000*	*% of total revenue*	*Revenue HK$'000*	*% of total revenue*	*Revenue HK$'000*	*% of total revenue*
Trading of construction machinery	81,347	72.1	154,731	74.6	137,128	66.8	32,594	55.7
Leasing of construction machinery	31,487	27.9	52,803	25.4	66,993	32.6	23,405	40.0
Transportation services	—	—	—	—	1,318	0.6	2,485	4.3
Total	112,834	100.0	207,534	100.0	205,439	100.0	58,484	100.0

Our history can be traced back to 1991 when Mr. Siu, our founder and executive Director with more than 25 years of experience in the industry, acquired 49.99% shares of Sanetech Limited (which is now known as Santech Transportation) to develop foundation machinery trading business in Hong Kong. We then expanded our business into power and energy machinery leasing market in 2003. Our Directors believe that we can further profit from transportation services associated with our construction machinery leasing business and the existing customer base. We started transportation services in July 2015 and had five crane lorries in operation in that financial year.

In respect of the construction machinery trading business, which contributed approximately HK$81.3 million, HK$154.7 million, HK$137.1 million and HK$32.6 million representing approximately 72.1%, 74.6%, 66.8% and 55.7% respectively, of our Group's total revenue for the three years ended 31 March 2016 and the four months ended 31 July 2016, are mainly trading of foundation machinery and drilling accessories, including RCD machines, casing oscillators, casing rotators, drilling rigs and all related accessories. We source these construction machinery mainly through manufacturers from South Korea, Japan, Germany and Italy which are considered as some of the major players in the construction machinery industry. For some of our major suppliers, we have entered into exclusive dealership agreements with them.

Regarding the construction machinery leasing business, which contributed approximately HK$31.5 million, HK$52.8 million, HK$67.0 million and HK$23.4 million representing approximately 27.9%, 25.4%, 32.6% and 40.0% of our Group's total revenue for three years ended 31 March 2016 and the four months ended 31 July 2016 respectively, we mainly focus on the leasing of power generators which are commonly required in construction and electrical and mechanical engineering projects to provide electricity supply. In addition, we provide a selection of air compressors for foundation works. Our leasing fleet mainly includes 618 power generators and 32 air compressors as at the Latest Practicable Date. In case when (i) we do not own specific machines; or (ii) we do not have sufficient number of machines to fulfill the need of our customers, we will consider leasing idle machinery from third party construction companies for which we would then sub-lease to our customers.

Leveraging on our experience and market-leading position in our business segments, we intended to further expand our business. During the year ended 31 March 2016, we made intensive capital investment and developed a new business segment, the transportation services, by acquiring crane lorries and setting up our transportation team. Our Directors intend to further develop our transportation services and expand our construction vehicle fleet. As at the Latest Practicable Date, our Group has 11 crane lorries in operation and our Group has purchased one additional crane lorry which is expected to be delivered to us and commence operation during the year ending 31 March 2017.

According to the F&S Report, we are the third largest construction machinery trading company in Hong Kong with market share of approximately 4.1% in 2015. In particular, we are the leading foundation machinery trading company in Hong Kong with market share of approximately 28.3% in the same period. In relation to our leasing operation, we are the second largest power and energy machinery leasing company with market share of approximately 8.9% in Hong Kong in 2015. The construction machinery leasing market in Hong Kong is highly fragmented and competitive with around 80 competitors with more than HK$3 million annual leasing revenue in the market. The five largest players in the construction machinery leasing market in Hong Kong accounted for only 17.3% of the total market revenue in 2015.

As further stated by the F&S Report, construction machinery leasing and trading companies with extensive product portfolio and quick delivery are highly valued by contractors. Leasing and trading companies will focus more on value-added services such as pre-leasing and after-sales services to gain more bargaining power in project bidding. In addition, subject to a series of regulations imposed by the Government to improve environmental standard of construction sites, namely QPME System and NRMM Regulation, more environmental-friendly machinery is preferred by contractors in Hong Kong.

COMPETITIVE STRENGTHS

A well established market presence and continuous development in the Hong Kong construction machinery industry

Mr. Siu, our founder and executive Director, founded our Group in 1991 to develop foundation machinery trading business. We believe our management's long-term presence in the Hong Kong construction machinery services market gives our customers an overall confidence in our product quality and services competency. All of our executive Directors have at least 17 years of experience in the Hong Kong construction machinery services industry.

Leveraging on our established network of customers in the industry, we have continuously developed our business based on our perception of industry need. In the past years, we have expanded into power and energy leasing market. We started to develop our transportation services in July 2015. We intend to allocate approximately 43.8%, or HK$38.6 million, of our net proceeds from the Listing to expand this business segment.

We have proven track record of our successful efforts in our long operating history to become one of the largest players in the construction machinery trading market in Hong Kong. According to the F&S Report, we were the leading foundation machinery trading company and the second largest power and energy machinery leasing company in Hong Kong in 2015. We believe that we have well-developed scale and capabilities to continue to compete and retain our position in the Hong Kong construction machinery services industry.

Market leader with large and well-maintained leasing fleet

According to the F&S Report, we were ranked second in the power and energy machinery leasing market in Hong Kong with market share of approximately 8.9% in 2015. We have a leasing fleet of over 600 units of power and energy machinery as at the Latest Practicable Date, including a wide selection of power generators and air compressors of different models and standards. The utilisation rates of our power and energy machinery were approximately 93.8%, 92.5%, 89.4% and 84.2% for the three years ended 31 March 2016 and the four months ended 31 July 2016 respectively.

After the implementation of Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (the "**NRMM Regulation**") and a technical circular issued by The Works Branch of the Development Bureau on 8 February 2015 (the "**Technical Circular**"), we expect a higher demand for power and energy machinery which can meet the emission standards and fulfill the NRMM Regulation for the upcoming public work projects in Hong Kong. For more details, please see the section headed "Regulatory Overview". We have accordingly entered into purchase agreement of purchasing 104 units of NRMM approved power generators during the year ended 31 March 2016 to meet the new emission standards which helps to retain our market position and competitiveness in Hong Kong.

We regularly inspect and service our machinery to ensure they are well-maintained and available in good condition when they are needed by our customers. We believe proactive machinery repair and maintenance increases actual useful life, productivity and resale value of our machinery.

According to the F&S Report, power and energy machinery leasing market size is expected to continue to grow from approximately HK$709.4 million to HK$1,049.2 million during the period from 2016 to 2020, representing a CAGR of about 10.3%. Our Directors believe that our Group has accumulated adequate professional experience in fleet management and our leasing fleet is able to satisfy various demand from the market. Hence, we are able to capture the future booming market of power and energy machinery leasing.

Know-how in foundation mechanical technology

We believe our know-how in the foundation mechanical technology is a key competency to participate effectively in our industry. Mr. Siu, who obtained a Bachelor of Engineering in Mechanical Engineering from National Cheng Kung University, Taiwan, together with Mrs. Siu and Mr. Ho King Chiu, our executive Directors, possess extensive industry knowledge with more than 17 years of experience in construction machinery services industry which enable our Group to provide idea originations on our products.

Our Group is able to provide idea originations to our major suppliers for them to develop new products and designs as we believe that our Group's continuing commitment to bring in more advanced construction machinery to our customers creates a platform for ourself to retain our competitiveness and position in the industry.

Our relentless effort has successfully enabled us to attain our market position through introducing new products into Hong Kong and provide idea originations to our suppliers to improve existing products based on our customers' requirements. In particular, we procure suppliers to produce products which meet specific requirements of our customers through technological innovation.

Professional operation and technical support by our experienced technical team

We place significant emphasis on our operation and technical support services. We provide technical staff to check our leased machinery to ensure our customers are provided with fully operable machinery during the leasing period. In addition, we provide technical support services for both of our construction machinery trading and leasing business.

Our Directors believe that consistent and quality service is important for building up our reputation and customer relationships. Therefore, the operation and technical support services are provided by our experienced technical team which consisted of eight people with relevant technical background and experience, some of whom have been working with us for over ten years. We emphasise in training and retention of our staff, especially our technical staff, as we believe that they are vital to our long term success. We exercise control over their service quality by providing them with trainings from time to time, both held by our in-house staff and our major suppliers, to ensure that they are competent in keeping our machinery well-maintained and they are well-informed about the functions, operation and maintenance of our machinery. We believe that our ability to provide reliable technical support services is essential to build up long-term business relationship with our customers.

Stable relationship with our major customers and suppliers

Capitalising on our long history in the foundation machinery trading industry, our Group has established and maintained stable business relationship with our major customers and suppliers. Our customers include some of the major main contractors in Hong Kong, and meanwhile we directly source machinery from some overseas manufacturers. Many of our five largest customers and suppliers during the Track Record Period have established business relationship with us for more than ten years. We believe that such long term relationships represent confidence and trust from our business partners and acknowledgement of our ability.

Our Group is able to build up close working relationship with our business partners and bring together our customers and suppliers to develop foundation technology. Our Directors have frequent interactions with our customers regarding their feedbacks on the quality of our products which would then be reflected to our suppliers by us. Through this solid communication channel together with our experienced management team, our Directors believe that we are able to better understand our customers' needs as well as the market trend in order to make appropriate modifications or improvements to our products. In particular, we would reflect the market needs to our suppliers who would then make modifications based on our idea originations. Leveraging on our relationship, our major suppliers provide us technical and other support such as training on the function, operation and maintenance of their machinery. We believe our established relationship with suppliers also enable us to acquire various types of machinery to fulfil our customers needs in a timely manner and with favourable terms.

Our Group also leases foundation machinery and air compressors from third party construction companies for which we would then sub-lease to our customers which, to the belief of our Directors, is of mutual benefit and would build up a closer business relationship between us and our customers.

OUR STRATEGIES AND FUTURE PLANS

Strengthening our position as one of the market leaders in the power and energy machinery leasing market in Hong Kong through replacement and expansion of our leasing fleet

In order to cater for the demand for leasing of construction machinery in Hong Kong, we intend to expand our leasing fleet and maintain our strength on our principal type of machinery, namely power and energy machinery. According to the F&S Report, we were the second largest power and energy machinery leasing company in terms of market share in Hong Kong in 2015. During the Track Record Period, the utilisation rates for our power generators were approximately 95.3%, 93.2%, 89.8% and 84.1% and air compressors were approximately 72.0%, 86.0%, 83.9% and 86.4%, respectively. For further details of the utilisation rates of our leasing fleet, please refer to the section headed "Business — Our Leasing Fleet".

In spite of the general decline in utilisation rate of power generators in our leasing fleet, which was mainly caused by the time lag involved between the initial inspections of the machinery upon receiving deliveries from the manufacturers and the initiation of first lease transaction with customers, our Group's overall profitability derived from the leasing of machinery business increased during the Track Record Period.

We planned to apply approximately 54.7% of net proceeds from Listing towards expanding of our leasing fleet with the acquisition of 108 power generators and 32 air compressors. Amongst these, all of the machinery in our planned expansion shall be approved NRMMs and particularly, all power generators shall be with QPME Labels. For different periods during the Track Record Period, the utilisation rate of our power generators of various output rates under lease with QPME Labels ranges from approximately 81.4% to 97.0%, with the utilisation rate for most categories of power generators with different output rates exceeding 90%. In view of the generally high utilisation rate of our existing leasing fleet, with certain categories approaching full capacity, our Directors are of the view that there is further growth potential with our construction machinery leasing business by expanding our lease fleet.

As a result of growing environmental awareness and the implementation of the NRMM Regulation and QPME System, a growing demand is expected for NRMM approved power and energy machinery in the market. In order to cater for the expected demand for such machinery in the upcoming construction projects in Hong Kong, we have accordingly entered into purchase agreement of purchasing 104 units of NRMM approved power generators during the year ended 31 March 2016, which all have been delivered to us as at the Latest Practicable Date, to meet the new emission standards which helps to retain our market position and competitiveness in Hong Kong. We intend to purchase more new machinery in the upcoming years.

Our Directors generally consider the following factors for expansion, disposal or replacement of our leasing machinery: (i) monitoring and maintaining the average age of the construction machinery under our leasing fleet; (ii) the environmental commitment engaged by our Group and the compiling government regulatory of QPME Labels and NRMM Regulation for the more environmental friendly machinery; and (iii) the market demand and supply of power generators and air compressors with different specifications.

Expansion and development of our transportation services

Before we developed our transportation services, we engaged third party logistic service providers for the delivery of leasing machinery to our customers. By engaging third party service providers, we incurred additional operation cost for the transportation of our leasing machinery while we do not have direct control over the performance of these services providers.

To improve cost-efficiency and the monitoring of delivery, we started to provide transportation services in July 2015 when we acquired five crane lorries with lifting capacity ranging from 17 to 30 tonnes in that financial year. As at the Latest Practicable Date, we had 11 crane lorries in total in operation with lifting capacity up to 55 tonnes. Our Directors believe the development of transportation services would be welcomed by our customers and help to maintain our quality of services in leasing operation.

For the year ended 31 March 2016 and the four months ended 31 July 2016, the revenue generated from our transportation services accounted for approximately 0.6% and 4.3% of our total revenue respectively. Leveraging on our industry reputation, established network and actual business needs of the transportation services, we plan to expand and further develop our transportation services. Please refer to the section headed "Future Plans and Use of Proceeds" for further details of our future plan to acquire additional crane lorries.

We expect to charge our customers for our transportation services according to the existing fee basis adopted during the Track Record Period. Please refer to the section headed "Business — Transportation services" in this prospectus for details of our transportation service fee during the Track Record Period.

We make decision on our purchase based on our observation of market condition, communication with customers, governmental regulations and the experience of our management. We believe that the purchase of the new transportation vehicles will enable us to leverage on our existing business operation and further expand into another segment for potential growth.

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

To ensure that we remain competitive and to enhance our strength in construction machinery trading and leasing industry, which depends significantly on our experienced staff and know-how, we will continue to hire and provide our staff with the necessary training in order to maintain our standard of operating and technical services. We will continue to provide training to our technical staff to ensure that they are competent in operating and maintaining our machinery. In addition, we will hire more crane lorries drivers for the expansion of our transportation services. We will continue to motivate our staff to further enhance their professionalism and industry know-how to support our provision of services.

OUR BUSINESS MODEL

We principally engage in three business segments, namely (i) trading of construction machinery; (ii) leasing of construction machinery; and (iii) provision of transportation services. We have a long operating history in machinery trading business and have accumulated technical expertise to meet the comprehensive demand of our customers. We have built up long-term business relationship and exclusive dealership arrangements with some overseas brands of foundation machinery manufacturers. Our Group was the largest foundation machinery trading company in Hong Kong with a market share of approximately 28.3% in 2015, according to the F&S Report. In addition, we were also the second largest power and energy machinery leasing company in Hong Kong with a market share of approximately 8.9% in 2015, according to the F&S Report.

We are pleased to offer our customers with our portfolio of products, our design and modification capability and value-added services. We consider ourselves as an important research and development partner with our customers and suppliers in respect of foundation machinery.

The following table sets out our revenue by business segment:

	For the year ended 31 March						For the four months ended 31 July	
	2014		2015		2016		2016	
	Revenue HK$'000	*% of total revenue*	*Revenue HK$'000*	*% of total revenue*	*Revenue HK$'000*	*% of total revenue*	*Revenue HK$'000*	*% of total revenue*
Trading of construction machinery								
Trading of foundation machinery	17,484	15.5	73,609	35.5	62,261	30.3	20,732	35.4
Trading of drilling accessories	56,066	49.7	72,883	35.1	64,696	31.5	11,862	20.3
Others	7,797	6.9	8,239	4.0	10,171	5.0	—	—
	81,347	**72.1**	**154,731**	**74.6**	**137,128**	**66.8**	**32,594**	**55.7**
Leasing of construction machinery								
Leasing of power generator	24,158	21.4	33,189	16.0	43,635	21.2	16,024	27.4
Leasing of air compressor	2,587	2.3	10,939	5.3	11,100	5.4	3,062	5.2
Leasing of foundation machinery	3,872	3.4	7,626	3.6	7,829	3.9	2,566	4.4
Leasing of other machinery	314	0.3	306	0.1	2,479	1.2	994	1.7
Other services	556	0.5	743	0.4	1,950	0.9	759	1.3
	31,487	**27.9**	**52,803**	**25.4**	**66,993**	**32.6**	**23,405**	**40.0**
Transportation Services	—	—	—	—	**1,318**	**0.6**	**2,485**	**4.3**
Total	**112,834**	**100.0**	**207,534**	**100.0**	**205,439**	**100.0**	**58,484**	**100.0**

Trading of construction machinery

We have been developing construction machinery trading business since the establishment of our Group in 1991. Our construction machinery for trading business is mainly (i) foundation machinery and (ii) drilling accessories, both of which are primarily used at the early stages of construction projects such as site formation and foundation works. According to the F&S Report, we were the largest foundation machinery trading company in Hong Kong in terms of trading revenue in 2015, with a market share of approximately 28.3%.

Foundation machinery

Foundation machinery can be further divided into three categories, namely (i) piling machines (ii) DTH drilling rigs; and (iii) bored pile machines. DTH drilling rigs are widely used in Hong Kong due to the geological properties of the soil and they create less noise pollution in comparison to piling machines. We offer a variety of foundation machinery, including RCD machines, drilling rigs and casing rotators in our trading business. For the three years ended 31 March 2016 and the four months ended 31 July 2016, trading of foundation machinery contributed approximately HK$17.5 million, HK$73.6 million, HK$62.3 million and HK$20.7 million, representing approximately 21.5%, 47.6%, 45.4% and 63.6% of our trading revenue respectively.

Drilling accessories

Drilling accessories are essential components being attached to and used together with foundation machinery which directly affect the functionality of the machinery. Drilling accessories are considered as consumable parts in a set of foundation machinery. We offer a selection of drilling accessories, including drill rod, hammer grab and various drilling bits to our customers. For example, drilling bits are being attached to the bottom of drilling rods, cut and grind the soil and create a borehole. Our Directors are of the view that drivers of sales of drilling accessories are similar to the drivers of construction machinery, namely increasing demand for construction that requires machinery, cost reduction due to production overcapacity of construction machinery manufacturer and more stringent environmental regulations driving equipment upgrade, details of which are set out in the section headed "Industry Overview — Competitive Landscape of the Construction Machinery Leasing Market — Market growth drivers of Hong Kong's construction machinery trading market". For the three years ended 31 March 2016 and the four months ended 31 July 2016, trading of drilling accessories contributed approximately HK$56.1 million, HK$72.9 million, HK$64.7 million and HK$11.9 million, representing approximately 68.9%, 47.1%, 47.2% and 36.4% of our trading revenue respectively.

Leasing of construction machinery

Trading of foundation machinery has been historically our strength and we expanded into the power and energy machinery leasing market in 2003. We were the second largest company in power and energy leasing market in Hong Kong in 2015, in terms of leasing revenue generated, according to the F&S Report. Other than leasing out power and energy machinery, which is our focus, we also lease some foundation machinery. For our leasing operation, we maintained a leasing fleet which mainly comprised 618 power generators, 32 air compressors, eight foundation machines and other machinery as at the Latest Practicable Date. Our fleet of power generators had output rate between 25kVA and 400kVA and our fleet of air compressors had output rate ranging from 175cfm to 1,119cfm as at the Latest Practicable Date. Our Directors consider that we have maintained a comprehensive portfolio of power and energy machinery which fits the market demand. For certain construction machinery which we do not possess or are insufficient in our leasing fleet, we may lease from third party construction companies and then sub-lease the same to our customers. Our Directors are of the view that the sub-leasing arrangement can supplement our leasing fleet and allow greater flexibility for a wider selection of machinery under our leasing operation. Our leasing customers are various construction companies engaged in construction works in Hong Kong.

In accordance with the F&S Report, leasing period of construction machinery in Hong Kong market ranges from days to months or years subject to various factors such as the scale and schedule of projects, machinery type and requirement of customers. We offer daily and monthly leasing arrangement to our customers. In general, we charge our customer for the actual number of days a machine is leased, with minimum leasing period of seven to 30 days. For details of leasing period of our products, please refer to the section headed "Business — Our Leasing Fleet".

As part of our leasing operation, we offer regular maintenance services to our leasing machinery so as to ensure that our customers are provided with fully operable machinery. In addition, we provide timely support to our customers in order to minimise their losses caused by machinery breakdown. As at the Latest Practicable Date, we had a technical support team which consisted of eight technical staff with relevant experiences and technical know-how to repair and maintain our machinery.

Transportation services

We started to engage in the provision of transportation services in July 2015. As at the Latest Practicable Date, we had 11 crane lorries with lifting capacities ranging from 17 tonnes to 55 tonnes and will continue to expand our transportation fleet. We provide our transportation services by leasing our crane lorries along with driver on a daily, monthly, trip or job basis. According to our customers' needs and the services required, we will arrange appropriate vehicles to our customers. Our transportation fleet are generally used for transportation of construction machinery or construction materials for our customers in a construction site, or to their designated locations in Hong Kong.

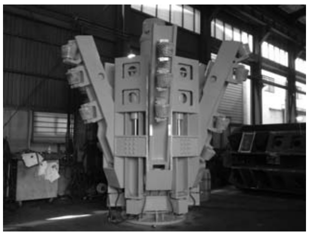
Based on our past experience, there is no seasonality for our products or services. Our Directors confirm that our business operations are not subject to seasonality.

OUR PRODUCTS AND SERVICES

We are pleased to offer the mix and quality of products to our customers. As at the Latest Practicable Date, we have exclusive dealership agreements with five construction machinery manufacturers for our trading operation. As at the Latest Practicable Date, we have maintained a fleet of over 600 machines for our leasing operation. The machinery involved in our business operations can be largely divided into five categories: (i) foundation machinery (including RCD machines, DTH drilling rigs and others); (ii) drilling accessories (including drilling bits, under reamers, hammer grabs and others); (iii) power and energy machinery (power generators and air compressors); (iv) transportation vehicles (crane lorries); and (v) other machinery (including welders and other tools). Details of our major products for trading business and our leasing fleet are set forth in the following table.

	Functions and specification	**Product picture**
Foundation machinery		
RCD machine	Large bored equipment of soil foundation job sites as bridges, buildings and subways and used for the vertical excavation work by means of the installed power swivel with rotary bits based on hydraulic system	

	Functions and specification	Product picture
Casing rotator	Hydraulic driven bored pile equipment used for driving or extracting a large diameter steel casing in foundation work by means of special designed chucking wedges and continuous rotation mechanism	
Casing oscillator	Hydraulic driven bored pile equipment used for driving or extracting a large diameter steel casing in foundation work by means of reinforced clamping frame and oscillating mechanism	
Drilling rig	Movable base machine equipped with crawlers; self-erected leader attached at front with power hydraulic swivel for driving drilling tool in piling work	
Grout station	Integrated machine setup with storage tank, mixing unit and pumping unit for pressurised grout technologies for soil consolidation in foundation work	

	Functions and specification	Product picture
Drilling accessories		
Hammer grab	Helps to break-up boulders, and allows easier extraction of large debris in shafts, normally used in harder soils or conditions where boulders are present	
Drill rod	A tool to transmit the rotation and feed force generated by drilling machine to drilling bit	
Bell-out bit	Drilling bit used to create bell-out shape at the bottom of a pile	
Under reamer	Drilling bit with overburden mechanism for increasing the drilling diameter during hard rock drilling	
Hydraulic vibrator	Used to reduce the skin friction of the pile section and turn the soil into a quasi-liquid state by vibrating the pile section	

	Functions and specification	Product picture
Power and energy machinery		
Power generator	Machine which generates energy and are used primarily in construction sites without connection to a power grid	
Air compressor	Machine that converts power into potential energy stored in pressurised air, which are used to supply high pressure clean air to fill air receivers, supply of moderate-pressure air to power pneumatic tools and equipment	
Transportation vehicles		
Crane lorry	A truck or trailer fitted with a hydraulically-powered articulated arm for loading things	

During the Track Record Period, the trading price of our foundation machinery ranged from HK$935,000 to HK$9,290,000. The trading price of our drilling accessories ranged from HK$650 to HK$688,000 respectively.

For details of our leasing fee, please refer to the section headed “Business — Our Leasing Fleet”.

Value-added services

For our construction machinery trading business, we differentiate ourselves from other competitors for our industry experience and know-how. We are able to provide suggestions and idea originations to our suppliers during the production process of foundation machinery. We acted as a bridge between our customers and suppliers in the development of new products or technologies. For details of our contribution during the development process, please refer to the section headed “Trading Business Operation — 2. Design and modification of construction machinery and accessories”.

For our construction machinery leasing business, our technical team would regularly inspect our leasing machinery to minimise potential machinery breakdown and the consequential loss of our customers. We offer free maintenance services under our leasing arrangements, excluding damage which is caused by negligence of our customer.

According to the F&S Report, it is a trend that construction machinery trading and leasing companies would develop further partnership with upstream suppliers to enhance the supply chain. During the Track Record Period, we have introduced new products into our portfolio and entered into exclusive dealership agreements with five of our suppliers. From time to time, we would continue to explore and source new brands of machinery and bring them into the Hong Kong market.

In addition, we provided a range of value-added services such as installation, testing and commissioning, as well as operation training of the machinery which form a vital part of operation in our business segments.

Transportation services

We have been able to leverage on our existing customer base and stable working relationship with our major customers, and expand into adjacent business area and to deliver transportation services to our customers. We commenced the provision of transportation services in July 2015 with our crane lorries. Our transportation services are provided by leasing of our crane lorries along with driver on a daily, monthly, trip or job basis. In general, we transport construction machinery or construction materials for our customers within a construction site, or to their designated locations in Hong Kong.

TRADING OF CONSTRUCTION MACHINERY

We engage in the provision of construction machinery trading business and we mainly specialise in the trading of (i) foundation machinery and (ii) drilling accessories. We source machinery mainly from overseas manufacturers located in South Korea, Japan, Germany, Sweden and Italy. Our Directors consider that we have built up long-term relationship with our suppliers, some of which are overseas brands of foundation machinery. We were the exclusive dealer of five suppliers' products as to the Hong Kong market as at the Latest Practicable Date. For details of our products, please refer to the section headed "Business — Our Products and Services".

To allow greater financial flexibility to our customers, we sell our foundation machinery, which generally requires more intensive capital investment, by way of direct sales or finance lease. For the direct sales, our customers may be required to pay a deposit in advance and settle the payment within the credit period offered by us. In respect of the finance lease arrangement, our customers are also required to make deposit in advance and settle monthly installment to us during the leasing period which ranged from 14 to 36 months. During the finance lease period, our Group is remained as the owner of the machinery and our customer is responsible for machinery insurance and third parties liability of the machinery. For the three years ended 31 March 2016 and the four months ended 31 July 2016, trading of construction machinery contributed approximately HK$81.3 million, HK$154.7

million, HK$137.1 million and HK$32.6 million, representing approximately 72.1%, 74.6%, 66.8% and 55.7% of our total revenue respectively. The table below sets out the number of machinery or equipment sold, respective revenue by type of products, and respective percentage of our trading revenue contributed by each type of products:

	For the year ended 31 March									For the four months ended 31 July		
	2014			2015			2016			2016		
	Number of unit sold	*Revenue HK$'000*	*% of trading revenue*	*Number of unit sold*	*Revenue HK$'000*	*% of trading revenue*	*Number of unit sold*	*Revenue HK$'000*	*% of trading revenue*	*Number of unit sold*	*Revenue HK$'000*	*% of trading revenue*
Foundation machinery												
(i) Machines	9	13,054	16.0	22	66,587	43.1	21	55,429	40.4	6	12,210	37.5
(ii) Relevant components (Note)	N/A	4,430	5.5	N/A	7,022	4.5	N/A	6,832	5.0	N/A	8,522	26.1
Drilling Accessories (Note)	N/A	56,066	68.9	N/A	72,883	47.1	N/A	64,696	47.2	N/A	11,862	36.4
Others (Note)												
(i) Power and energy machinery	N/A	7,570	9.3	N/A	6,682	4.3	N/A	9,283	6.8	N/A	—	—
(ii) Miscellaneous	N/A	227	0.3	N/A	1,557	1.0	N/A	888	0.6	N/A	—	—
Total		81,347	100.0		154,731	100.0		137,128	100.0		32,594	100.0

Note: These categories are not feasible to be quantified due to their large volume and relative individual immateriality.

For the three years ended 31 March 2016 and the four months ended 31 July 2016, our gross profit generated from trading of construction machinery were HK$14.0 million, HK$27.1 million, HK$27.4 million and HK$8.0 million respectively. Details of our trading revenue and gross profit margin are set out in the below table.

	For the year ended 31 March						For the four months ended 31 July	
	2014		2015		2016		2016	
	Gross profit HK$'000	*Gross profit margin (%)*	*Gross profit HK$'000*	*Gross profit margin (%)*	*Gross profit HK$'000*	*Gross profit margin (%)*	*Gross profit HK$'000*	*Gross profit margin (%)*
Foundation machinery	2,539	14.5	12,361	16.8	7,584	12.2	4,152	20.0
Drilling accessories	11,876	21.2	13,965	19.2	17,269	26.7	4,065	34.3
Others (Note)	(373)	(4.8)	772	9.4	2,541	25.0	(187)	N/A
Total	**14,042**	**17.3**	**27,098**	**17.5**	**27,394**	**20.0**	**8,030**	**24.6**

Note: Others comprises power and energy machinery and miscellaneous.

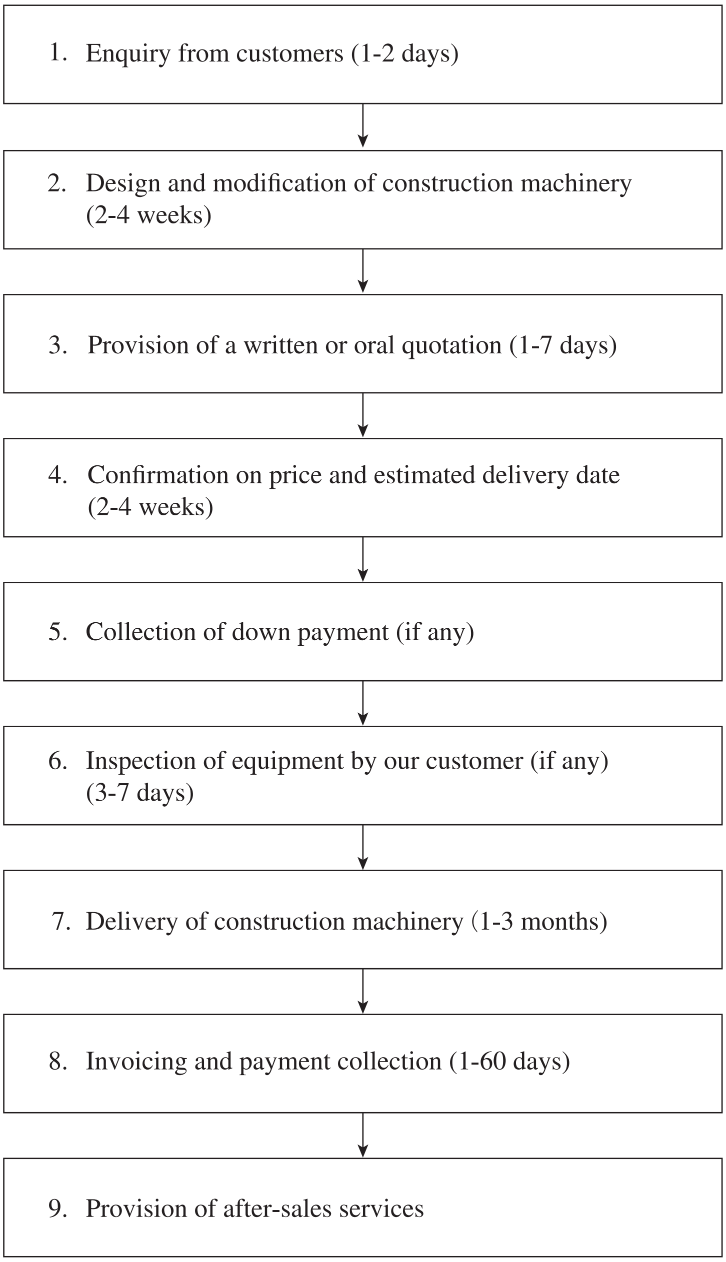
We have business relationships with some of our major customers for over 10 years. For the three years ended 31 March 2016 and the four months ended 31 July 2016, we received approximately 91.3%, 97.3%, 97.3% and 95.9% of purchase orders from our recurring customers being those who had purchased from us for more than once during the Track Record Period.

During the Track Record Period, we have entered into five finance lease arrangements with three customers. The table below sets out our revenue generated by direct sales and finance lease:

	For the year ended 31 March						**For the four months ended 31 July**	
	2014		**2015**		**2016**		**2016**	
	Revenue HK$'000	*% of trading revenue*	*Revenue HK$'000*	*% of trading revenue*	*Revenue HK$'000*	*% of trading revenue*	*Revenue HK$'000*	*% of trading revenue*
Trading revenue generated by								
- Direct sales	79,469	97.7	153,024	98.9	128,273	93.5	32,594	100.0
- Finance lease	1,878	2.3	1,707	1.1	8,855	6.5	—	—
Total	**81,347**	**100.0**	**154,731**	**100.0**	**137,128**	**100.0**	**32,594**	**100.0**

Trading business operation

The following chart illustrates the operational process of our typical construction machinery trading business.



1. ***Enquiry from customers***

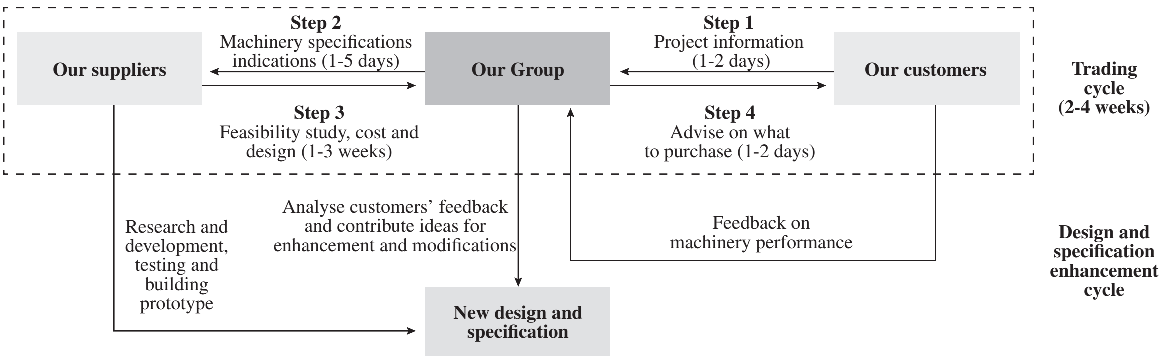
Our Directors maintain regular contact with contractors of the construction industry to keep abreast of construction market trends. When our customers require construction machinery, they would approach us and request for our quotation. We communicate with our suppliers for the availability of construction machinery and the estimated delivery date. Our customers may specify a particular machine of a particular brand.

2. ***Design and modification of construction machinery***

In respect of our construction machinery trading business, we differentiate ourselves from other competitors in the industry by involving ourselves in product and technology development with our business partners. It forms part of our trading operation process.

The performance of foundation machinery are subject to the geological landscape in a construction site. To this end, we may provide suggestions to facilitate machinery planning and assist our customers in the process of tendering large scale construction projects. In general, we would hold meetings with our customers and gather project information from them at the early stage. Based on the information collected from our customers such as project scale, site conditions and other specific requirements regarding the tender, we would generate preliminary specifications to our suppliers for them to assess the feasibility and to obtain the cost and timeline for delivery. We will also ask our suppliers if any modifications and amendments are available in order to enhance performance of the foundation machinery. We then based on our experience in the industry, assess and compare the information given by suppliers and formulate options and advise our customers on their purchase.

From time to time, our suppliers, some of which are major industry players in the world, would devote resources on research and development and give us their design illustration which includes specifications and description of the enhanced foundation machinery. We would interact with our customers regularly to check on their feedback on the performance of their purchases, during which we would also introduce new design to customers, who may give feedback to us to refine the design. For the design and specification enhancement cycle, our customers may from time to time send us feedback on our products in relation to their practical usage. We would back and forth liaise and discuss the feedback with our suppliers to modify the design. Such process occurs on a continuous basis in our daily operation. In this process, we view ourselves as an idea provider and a bridge between manufacturers and end-users of foundation machinery. Set out below is a flowchart which illustrates our trading cycle and design and specification enhancement cycle.



3. ***Provision of a written or oral quotation***

Our suppliers would notify us the transportation cost and insurance. We provide a written or oral quotation to our customers upon their enquiry. The price of our foundation machinery and other types of construction machinery would depend on various factors including (i) the cost of purchase; (ii) the supply and demand of similar products in the market; and (iii) the lead time of delivery for our products. We ascertain supply and demand through regular communications with our customers.

4. ***Confirmation on price and estimated delivery date***

We then follow up with our customers on the price and delivery date and seek their written confirmation on our quotation. As we normally do not keep foundation machines as inventory, we would order the machine directly from the manufacturers upon request and purchase order from our customers. Purchases of new construction machinery may have a long lead time for production and delivery. Our customers usually have a tight schedule in construction projects, therefore their consent on delivery date is crucial for a project.

5. ***Collection of down payment (if any)***

For trading of new construction machinery, we may collect a down-payment of 10% to 30% of the total purchase price of the machine from our customers based on a case-by-case negotiation basis. Our Directors believe that the down payment is in line with market practice and is sufficient to secure customer commitments.

6. ***Inspection of machinery by our customer (if any)***

For construction machinery of high monetary value, normally large foundation machinery, we would arrange and accompany our customer for on-site inspection of the construction machinery in our suppliers' overseas workshops before shipping to Hong Kong.

7. ***Delivery of construction machinery***

Purchases of new construction machinery may have a long lead time. It could take up to 3 months, depends on various factors such as location of the supplier and transportation method.

The construction machinery will normally be delivered to either customers' warehouses or designated construction sites. Such transportation arrangement would subject to a case-by-case negotiation which can be arranged either by us or by the customers themselves. On some occasions, the construction machinery is collected by our customers directly from the port in Hong Kong.

8. ***Invoicing and payment collection***

Our usual arrangement is to issue invoices to our customers and they will make payments of the remaining purchase price, after deducting down payments. During the Track Record Period, the credit period granted to our customers ranged from 30 to 60 days. We may at our discretion require certain customers to settle in full on or before delivery.

9. ***Provision of after-sales services***

As part of our trading operation, our team of technical staff would provide on-site technical support services, including installation and refinement, testing and commissioning and machinery operation training for the commencement of our foundation machinery. In addition, we would provide free repair and maintenance services for foundation machinery during the warranty period which is normally six months or 1,000 hours of operation, whichever comes first, except damages caused by negligence of our customers. Operating hours are measured by a meter installed on the machinery. If the construction machinery operates more than the warranted operating hours, or suffers from damages beyond normal wear and tear, the cost of maintenance should be borne by our customer. We also provide manufacturer's operation manuals including general operating instructions, maintenance and services instructions and spare parts list to our customers, for their maintenance purpose after the warranty period.

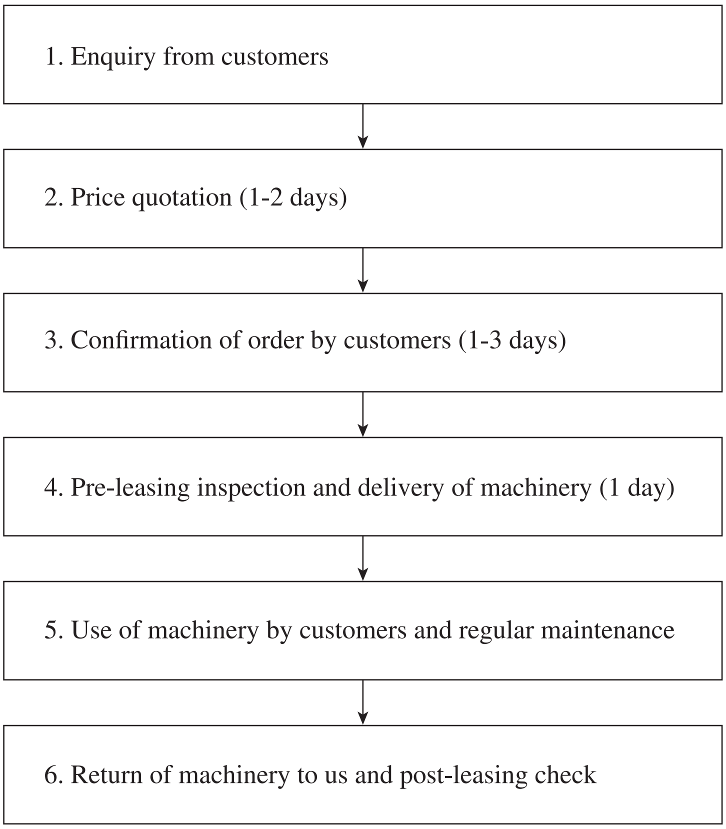
LEASING OF CONSTRUCTION MACHINERY

Overview of the construction machinery leasing business

We mainly offer (i) power and energy machinery, which comprises power generators and air compressors; (ii) foundation machinery; and (iii) other machinery in our leasing operation. We mainly source these machinery from manufacturers located in South Korea, Japan and Europe. The main focus of our leasing fleet is power generators which contributed approximately 76.7%, 62.9%, 65.1% and 68.5% of our leasing revenue during the Track Record Period. As at the Latest Practicable Date, we carried more than 600 power generators of a comprehensive mix of output power in our fleet, ranging from 25kVA to 400kVA. In addition, we carry some air compressors, foundation machinery and others in our leasing fleet. For details of our leasing fleet, please refer to section headed "Business — Our Leasing Fleet". Apart from our own fleet, we may lease certain construction machinery which we do not own or are insufficient in our leasing fleet from third party construction companies for sub-leasing the same to our customers. During Track Record Period, leasing of construction machinery contributed approximately HK$31.5 million, HK$52.8 million, HK$67.0 million and HK$23.4 million, representing approximately 27.9%, 25.4%, 32.6% and 40.0% of our total revenue respectively.

Leasing business operation

The following chart illustrates our operational process of our typical leasing operation.



1. **Enquiry from customers**

Our leasing process typically starts with enquiry by potential or existing customers. As a major player in the power and energy machinery leasing industry, we are often approached for the enquiry of leasing fee of our machinery. We would check our list of leasing fleet and the availability schedule of machines for replying such enquiry. Sometimes, there may not be sufficient number of, or we may not possess, a specific type of machine in our leasing fleet to fulfil our customer's needs. Under these circumstances we may arrange to lease the specific type of machine from third party construction companies, who are generally our customers, and we would then sub-lease the machine to our leasing customers.

2. **Price quotation**

We set our leasing fees according to various factors including (i) the purchase cost of the construction machinery; (ii) the capacity and model of the construction machinery; (iii) length of the leasing period; (iv) working condition of the site; and (v) credibility of the customer. We normally prepare a formal quotation which specifies the details of the purposed leasing arrangement, terms and conditions of the leasing arrangement, and cost of transporting the machinery if the service is requested, for our customer's consideration. For sub-leasing arrangement, our Group would take into account the cost associated with entering into the respective sub-leasing arrangements when setting our leasing fee. For some of our major customers in leasing operation, we have provided them a quotation of our leasing machinery with one-year validity, specifying the monthly leasing price of our leasing machinery. In general, we state a minimum leasing period of one month in our quotation.

3. **Confirmation of order by customers**

Depending on the requirement and/or business size of our customer, our customer may either (i) co-sign on our quotation; or (ii) issue a purchase order specifying the details of the machinery required and the leasing fee to formally request for our leasing service.

4. **Pre-leasing inspection and delivery of machinery**

We conduct pre-leasing inspection to ensure our machinery is in good condition before delivery. Upon customers' confirmation on the leasing arrangement, the leased machinery would be delivered to our customers by (i) independent logistic companies arranged by us or our customers; or (ii) our transportation services. For sub-leasing machinery, the delivery arrangement is generally the same as our own leasing arrangement. Upon receiving the leased machine by our leasing customer, we would require our customers to sign a confirmation receipt.

5. **Use of machinery by customers and regular maintenance**

To ensure that our leased machinery is in good condition and fully functional, we provide technical staff to check our leased machinery in a timely manner to ensure our customers are provided with fully operable machinery. Depending on the requirement of the customer, we also provide a wide range of technical support services including installation, maintenance, disassembling and other technical support.

6. **Return of machinery to us and post-leasing check**

At the end of the leasing period, the construction machinery will be returned to our designated location and be inspected. If the leased machinery is found to be damaged except for normal wear and tear, we will charge our leasing customer the cost of repairment. When our customer returns us the leased machinery, we will co-sign with our customer a confirmation receipt confirming that the leased machinery has been returned to us. The leasing terms and operation process are generally the same for the sub-leasing arrangements.

Construction machinery sub-leasing arrangements

Apart from our leasing fleet, we may also lease certain construction machinery which we do not possess or are insufficient in our leasing fleet, from third party construction companies and further sub-lease to our customers. The third party construction companies are mainly our existing customers. During the Track Record Period, the machinery sub-leased by our Group to our customers were principally (i) foundation machinery which are not subject to the phase out plan under the Technical Circular; and (ii) air compressors which our Group might not own a sufficient quantity in the leasing fleet. Our Directors confirm that none of customer orders of machinery leasing which resulted in sub-leasing arrangement during the Track Record Period were in request for approved NRMMs. The increase in sub-leasing expenses of our Group during the Track Record Period was mainly because (i) our Group does not own the specific machines requested by our customers; or (ii) our Group did not have sufficient number of machines to fulfill the need of our customers, rather than the lack of approved NRMMs.

According to the F&S Report, it is common for market players in Hong Kong construction machinery leasing market to lease machinery from other manufacturers or leasing companies on a fixed term or on an as-needed basis. In view of that, our Directors believe the arrangement is a common practice in the industry. Our Directors also believe that the sub-leasing arrangements enable us to serve our customers with a wider selection of construction machinery beyond our self-owned leasing fleet, developing a greater flexibility and capacity of our leasing services, as well as strengthening the relationship with our customers.

The sub-leasing arrangement procedures are similar to our normal leasing business operation. Our technical staff would inspect the sub-leased machines before accepting the machines from the third party construction companies and after the inspection, the sub-leased machines would be delivered directly to the designated location of our sub-leasing customers. The leasing terms and operation process of the sub-leasing arrangements are generally the same as leasing our own machinery. We also provide regular check and technical support services for the sub-leased machines.

TRANSPORTATION SERVICES

We provide our transportation services by leasing of our crane lorries along with drivers on a daily, monthly, trip or job basis. We intend to acquire 18 additional crane lorries to expand our transportation fleet with the proceeds from Listing. The cost of our transportation services comprises depreciation charges, staff costs for drivers of crane lorries and other miscellaneous costs for, including but not limited to, fuel, parking, insurance, license and repair and maintenance. Along with the expansion of our transportation fleet, we expect the cost of our transportation services will experience an upward trend as a result of the expected increase in number of transportation vehicles and extent of transportation services to be provided. The estimated additional depreciation charges for the transportation services will be approximately HK$2.5 million and HK$6.3 million for the two years ended 31 March 2018, respectively, based on the number of crane lorries to be acquired as compared to that for the year ended 31 March 2016 and our depreciation policy. The estimated additional staff costs for transportation services will be approximately HK$1.7 million and HK$4.7 million for the two years ended 31 March 2018, respectively, based on the additional number of drivers for the newly acquired crane lorries as compared to that for the year ended 31 March 2016.

Other miscellaneous expenses such as fuel, parking and repair and maintenance costs are also estimated to increase depending on the level of services to be provided with our expanded transportation fleet. For details of our cost structure, please refer to the section headed "Financial Information — Principal Components of Results of Operations — Cost of sales and services" in this prospectus.

The operation flow is similar to our leasing operation, except that pre-leasing inspection, regular maintenance and post-leasing check are not necessary as our drivers control our transportation vehicles during the leasing. We price our transportation services according to various factors including (i) purchase cost of the transportation vehicles; (ii) lifting capacity of the transportation vehicles; (iii) length of the leasing period; (iv) working condition of the site; and (v) credibility of the customer. The following table sets forth the analysis of the revenue generated from our crane lorries for our transportation services during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July	
	2014 (Note 1)		2015 (Note 1)		2016		2016	
	Service fee range	*Average service fee*	*Service fee range*	*Average service fee*	*Service fee range (Note 2)*	*Average service fee (Note 2)*	*Service fee range (Note 2)*	*Average service fee (Note 2)*
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Lifting Capacity								
(i) 17 Tonnes	—	—	—	—	2,300 to 5,636/day	3,166/day	2,300 to 4,666/day	3,340/day
(ii) 30 Tonnes	—	—	—	—	2,784 to 6,114/day	3,647/day	2,600 to 5,744/day	3,543/day
Overall	**—**	**—**	**—**	**—**	**2,300 to 6,114/day**	**3,466/day**	**2,300 to 5,744/day**	**3,476/day**

Note:

(1) Our transportation services commenced in July 2015.

(2) The presentation of service fee range and the average service fee charged from the provision of transportation services on daily, monthly, trip or job basis have been streamlined into daily basis as service fees for monthly, trip and job basis are formulated based on the daily service charge.

According to the F&S Report, there were less than 50 companies in Hong Kong's crane lorries leasing market with high concentration due to the high initial capital outlay and requirement of certain expertise of fleet management. The market size of crane lorry leasing service in Hong Kong will grow at a CAGR of 12.3%, from HK$249 million to HK$397 million from 2016 to 2020. Our Directors believe that, as supported by the F&S Report, crane lorry leasing market is in demand and our development in transportation services segment is supported by the continuing growth in the industry.

In rendering our construction machinery leasing services, our Group used to engage third party logistics service providers for the delivery of leasing machinery, unless our customers pick up the leasing machinery by themselves or their respective agents. By engaging third party logistic service providers, transportation charges were incurred as cost of sales and services of leasing of construction machinery and we do not have direct control over the performance of these services providers.

As the construction machinery leasing segment is becoming increasingly essential to our overall business in terms of revenue, our Directors consider a strategic plan to develop our transportation services which is supplementary to the construction machinery leasing business. Our Directors are of the view that we could potentially convert the transportation charges in the leasing segment into our revenue, and further strengthen our market position by providing one-stop services to our leasing customers. As such, we commenced our transportation services in July 2015, aiming to provide one-stop services to our customers in the leasing segment and exert more direct control and monitoring over delivery of our leasing machinery.

We intend to acquire additional crane lorries to reinforce our transportation services with proceeds from the Listing, which is believed to be in line with the growth and development of crane lorries leasing market in Hong Kong. We believe that leveraging on the established network of our Group in the construction industry, we can make use of such network and have an effective channel in accessing our existing customers who are in need of transportation services, and in turn further develop our transportation services. Our Group was under the process of tapping into the transportation market during the Track Record Period, and our management believes that our effort in capturing business opportunities in the transportation services segment is reflected by the significant increase in revenue of the transportation services, i.e. from approximately HK$1.3 million to HK$2.5 million, from the year ended 31 March 2016 to the four months ended 31 July 2016.

OUR LEASING FLEET

As at the Latest Practicable Date, we owned a leasing fleet of over 600 machines. The construction machinery in our leasing fleet comprises (i) power generators; (ii) air compressors, which we collectively categorised as power and energy machinery; (iii) foundation machinery; and (iv) others. The main focus of our leasing operation is power generators, which contributed approximately 76.7%, 62.9%, 65.1% and 68.5% of our revenue from leasing of construction machinery for the three years ended 31 March 2016 and the four months ended 31 July 2016.

To maintain the quality and efficiency of our machinery, we provide technical support services, such as regular on-site inspection and maintenance. Our leasing machinery is mainly powered by diesel fuel which is usually borne by our customers at their own cost.

We review our leasing fleet regularly for the expansion and disposal of respective construction machinery, we would consider various factors including (i) market demand; (ii) age of machinery; and (iii) condition of the machinery.

During the Track Record Period, we disposed of 25 units of air compressors and 48 units of power generators in our leasing fleet. As at the Latest Practicable Date, we have entered into sales contract for the disposal of 12 units of power generators in our leasing fleet. All of such machinery are disposed by direct sales.

The following table sets out the information of monthly leasing fee rate and leasing period of our major type of leasing machinery during the Track Record Period:

	As at the year ended 31 March									As at the four months ended 31 July		
	2014			2015			2016			2016		
	Leasing fee range	*Leasing period range*	*Average leasing period*	*Leasing fee range*	*Leasing period range*	*Average leasing period*	*Leasing fee range*	*Leasing period range*	*Average leasing period*	*Leasing fee range*	*Leasing period range*	*Average leasing period*
Power generators (Note 1)	HK$2,400-HK$18,000 /month	1-364 days	149 days	HK$2,400-HK$17,000 /month	1-364 days	145 days	HK$2,400-HK$23,600 /month	1-365 days	144 days	HK$2,900-HK$23,600 /month	1-122 days	76 days
Air compressors	HK$3,000-HK$32,000 /month	5-364 days	71 days	HK$3,000-HK$32,800 /month	1-364 days	124 days	HK$3,300-HK$32,800 /month	1-365 days	104 days	HK$3,400-HK$32,800 /month	1-122 days	53 days
Foundation machinery (Note 2)	HK$80,000-HK$280,000 /month	3-214 days	95 days	HK$80,000-HK$250,000 /month	49-315 days	222 days	HK$64,000-HK$150,000 /month	8-218 days	107 days	HK$64,000-HK$135,000 /month	13-108 days	39 days

Notes:

1. Generally speaking, we charge a higher leasing fee on approved power generators by approximately 17.6% to 30.8% than exempted ones. Our Directors are of the view that we are able to charge a higher rate because the machines are comparatively newer, and the demand for approved machines will sustain when more projects are subject to the implementation plan under the Technical Circular.

2. The decrease in the lowest leasing fee of foundation machinery from the year ended 31 March 2015 to the year ended 31 March 2016 was due to an idle grout station, which generally had a lower leasing value, was leased out in the year ended 31 March 2016 and hence, dragged down the lowest leasing fee in the year ended 31 March 2016.

   The decrease in the highest leasing fee of foundation machinery from the year ended 31 March 2015 to the year ended 31 March 2016 was due to the disposal of a casing rotator, which had the highest leasing fees in the two years ended 31 March 2016. The casing rotator was leased to a customer for around 16 months in aggregate in the two years ended 31 March 2015 before being sold to the same customer in the year ended 31 March 2015. Our Directors believe that the customer was satisfied with our machinery and purchased it for long term use. As a result, the highest leasing fee of foundation machinery dropped from the year ended 31 March 2015 to the year ended 31 March 2016.

   The decrease in the highest leasing fee of foundation machinery from the year ended 31 March 2016 to the four months ended 31 July 2016 was due to a RCD machine which had the highest leasing fee in the year ended 31 March 2016, was not leased out in the four months ended 31 July 2016.

Number in fleet, number leased out and leased-out rates of our major machinery as at each period end day

	As at 31 March									As at 31 July		
	2014			2015			2016			2016		
	Number in fleet	*Leased out*	*Leased-out rate (%)*	*Number in fleet*	*Leased out*	*Leased-out rate (%)*	*Number in fleet*	*Leased out*	*Leased-out rate (%)*	*Number in fleet*	*Leased out*	*Leased-out rate (%)*
Power generators												
(i) 45 kVA - 100 kVA	53	51	96.2	80	56	70.0	81	66	81.5	79	75	94.9
(ii) 125 kVA - 220 kVA	186	174	93.5	316	298	94.3	360	293	81.4	381	330	86.6
(iii) 300 kVA - 500 kVA	89	80	89.9	95	84	88.4	114	106	93.0	123	111	90.2
Air compressors												
(i) 175 cfm - 390 cfm	12	10	83.3	12	10	83.3	11	8	72.7	11	7	63.6
(ii) 900 cfm - 1,119 cfm	16	15	93.8	39	26	66.7	24	23	95.8	24	24	100.0
Foundation machinery	5	3	60.0	8	4	50.0	6	3	50.0	6	3	50.0
Total/Overall	**361**	**333**	**92.2**	**550**	**478**	**86.9**	**596**	**499**	**83.7**	**624**	**550**	**88.1**

Notes:

1. Calculation of the leased-out rate is based on the number of construction machinery that were leased out as at 31 March 2014, 2015, 2016 and 31 July 2016 which is divided by the total number of construction machinery in our leasing fleet as at the respective date.

2. Our Group purchased and disposed 10 and nil air compressors; and 42 and 6 power generators respectively for the year ended 31 March 2014.

3. Our Group purchased and disposed 23 and nil air compressors; and 168 and 5 power generators respectively for the year ended 31 March 2015.

4. Our Group purchased and disposed 9 and 25 air compressors; and 92 and 28 power generators respectively for the year ended 31 March 2016.

5. Our Group purchased and disposed nil and nil air compressors; and 37 and 9 power generators respectively for the four months ended 31 July 2016.

Utilisation rate of our leasing machinery

The overall utilisation rate of our leasing machinery was approximately 93.2%, 91.8%, 88.8% and 83.8% for the three years ended 31 March 2016 and the four months ended 31 July 2016 respectively.

Pursuant to the Technical Circular, there is an implementation plan to mandate the use of approved NRMMs for four types of approved NRMMs (namely generators, air compressors, excavators and crawler cranes) in new capital works contracts of public works with an estimated contract value exceeding HK$200 million and tenders invited on or after 1 June 2015. Our Directors confirmed that the foundation machinery in our leasing fleet is not subject to the implementation plan under the Technical Circular.

The overall utilisation rate of the foundation machinery varied during the Track Record Period mainly due to the few foundation machinery in our leasing fleet were maintained mainly for the purpose of making demonstration to potential customers of the foundation machinery traded by us. Nevertheless, we might lease out these foundation machinery to the customers as requested in case of their construction project needs. Since leasing of foundation machinery is not our Group's main focus of leasing business, limited marketing effort was put on the leasing of foundation machinery which, to the belief of the Directors, contributed to the fluctuation of the utilisation rates during the Track Record Period.

The decrease in the utilisation rate of exempted air compressors was due to the breakdown of one exempted air compressor in the fleet since November 2015, which led to the decrease of the utilisation rate of exempted air compressors. Given that our Group had only between 11 and 12 exempted air compressors during the Track Record Period, the breakdown of any single exempted air compressor would lead to an apparent impact in the utilisation rate. In addition, one of our customers in construction machinery leasing business had nearly doubled its demand for air compressors from us during the year ended 31 March 2015, which to the belief of our Directors, had boosted up the utilisation rate of air compressors, including the utilisation rate of exempted air compressors during the year ended 31 March 2015. During the Track Record Period, excluding the broken-down air compressor, the utilisation rate of the exempted air compressors were approximately 79.2%, 84.5%, 77.1% and 79.3% respectively. Taking into consideration the broken-down air compressor and the increase of demand for air compressors from the aforementioned customer, our Directors consider that there was no material fluctuation in the demand for our exempted air compressors during the Track Record Period.

The following tables set out detail information of our leasing machinery by category during the Track Record Period:

Utilisation table of major machinery in our leasing fleet

	As at/For the year ended 31 March						As at/For the four months ended 31 July	
	2014		2015		2016		2016	
	Number of unit	*Utilisation rate (%)*	*Number of unit*	*Utilisation rate (%)*	*Number of unit*	*Utilisation rate (%)*	*Number of unit*	*Utilisation rate (%)*
Power generators								
(i) 45 kVA - 100 kVA	53	90.0	80	89.3	81	80.2	79	93.7
(ii) 125 kVA - 220 kVA	186	96.3	316	94.2	360	90.9	381	79.6
(iii) 300 kVA - 500 kVA	89	96.3	95	92.9	114	93.9	123	91.9
Air compressors								
(i) 175 cfm - 390 cfm	12	79.2	12	84.5	11	74.3	11	72.1
(ii) 900 cfm - 1,119 cfm	16	61.6	39	86.6	24	88.0	24	93.0
Foundation machinery	5	37.6	8	49.1	6	36.0	6	41.7
Total/Overall	**361**	**93.2**	**550**	**91.8**	**596**	**88.8**	**624**	**83.8**

Utilisation table of major machinery in our leasing fleet categorised by status under NRMM Regulations

	As at/For the year ended 31 March						As at/For the four months ended 31 July	
	2014 (Note 1)		2015 (Note 1)		2016		2016	
	Number of unit	*Utilisation rate (%)*	*Number of unit*	*Utilisation rate (%)*	*Number of unit*	*Utilisation rate (%)*	*Number of unit*	*Utilisation rate (%)*
Power generators								
(i) Approved	0	0.0	0	0.0	63	1.4 (Note 3)	104	41.1 (Note 3)
(ii) Exempted	328	95.3	491	93.2	492	91.0	479	92.5
Air compressors								
(i) Approved	16	61.6	39	86.6	24	88.0	24	93.0
(ii) Exempted	12	79.2	12	84.5	11	74.3	11	72.1
Foundation machinery								
(i) Approved	0	0.0	1	97.2	2	19.4	3	40.1
(ii) Exempted	5	37.6	5	53.4	2	11.9	2	10.7
(iii) Non-regulated (Note 2)	0	0.0	2	0.0	2	83.0	1	75.5
Total/Overall	**361**	**93.2**	**550**	**91.8**	**596**	**88.8**	**624**	**83.8**

Notes:

1. The information is considered as not applicable as the Technical Circular was enforced on 1 June 2015.

2. Non-regulated machinery refers to construction vehicles and foundation machinery under our leasing fleet which are not applicable to the NRMM Regulation.

3. The relatively low utilisation rate was mainly due to our decision to reserve the NRMM approved power generators for upcoming customers' projects at the material time which required approved power generators.

Regarding to the implementation of the QPME System, our Group has obtained QPME Labels for more than 90% of our power generators in our leasing fleet as at the Latest Practicable Date.

The following table sets out further information on the number and utilisation rate of our leasing machinery with and without QPME Label during the Track Record Period:

Utilisation table of power generators leasing fleet categorised by QPME Labels

	As at/For the year ended 31 March						As at/For the four months ended 31 July	
	2014		2015		2016		2016	
	Number of unit	*Utilisation rate (%)* *(Note 2)*	*Number of unit*	*Utilisation rate (%)* *(Note 2)*	*Number of unit*	*Utilisation rate (%)* *(Note 2)*	*Number of unit*	*Utilisation rate (%)* *(Note 2)*
With QPME Labels								
Power generators								
(i) 45 kVA - 100 kVA	30	93.4	59	90.9	74	85.8	74	94.0
(ii) 125 kVA - 220 kVA	130	97.0	260	94.6	315	92.9	343	81.4
(iii) 300 kVA - 500 kVA	83	96.8	90	93.5	108	94.6	117	93.7
Total/Overall	**243**	**96.5**	**409**	**93.8**	**497**	**92.3**	**534**	**85.8**
Without QPME Labels								
Power generators								
(i) 45 kVA - 100 kVA	23	86.4	21	86.5	7	62.4	5	89.7
(ii) 125 kVA - 220 kVA	56	94.9	56	92.8	45	80.7	38	65.0
(iii) 300 kVA - 500 kVA	6	91.1	5	85.5	6	73.1	6	56.7
Total/Overall *(Note 3)*	**85**	**92.3**	**82**	**90.7**	**58**	**75.7**	**49**	**66.7**

Notes:

1. The QPME Labels for air compressors was effective on 1 April 2016, therefore not included in the above table.

2. Calculation of utilisation rate for three years ended 31 March 2016 and the four months ended 31 July 2016 is based on the actual number of days the construction machinery were rented out divided by the number of days the construction machinery were owned by our Group during the respective period. The utilisation rates serve as a presentation which may not have immediate and direct linkage with our Group's profits. Apart from the number of machinery in the leasing fleet, our Group's profits are also affected by various factors including the changes in fixed and variable costs and monthly leasing fees charged on our customers for each construction machinery.

3. The decrease in utilisation rate of power generators without QPME Labels from the year ended 31 March 2015 to the year ended 31 March 2016 was caused by (i) contractors in Hong Kong are preferring more environmental-friendly machinery according to F&S Report; (ii) we strategically acquired majority of new power generators with QPME Labels to our leasing fleet in the year ended 31 March 2016; and (iii) we intended to lease out power generators with QPME Labels during the Track Record Period as they are more environmentally-friendly.

Revenue generated by our major leasing machinery

The following table sets out further information on the revenue generated from our major leasing machinery by approval status under NRMM Regulation during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July	
	2014 (Note 1)		2015 (Note 1)		2016		2016	
	Revenue HK$'000	*% of total leasing revenue*	*Revenue HK$'000*	*% of total leasing revenue*	*Revenue HK$'000*	*% of total leasing revenue*	*Revenue HK$'000*	*% of total leasing revenue*
Power generators								
(i) Approved	—	N/A	—	N/A	17	0.0	1,405	6.0
(ii) Exempted	24,158	76.7	33,189	62.9	43,618	65.1	14,619	62.5
Air compressors								
(i) Approved	2,157	6.9	7,489	14.2	8,450	12.6	2,331	10.0
(ii) Exempted	430	1.4	3,450	6.5	2,650	4.0	731	3.0
Foundation machinery								
(i) Approved	—	N/A	708	2.0	1,583	2.4	351	1.5
(ii) Exempted	3,872	12.3	6,647	13.0	4,416	6.6	1,782	7.6
(iii) Non-regulated *(Note 2)*	—	N/A	270	0.5	1,830	2.7	433	1.9

Notes:

1. The information is considered as not applicable as the Technical Circular was enforced on 1 June 2015.

2. Non-regulated machinery refers to construction vehicles and foundation machinery under our leasing fleet which are not applicable to the NRMM Regulation.

The following table sets out further information on the revenue generated from our power generators with and without QPME Label under the QPME System during the Track Record Period:

	As at 31 March						For the four months ended 31 July	
	2014		**2015**		**2016**		**2016**	
	Revenue HK$'000	*% of revenue in the machinery leasing segment*	*Revenue HK$'000*	*% of revenue in the machinery leasing segment*	*Revenue HK$'000*	*% of revenue in the machinery leasing segment*	*Revenue HK$'000*	*% of revenue in the machinery leasing segment*
With QPME Labels								
Power generators								
45 - 100 kVA	1,146	3.6	1,943	3.7	2,986	4.5	1,314	5.6
125 - 220 kVA	7,752	24.6	14,996	28.4	21,370	31.9	8,049	34.4
300 - 500 kVA	10,221	32.5	11,479	21.7	14,907	22.3	5,810	24.8
Total/Overall	**19,119**	**60.7**	**28,418**	**53.8**	**39,263**	**58.6**	**15,173**	**64.8**
Without QPME Labels								
Power generators								
45 - 100 kVA	854	2.7	817	1.5	588	0.9	74	0.3
125 - 220 kVA	3,455	11.0	3,276	6.2	3,398	5.2	607	2.6
300 - 500 kVA	730	2.3	678	1.3	386	0.6	170	0.7
Total/Overall	**5,039**	**16.0**	**4,771**	**9.0**	**4,372**	**6.5**	**851**	**3.6**

Note: The QPME requirements for air compressors were effective on 1 April 2016, therefore it is not included in the above table.

Breakdown of revenue from leasing of construction machinery during the Track Record Period by project type

The following table sets out further information on the revenue generated from the leasing of construction machinery detailed by project type during the Track Record Period, whether or not the construction machinery was leased for projects subject to the implementation plan under the Technical Circular, which are based on the internal record of the Group and best knowledge of the Directors after due and careful enquiries:

	For the year ended 31 March			For the four months ended 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Projects subject to the implementation plan under the Technical Circular	—	—	—	3
Projects not subject to the implementation plan under the Technical Circular	31,487	52,803	66,993	23,402
Total revenue from leasing of construction machinery	31,487	52,803	66,993	23,405

Back log amount as at the dates indicated by project type

The following table sets out further information on the back log amount (equivalent to operating lease commitments as lessor) as at the respective end date of each financial year/period detailed by project type, whether or not the project to which the Group's construction machinery were leased are subject to the implementation plan under the Technical Circular, which are based on the internal record of the Group and best knowledge of the Directors after due and careful enquiries:

	As at 31 March			As at 31 July	As at 31 December
	2014	**2015**	**2016**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Projects subject to the implementation plan under the Technical Circular	—	—	—	—	—
Projects not subject to the implementation plan under the Technical Circular	6	127	165	219	11,722
Total	6	127	165	219	11,722

Note: The lower back log amount as at 31 March 2014, 2015 and 2016 and 31 July 2016 is due to the reason that pursuant to the terms and conditions of leasing orders, our leasing customers are usually not required to commit to the entire leasing period as specified in the leasing orders. In this respect, outstanding amount in relation to such leasing orders will not be included in the back log amount as at the respective dates, which is in line with note 24(c) to the Accountant's Report set out in Appendix I to this prospectus. The higher back log amount as at 31 December 2016 was due to a leasing order of newly acquired high-end casing rotators which, as confirmed by our Directors, was purchased based on the condition that the customer would commit to a leasing period of approximately a year since the machines were of high value. Our Directors confirmed that the aforementioned high-end casing rotators are commonly used for extracting old piles and inserting new piles on complicated formations. In addition, for that particular order, approximately HK$3.3 million and HK$8.3 million of leasing fee are expected to be recognised in the years ending 31 March 2017 and 2018 respectively, of the back log amount as at 31 December 2016.

Average year of service and remaining accounting useful life

The following table sets out the average years of service and remaining accounting useful life of construction machinery in our leasing fleet:

	As at 31 March									**As at 31 July**		
	2014			**2015**			**2016**			**2016**		
	Accounting useful life	*Average years of service (Note 1)*	*Average remaining accounting useful life (Note 2)*	*Accounting useful life*	*Average years of service (Note 1)*	*Average remaining accounting useful life (Note 2)*	*Accounting useful life*	*Average years of service (Note 1)*	*Average remaining accounting useful life (Note 2)*	*Accounting useful life*	*Average years of service (Note 1)*	*Average remaining accounting useful life (Note 2)*
Power generators												
(i) 45-100 kVA	10	5.8	4.3	10	4.4	5.9	10	3.3	6.8	10	3.4	6.7
(ii) 125-220 kVA	10	4.7	5.3	10	3.5	6.6	10	3.6	6.5	10	3.6	6.6
(iii) 300-500 kVA	10	5.1	4.8	10	5.7	4.3	10	5.4	4.7	10	5.3	4.7
Air compressors												
(i) 175-390 cfm	5	10.4	Nil	5	11.4	Nil	5	12.5	Nil	5	12.8	Nil
(ii) 900-1,119 cfm	5	1.3	3.7	5	1.3	3.7	5	1.9	3.1	5	2.2	2.9
Foundation machinery	5	1.0	3.9	5	1.3	3.6	5	1.4	3.6	5	1.6	3.4

Notes:

1. Calculation of the average years of service of the machinery is based on the average number of years operated by us in respect of each type of machinery, i.e. from the date of acquisition by us to the date indicated above.

2. Calculation of the average remaining accounting useful life is based on the average of accounting useful life of each machinery deducted by its years of service. For this purpose, machinery with years used exceeding its estimated useful life shall have nil remaining useful life.

Our Directors consider the estimated useful lives adopted by our Group for the construction machinery are in line with the industry norm and within the range commonly adopted in the construction industry. Our Directors are of the view that the estimate of the useful life of construction machinery involves a number of factors which affected the operational condition of the relevant construction machinery, including but not limited to the construction market situation, customer demands and the wearing out and maintenance conditions of the relevant construction machinery, which in turn determines the number of years the relevant construction machinery will be put to service. The estimate of useful lives by its nature involves projections which invariably may deviate from actual course of events. Certain of these factors by nature are outside of our Group's control and future variations with these factors may affect the actual years of service that can be realised with individual units of the relevant construction machinery. Accordingly, our Directors consider further division of the useful lives of construction machinery according to detailed specifications and calibration of the relevant construction machinery may not be warranted in view of the variability of these factors affecting the estimate and the administrative cost involved.

In arriving the estimated useful life of our Group's construction machinery, our Directors have taken into account the exposure to potential obsolescence as a result of the potential variations with these factors in order to ascertain a reasonable and prudent estimate. Our Directors are of the opinion that the adoption of estimated useful lives for our Group's construction machinery beyond current estimates requires projections involving a higher degree of uncertainties and may affect the prudence exercised by our Group with the current estimates.

Consistent with the above principle, our Group has adopted a uniform estimated useful life of five years for all air compressors irrespective of the specific capacity calibration. For certain of our Group's construction machinery including principally air compressors of output rate ranging from 175 to 390 cfm, the average number of years of service of the relevant construction machinery encompass a surplus over the estimated useful lives adopted by our Group for accounting purpose. Our Group has between 11 to 12 units of involved air compressors of output rate ranging from 175 to 390 cfm as at the respective financial year end dates comprising the Track Record Period, as compared to between 361 to 624 units for all machinery making up our leasing fleet. These involved air compressors of output rate ranging from 175 to 390 cfm generally have a lower rate of utilisation in comparison to our Group's other construction machinery in the leasing fleet. In view of the immateriality of the number of the involved air compressors and their relative lesser significance to the overall capacity of our leasing fleet, our Directors consider the adoption of an alternative estimated useful lives for the involved air compressors would not result in material impact to our Group's overall operation and financial performances.

The machinery in our leasing fleet would be subject to normal wear and tear such as damages caused to engine or oil filter over time. For the general repair and maintenance of our machinery for normal wear and tear, it is provided by our own technical staff. The dealer of new construction machinery in our leasing fleet generally provide us with a warranty covering a period of 12 months or 1,000 hours of operation, whichever comes first.

Construction machinery if falls within the relevant regulatory regime, are required to obtain relevant certifications before performing their tasks at construction sites and there is currently no restrictions imposed by the relevant regulatory regime in Hong Kong to prohibit the use of construction machinery with certain ages. The average years of service of our machinery in the leasing fleet was approximately 4.0 years and the remaining useful life of our machinery in the leasing fleet was approximately 5.9 years as at 31 July 2016. For details of the related account policies and estimates, please refer to the section head "Financial information - Critical accounting policies, estimates and judgments" in this prospectus.

In respect of the leasing capacity over the leasing machinery, given there is no strict definition for leasing capacity, our Directors considered that the normal leasing capacity of a construction machine is the actual number of days the machine is owned in our fleet, as reflected in our calculation of the utilisation rates. Our Directors consider that the leasing capacity would also depend on other factors including the estimated and remaining useful lives, the actual condition of the construction machinery, repair and maintenance of the construction machinery, the disposal of the construction machinery driven by market needs, and the fulfilment of the relevant regulatory regime. We therefore review our leasing fleet regularly for the expansion and disposal of respective construction machinery as may be necessary, and thus make replacement of existing construction machinery only when it is necessary.

PRINCIPAL TRADING AND LEASING SERVICE TERMS

Key contract terms with our trading customers

In general, trading contracts are awarded on a case-by-case basis and are non-recurring in nature. During the Track Record Period, we did not enter into any long-term contracts with our customers. The major terms of our trading business during the Track Record Period are summarised as below:

Major terms	**Description**
Product description	A general description of products purchased by the customer, including product type, brand name, product specifications, quantity, unit price and total purchase amount.
Delivery date	The delivery date of each purchase order is pre-determined.
Delivery arrangement	The products will be delivered to customers designated locations or picked up by customers at the port in Hong Kong.
Payment terms	We may require deposit from 10% to 30% from our customers. The credit period for settlement of payment is also set in the purchase order, which is normally ranges from 30 to 60 days from the date after delivery.

Principal terms of our leasing operation

The leasing terms we offered to our customers may vary, depending on machinery types and subject to case-by-case negotiation. We normally provide a written quotation to our customers with underlying terms and conditions, upon their enquiry. If our customers are satisfied with the quotation, they would co-sign on our quotation or send us a purchase order. The major terms of our typical leasing agreement are generalised as below:

Major terms	Description
Contractual period	We state a minimum leasing period (usually seven to 30 days), subject to extension by customers, and thereafter incomplete monthly lease will be charge at pro rata basis.
Payment terms	Invoice will be issued to our customers at the end of each month. Our customers are required to pay within the credit period allowed by us, which ranges from 30 to 60 days.
Termination	We accept termination of leasing arrangement by advance notification from our customers, and a leasing arrangement is considered to be terminated when the machinery is returned to our designated workplace.
Normal working hours	We would state the daily working hours of our leasing machinery in our quotation, which range from nine to 12 hours a day, depending on machinery types.
Repair and maintenance	Our customers are responsible for the daily checking and inspection, and all damages including flooding and fire of the machinery, except normal wear and tear.
Consumable parts and materials	Consumable parts and materials, such as fuel, lubricants, wiring and others, as well as cleaning and routine maintenance shall be responsible by our customers.
Transportation	Subject to case-by-case negotiation, transportation of the machinery may be arranged by us or the customers themselves. Transportation charge will be specified in our quotation at the request of our customers.

SUPPLIERS

We explore and source suppliers mainly through market intelligence from our industry experience and market connection. Occasionally, potential suppliers may approach us for business cooperation. We believe that our sourcing and selection of suppliers play a crucial part in enriching our brand and product mix, ensuring our product quality and enhancing our competitiveness in our construction machinery trading business, therefore we have placed stringent requirements for choosing our suppliers. We will maintain regular contact with our customers and source appropriate products based on market demand, product quality and reputation of the suppliers. We sourced our construction machinery from construction machinery manufacturers across the world, including some of the major players in the industry in South Korea, Japan, Germany, Sweden and Italy. Our Group is able to deal directly with these manufacturers without any third party agent, allowing us to offer to our customers a more competitive price through avoiding mark-ups by the agent.

For the three years ended 31 March 2016 and the four months ended 31 July 2016, our purchases from our five largest suppliers amounted to approximately 56.2%, 76.5%, 59.5% and 84.1% of our total purchases of machinery, respectively. During the same period, our purchases from our largest supplier were approximately HK$15.2 million, HK$47.6 million, HK$27.0 million and HK$16.2 million, respectively, accounted for approximately 16.3%, 24.3%, 16.2% and 35.9%, respectively, of our total purchases of machinery.

Our Directors believe that we have a close and stable working relationship with our major suppliers. We had business relationship with most of our five largest suppliers for over five years, especially we had over 10 years of business relationship with some of them during the Track Record Period. We had also entered into long term exclusive dealership arrangements with five of them as at the Latest Practicable Date. For details of the exclusive dealership arrangements, please refer to the section headed "Exclusive dealership agreements" in this section. Also, our Group will keep looking for quality suppliers to introduce their products to Hong Kong and we believe it is not difficult to source from alternative suppliers of machinery in case needed. For the year ended 31 March 2016, we have been able to source our machinery from a new supplier, Supplier H, which became the largest supplier of our Group for the same period. As such, our Directors consider that we did not overly rely on any of our suppliers.

We make payments to our major suppliers generally by telegraphic transfer or cheque, and we have been given a credit period generally from 10 to 60 days by our suppliers. One of our major suppliers during the Track Record Period granted us a credit period for up to two years.

Details of our Group's five largest suppliers for the year ended 31 March 2014 are as follows:

Ranking	Name of supplier	Background and principal business nature	Approximate years of business relationship	Purchases *(HK$'000)*	Head office location	Percentage of our total purchases of machinery *(%)*
1	Supplier A	A South-Korean machinery manufacturer	14 years	15,218	South Korea	16.3
2	Supplier B	A Japanese listed company engaged in machinery manufacturing industry	11 years	13,671	Japan	14.6
3	Supplier C	A South-Korean machinery manufacturer	18 years	8,173	South Korea	8.7
4	Supplier D	A South-Korean manufacturer of drilling accessories	15 years	8,173	South Korea	8.7
5	Supplier E	A wholly-owned subsidiary of a global productivity solutions provider in Hong Kong	7 years	7,350	Sweden	7.9

Details of our Group's five largest suppliers for the year ended 31 March 2015 are as follows:

Ranking	Name of supplier	Background and principal business nature	Approximate years of business relationship	Purchases *(HK$'000)*	Head office location	Percentage of our total purchases of machinery *(%)*
1	Supplier A	A South-Korean machinery manufacturer	14 years	47,594	South Korea	24.3
2	Supplier B	A Japanese listed company engaged in machinery manufacturing industry	11 years	37,074	Japan	19.0
3	Supplier F	A Japanese machinery manufacturer specialising in the crane business	3 years	24,782	Japan	12.7
4	Supplier E	A wholly-owned subsidiary of a global productivity solutions provider in Hong Kong	7 years	21,397	Sweden	10.9
5	Supplier G	A South-Korean manufacturer of drilling accessories	12 years	18,796	South Korea	9.6

Details of our Group's five largest suppliers for the year ended 31 March 2016 are as follows:

Ranking	Name of supplier	Background and principal business nature	Approximate years of business relationship	Purchases	Head office location	Percentage of our total purchases of machinery
				(HK$'000)		*(%)*
1	Supplier H	An Italian drilling machine manufacturer	2 years	27,027	Italy	16.2
2	Supplier B	A Japanese listed company engaged in machinery manufacturing industry	11 years	21,158	Japan	12.7
3	Supplier A	A South-Korean machinery manufacturer	14 years	18,949	South Korea	11.4
4	Supplier G	A South-Korean manufacturer of drilling accessories	12 years	18,187	South Korea	10.9
5	Supplier E	A wholly-owned subsidiary of a global productivity solutions provider in Hong Kong	7 years	13,762	Sweden	8.3

Details of our Group's five largest suppliers for the four months ended 31 July 2016 are as follows:

Ranking	Name of supplier	Background and principal business nature	Approximate years of business relationship	Purchases	Head office location	Percentage of our total purchases of machinery
				(HK$'000)		*(%)*
1	Supplier B	A Japanese listed company engaged in machinery manufacturing industry	11 years	16,153	Japan	35.9
2	Supplier A	A South-Korean machinery manufacturer	14 years	8,548	South Korea	19.0
3	Supplier G	A South-Korean manufacturer of drilling accessories	12 years	5,397	South Korea	12.0
4	Supplier I	An Italian foundation equipment manufacturer	20 years	4,082	Italy	9.1
5	Supplier H	An Italian drilling machine manufacturer	2 years	3,616	Italy	8.1

The geographical distribution of our suppliers

The map below shows the geographic distribution of our major suppliers during the Track Record Period:

We sourced our foundation machinery mainly from overseas suppliers in South Korea and Italy. Meanwhile, we sourced our drilling accessories mainly from suppliers located in South Korea, Japan and Germany.

Our major suppliers are overseas construction machinery manufacturers whereas we settle payments of our purchases from suppliers mostly by Hong Kong dollar, Japanese Yen, US dollar and Euro. Therefore, we are exposed to foreign exchange risk for our payments to settle suppliers.

So far as is known to our Directors, none of our Directors, their respective close associates or any Shareholder holding more than 5% of the issued share capital of our Company as at the Latest Practicable Date had any interest in any of our five largest suppliers during the Track Record Period. All these five largest suppliers are Independent Third Parties. We had not experienced any material shortage or delay in the supply of products from our suppliers during the Track Record Period.

During the Track Record Period, Supplier A was also our customer. Supplier A had repurchased two used foundation machinery from us which contributed approximately HK$5.9 million in aggregate to our revenue for the year ended 31 March 2016. Our Directors believe Supplier A was interested in the two used machinery for refurbishment or for the parts. The machinery had been used by our Group for approximately three to four years before Supplier A repurchased them from us. Our Directors confirm the repurchase transactions with Supplier A were at arms' length and under normal commercial terms, one-off in nature and immaterial to our Group's business as a whole.

Exclusive Dealership Agreements

Since our Group has engaged in construction machinery trading business for years, we have developed a close and stable working relationship with our major suppliers. As at the Latest Practicable Date, we are authorised with the exclusive dealership from five of our suppliers. The major terms and coverage of each exclusive dealership agreements are different, subject to our negotiation with the suppliers. Our Directors confirm as at the Latest Practicable Date, the exclusive dealership agreements were valid, binding and we were not in dispute with any major suppliers regarding the exclusive dealership agreements. We do not expect material impediment in renewing any of the exclusive dealership agreement under normal circumstances. Details of our exclusive dealership agreements are set out in the table below:

Supplier	Country	Products of exclusive dealership	Geographical coverage	Expiration date	Minimum purchase requirement
Supplier A	South Korea	Foundation machinery and drilling accessories	Hong Kong	31 December 2021	N/A
Supplier G	South Korea	Drilling accessories	Hong Kong	31 December 2018	N/A
Supplier H	Italy	Foundation machinery	Hong Kong and Macau	30 June 2020	20 machines for the entire contractual period(Note)
Supplier D	South Korea	Drilling accessories	Hong Kong	31 December 2018	N/A
Supplier C	South Korea	Foundation machinery and drilling accessories	Hong Kong	31 December 2020	N/A

Note: Our Group had already fulfilled the minimum purchase requirement as at the Latest Practicable Date.

Inventory

Our inventories recorded on our books of accounts mainly include foundation machinery and drilling accessories for our trading business. As at 31 March 2014, 2015, 2016 and 31 July 2016, our inventories amounted to approximately HK$5.6 million, HK$13.4 million, HK$12.8 million and HK$8.6 million, respectively. We normally place back-to-back orders for new construction machinery trading business.

In view of timely maintenance works, we keep consumable machinery parts in stock. In general, as we usually do not keep any new construction machinery as inventory, we place order to our suppliers as soon as we receive order from our customers. Upon request from customers, we would check with the suppliers for the relevant availability of supplies and estimated delivery time. We then collect from our customers a down payment prior to the placing of purchase order with our suppliers and the remaining balance would be settled against our agreed terms.

In case of any shortage of supply for a particular model, our Directors believe that we can source from alternative suppliers with comparable quality and prices. Since we generally place orders on a back-to-back basis, our Group is of the view that there would be alternatives from different suppliers for similar models and our business operations would not rely on any particular supplier. Our Directors confirm that our Group has not encountered any shortage of supply that would have a material impact to our business operations during the Track Record Period and up to the Latest Practicable Date.

PRODUCT RETURNS AND WARRANTY

For trading of construction machinery of high monetary value, normally large foundation machinery, we would arrange and accompany our customers to inspect the machine in the suppliers' overseas workshops to ensure the machine is in good conditions before shipping to Hong Kong. Our Directors believe that this arrangement is an effective and cost-efficient measure to maintain our product quality and minimise product defects. For trading of new construction machinery, we usually place back-to-back orders to suppliers upon receipt of orders from our customers and we generally do not accept return of products unless it is due to major quality problems. Our suppliers usually provide a standard warranty based on operating hours or of a specific period and if any quality problems arise during the warranty period, we would liaise and follow up with the respective manufacturer or other suppliers of the defected machinery for these customers. For trading of used construction machinery, we do not offer any warranty and our customers are required to perform component checks before delivery. For trading of drilling accessories, we offer product return and product exchange to our customers.

During the Track Record Period, we did not recall or encounter any material warranty claimed in relation to defects in quality of our construction machinery sold. Our Directors confirmed that we did not receive any material complaint from customers during the Track Record Period and up to the Latest Practicable Date.

SALES AND MARKETING

Credit policies

Our Group generally allows a credit period of from 30 to 60 days to our major customers which is believed to be consistent with the industry norm for construction machinery industry in Hong Kong. For some well-established customers, our Group may not require the customers to pay deposit at the beginning of an order. Our Group reviews our trade receivables on a regular basis and assessments are made by our senior management on the collectability of overdue balances to consider whether a provision for impairment of trade receivables should be made in accordance with internal guidelines.

Pricing policies

For the construction machinery leasing business, we set our leasing fees according to various factors including (i) the purchase cost of the construction machinery; (ii) the capacity and model of the construction machinery; (iii) length of the leasing period; (iv) working condition of the site; and (v) credibility of the customer. Likewise, we take into account the aforesaid factors when pricing our transportation services.

For the construction machinery trading business, the price of our foundation machinery and other types of construction machinery and accessories would depend on various major factors including the supply and demand of similar products in the market, origins and specifications, and the lead time of delivery. We usually place back-to-back orders to suppliers upon receipt of order from our customers and the sale price would be based on a cost-plus approach.

Marketing policies

We have a marketing team consisting of five employees as at the Latest Practicable Date. Our Directors and marketing staff regularly communicate with our customers to understand their needs. Based on feedback gathered from customers, we introduce new foundation machinery brands to Hong Kong from time to time. We market our products and services through printing our Group's name on our machinery and our company website.

CUSTOMERS

Our customers include construction companies engaged in construction works in Hong Kong. Our major customers include well-established construction companies, and we have business relationships with some of them for over ten years.

Five largest customers

For the three years ended 31 March 2016 and the four months ended 31 July 2016, our five largest customers accounted for approximately 60.4%, 54.7%, 59.3% and 54.4% of our total revenue respectively. During the same periods, revenue of our Group's largest customer were approximately HK$30.9 million, HK$48.6 million, HK$43.2 million and HK$10.6 million, respectively, accounted for approximately 27.4%, 23.4%, 21.0% and 18.2% of our total revenue.

None of our Directors, their close 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 customers during the Track Record Period. All these five largest customers are Independent Third Parties. We are not aware that during the Track Record Period, our Group experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties. Our Directors further confirm that they are not aware of any of our major customers having experienced material financial difficulties that may materially affect our Group's business.

We have business relationships with some of our major customers for over ten years. In particular, Customer A and Customer B had been our recurring five largest customers throughout the Track Record Period. Our other major customers were not overly duplicated and we believe our customer base is sufficiently diversified. Our Directors believe that we have been the preferred working party of our major customers for their supplies of construction machinery and we do not rely on any of our major customer.

During the Track Record Period, all of our Group's revenue was derived in Hong Kong. Details of the five largest customers of our Group for the year ended 31 March 2014 are as follows:

Ranking	Name	Background and principal business nature	Approximate years of business relationship	Revenue	Percentage of our Group's revenue	Payment term	Settlement method
				(HK$'000)	*(%)*		
1	Customer A	A subsidiary of a public company listed in Hong Kong, one of the leading foundation works main contractors in Hong Kong	18 years	30,943	27.4	30 days	By cheque
2	Customer B	One of the leading main contractor headquartered in Hong Kong	20 years	12,945	11.5	60 days	By direct credit
3	Customer C	A subsidiary of a public company listed in Hong Kong, one of the leading foundation works main contractors in Hong Kong	15 years	10,205	9.0	30 days	By cheque
4	Customer D	A private company incorporated in Hong Kong, engages principally in foundation works as sub-contractor	5 years	7,909	7.0	30 days	By cheque
5	Customer E	A joint venture established by a contractor and a subsidiary of a public company listed in Hong Kong	4 years	6,126	5.4	30 days	By cheque

Details of the five largest customers of our Group for the year ended 31 March 2015 are as follows:

Ranking	Name	Background and principal business nature	Approximate years of business relationship	Revenue	Percentage of our Group's revenue	Payment term	Settlement method
				(HK$'000)	*(%)*		
1	Customer A	A subsidiary of a public company listed in Hong Kong, one of the leading foundation works main contractors in Hong Kong	18 years	48,646	23.4	30 days	By cheque
2	Customer B	One of the leading main contractors headquartered in Hong Kong	20 years	28,826	13.9	60 days	By direct credit
3	Customer D	A private company incorporated in Hong Kong, engages principally in foundation works as sub-contractor	5 years	16,578	8.0	30 days	By cheque
4	Customer F	A private company incorporated in Hong Kong, engages principally in foundation works as a sub-contractor	4 years	10,156	4.9	30 days	By cheque
5	Customer G	A subsidiary of a public company listed in Hong Kong, engages in foundation works both as a main contractor and subcontractor	3 years	9,350	4.5	30 days	By cheque

Details of the five largest customers of our Group for the year ended 31 March 2016 are as follows:

Ranking	Name	Background and principal business nature	Approximate years of business relationship	Revenue *(HK$'000)*	Percentage of our Group's revenue *(%)*	Payment term	Settlement method
1	Customer A	A subsidiary of a public company listed in Hong Kong, one of the leading foundation works main contractors in Hong Kong	18 years	43,229	21.0	30 days	By cheque
2	Customer H	A private company incorporated in Hong Kong, engages principally in foundation works and ground investigation field works as sub-contractor	7 years	31,525	15.3	30 days	By cheque
3	Customer B	One of the leading main contractors headquartered in Hong Kong	20 years	18,669	9.1	60 days	By direct credit
4	Customer C	A subsidiary of a public company listed in Hong Kong, one of the leading foundation works main contractors in Hong Kong	15 years	14,621	7.1	30 days	By cheque
5	Customer I	A subsidiary of a public company listed in Hong Kong, engages as a contractor in the Hong Kong construction industry	16 years	13,698	6.7	30 days	By cheque

Details of the five largest customers of our Group for the four months ended 31 July 2016 are as follows:

Ranking	Name	Background and principal business nature	Approximate years of business relationship	Revenue *(HK$'000)*	Percentage of our Group's revenue *(%)*	Payment term	Settlement method
1	Customer A	A subsidiary of a public company listed in Hong Kong, one of the leading foundation works main contractors in Hong Kong	18 years	10,625	18.2	30 days	By cheque
2	Customer B	One of the leading main contractors headquartered in Hong Kong	20 years	7,917	13.5	60 days	By direct credit
3	Customer J	A private company incorporated in Hong Kong, engages as a contractor in construction works	19 years	6,712	11.5	30 days	By cheque

Ranking	Name	Background and principal business nature	Approximate years of business relationship	Revenue *(HK$'000)*	Percentage of our Group's revenue *(%)*	Payment term	Settlement method
4	Customer K	A private company incorporated in Hong Kong, engages as a contractor in construction works	2 years	3,425	5.9	30 days	By cheque
5	Customer L	A subsidiary of a public company listed in Hong Kong, engages as a contractor in the Hong Kong construction industry	17 years	3,126	5.3	30 days	By cheque

QUALITY CONTROL

We emphasise quality control in all aspects of our business as we believe that our machinery quality is one of our core strengths and is vital to our success. In order to monitor the product quality and ensure that our leasing fleet is fully operable, we have implemented various quality control measures in our operation process. Moreover, our Group is accredited with ISO 9001: 2015 quality management system certification, ISO 14001: 2015 environmental management system certification and OHSAS 18001: 2007 occupational health and safety management system certification for our provision of sales, leasing, repair and maintenance of construction machinery used for foundation work, power generator and air compressor. Please refer to the section headed "Business — Qualifications, Certifications and Compliance" for further details of our certifications.

Quality control on trading operation

We purchase construction machinery and machinery parts from selected suppliers who are considered to be some reputable manufacturers in the world. We have maintained a list of approval suppliers, based on stringent selection criteria including machinery quality, technical support, reputation in the industry and our past experience of cooperation.

For the trading of construction machinery of high monetary value, normally large foundation machinery, we would arrange and accompany our customers to the overseas workshops of our suppliers for machinery inspection before shipping to Hong Kong. Our Directors believe that the arrangement is effective and cost-efficient, and our customers are satisfied with the chance of directly communicating with manufacturers, and the possibly shortened lead time.

We conduct inspection and relevant testing on the incoming machinery to ensure that it is in satisfactory condition before we accept the machinery from our suppliers.

Quality control on leasing operation

With an aim to reduce machinery downtime on the customers' job sites, we conduct detailed inspection on the leasing machinery as part of our quality control measures to ensure that the machinery is fully operable before delivery to customers. Our technical team serves an important part of our quality control. We possess a technical team which consisted of eight technical staff with relevant experiences and technical know-how as at the Latest Practicable Date, where some of whom have been working with us for over ten years.

In terms of our leasing operation, we require our customers to sign a confirmation receipt upon receiving and returning our leased machinery, to ensure the machinery is properly delivered. We would send our technical staff to inspect our leased machinery on a regular basis to ensure our customers can be provided with fully operable machinery. Our technical staff would also conduct post-leasing inspection before we accept the returned machinery from our customers.

EMPLOYEES

As at the Latest Practicable Date, the number and functional role of employees of our Group were set out below:

Functional role	Number
Management (including our executive Directors)	7
Sales and marketing	5
Administration and accounting	7
Technical support	8
Transportation	12
Total	**39**

We generally recruit our employees from the open market through placing recruitment advertisement and through referral. We endeavor to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

We entered into separate labour contracts with each of our employees in accordance with the applicable labour laws of Hong Kong. The remuneration offered to employees generally includes salaries and bonuses. In general, we determine salaries of our employees based on their qualifications, position and seniority. We would send our technical staff to attend trainings provided by our overseas suppliers. Our Directors consider that the training received by our employees can increase our overall efficiency and facilitate us to retain quality employees.

Our Directors consider that we have maintained good relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any labour disputes nor did we experience any difficulties in the recruitment and retaining of experienced or skilled staff members which would have had a material impact on our business, financial condition or results of operations. Our Group has not set up any trade union for our employees.

INSURANCE

In relation to our employees, we have maintained employee compensation insurance for our employees including our technicians covering insured workplaces like warehouses and construction sites of our customers. We have maintained third party insurance in our office and warehouse, as well as our employees in our warehouses for claims arising from accidental bodily injury to any person and accidental damage to any property in the insured workplaces. We have maintained machinery insurance for most of the machinery under our leasing fleet. Our Directors believe that our Group's insurance policies are adequate and consistent with the common industry practice in Hong Kong. During the Track Record Period and up to the Latest Practicable Date, we have not received any material insurance claim against us.

MARKET AND COMPETITION

According to the F&S Report, our Group were ranked third in the construction machinery trading market in Hong Kong, in terms of revenue generated in 2015, with a market share of approximately 4.1%. There were nearly 50 competitors in the construction machinery trading market in Hong Kong with at least HK$10 million of annual revenue. The trading revenue of the five largest players accounted for approximately 50.8% of the total market size of the construction machinery trading market in 2015. For the three years ended 31 March 2016 and the four months ended 31 July 2016, trading of construction machinery generated revenue of approximately HK$81.3 million, HK$154.7 million, HK$137.1 million and HK$32.6 million, respectively, for our Group.

Our Directors consider that there are entry barriers of the construction machinery trading industry in Hong Kong which hinder new players from entering into the industry. Such entry barriers include (i) competent management with professionals required; (ii) lack of experience and customer relationship; and (iii) barrier of technical ability, details of which are described in the section headed "Industry Overview — Competitive Landscape of the Construction Machinery Trading Market — Entry barriers of Hong Kong's construction machinery trading market" in this prospectus.

According to the F&S Report, our Group were ranked second in the power and energy machinery leasing market in Hong Kong, in terms of revenue generated in 2015, with a market share of approximately 8.9%. There were nearly 20 competitors in the power and energy machinery leasing market in Hong Kong with at least HK$3 million of annual revenue. The leasing revenue of the five largest players accounted for approximately 38.0% of the total market size of the power and energy machinery leasing market in 2015. For the three years ended 31 March 2016 and the four months ended 31 July 2016, leasing of construction machinery generated revenue of approximately HK$31.5 million, HK$52.8 million, HK$67.0 million and HK$23.4 million, respectively, for our Group.

Our Directors consider that there are entry barriers for new entrants to enter the construction machinery trading and leasing market in Hong Kong, such as (i) tightened environmental requirement and qualification; (ii) capital intensiveness; (iii) unestablished customer base due to lack of track record and market experience; and (iv) technical barrier and understanding on know-how.

Since we have engaged in the construction machinery industry for more than 25 years with a relatively comprehensive leasing fleet and we offer extra services such as maintenance services and operation services by our experienced staff, our Directors believe that our competitive strengths will enable us to maintain our competitive position as one of the active market players in the construction machinery trading and leasing market in Hong Kong. Our competitive strengths include the following:

(i) A well established market presence and continuous development in the Hong Kong construction machinery industry;

(ii) market leader with large and well-maintained leasing fleet;

(iii) know-how in foundation mechanical technology;

(iv) professional operation and technical support by our experienced technical team; and

(v) stable relationship with our major customers and suppliers.

Details of our Group's competitive strengths are set out in the section headed "Business — Competitive Strengths" in this prospectus.

PROPERTY

We do not own any real property. We had no single property interest of which the carrying amount accounted for 15% or above of our total assets as at the Latest Practicable Date.

We leased two properties in Hong Kong as at the Latest Practicable Date. These leased properties are primarily used for office, and yards or warehouse for storing our machinery and accessories. We have leased from Independent Third Parties and the summary of our leases are as follows:

Address	**Landlord**	**Approximate aggregate gross floor area (sq. ft.)**	**Use of the property**	**Term of the tenancy**	**Monthly rental expenses**
71 Ping Che Road, Fan Ling, N.T., Hong Kong	Kam Tak Land Investment Company Limited	30,318	Open storage	16 October 2016 to 15 October 2017	HK$73,500
Rooms 6-7, 18/F, Laws Commercial Plaza, 788 Cheung Sha Wan Road, Kowloon	Land City International Limited	2,774	Office	8 August 2016 to 7 August 2018	HK$66,438 (including management fee)

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Our business is subject to certain health, work safety, social and environmental laws and regulations. Our management team monitors compliance with legal requirements and our internal standards in respect of such matters. Our Directors consider that the annual cost of compliance with the applicable health, work safety, social and environmental laws and regulations was not material during the Track Record Period and the cost of such compliance is not expected to be material going forward.

Health and work safety

We have not been subject to any material claim or penalty in relation to health, work safety, social and environmental protection and have not been involved in any accident or fatality and have been in compliance with the applicable Hong Kong laws and regulations in all material aspects during the Track Record Period.

QPME

The Environmental Protection Department in Hong Kong has developed and implemented the "Quality Powered Mechanical Equipment" system ("**QPME System**") to encourage the use of construction equipment items that are new, notably quieter, more environmentally friendly and efficient. Subject to the relevant cost and expenses, we intend to gradually apply for such QPME Labels for approximately 650 units of machinery in our leasing fleet to which the QPME System is applicable. As at the Latest Practicable Date, we have approximately 584 units of such equipment for which the QPME Labels have been obtained. We believe that our efforts in obtaining the QPME Labels for our equipment and our ability to obtain QPME Labels for almost all of our generators illustrate our emphasis on the quality and environmental friendliness of our leasing fleet. We believe that our customers would take this factor into consideration when they decide on machinery leasing, in particular for public construction and electrical and mechanical engineering projects.

NRMM

The NRMM Regulation came into effect on 1 June 2015 to bring NRMMs, including non-road vehicles and Regulated Machines, under control in line with environmentally advanced countries. Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under the NRMM Regulation. From 1 September 2015, all Regulated Machines sold or leased for use in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the Environmental Protection Department. Starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites. However, existing NRMMs which are already in Hong Kong on or before 30 November 2015 will be exempted from complying with the emission requirements. A period of six months (from 1 June 2015 to 30 November 2015, both dates inclusive) was allowed for then existing NRMMs to apply for exemption. As at the Latest Practicable Date, our Group has obtained approval or exemption for all of our Regulated Machines.

Pursuant to the Technical Circular, there is an implementation plan to phase out the use of exempted NRMMs for four types of exempted NRMMs (namely generators, air compressors, excavators and crawler cranes), under which, all new capital works contracts of public works including design and build contracts with an estimated contract value exceeding HK$200 million and tenders invited on or after 1 June 2015 shall require the contractor to allow no exempted power generator and air compressor to be used after 1 June 2015. Notwithstanding the above implementation plan, exempted NRMMs may still be permitted at the discretion of the respective architect or engineer designated by the Government if there is no feasible alternative. The above implementation plan does not prohibit the use of exempted NRMMs for the four types of exempted NRMMs in engineering construction projects in the private sector, or new capital works contracts of public works with an estimated contract value not exceeding HK$200 million and tenders invited on or after 1 June 2015.

Pursuant to the NRMM Regulation, 665 machines in our fleet are subject to the NRMM Regulation and we have obtained approval or exemption for all of our Regulated Machines at the Latest Practicable Date. 183 of the Regulated Machines were granted approval and the remaining 482 of them were granted exemption by the EPD under the NRMM Regulation as at the Latest Practicable Date.

According to the F&S Report, the market size for engineering construction projects in Hong Kong is expected to be HK$90 billion to HK$110 billion each year from 2016 to 2020 for public sector and HK$115 billion to HK$130 billion each year from 2016 to 2020 for private sector respectively, by conservative estimation. Furthermore, several factors ensure the steady growth from non-governmental construction investment in the next few years. For example, as the Hong Kong property market sales has been gradually increasing since second half of 2016, some major property developers in Hong Kong obtained a lot of new land reserves, and actively planned to launch new projects in near future. The property developers in the PRC also exhibited great interest in Hong Kong's property market which boosts confidence in the market. Given that the market demand for construction projects in private sector is expected to be higher than public sector based on the F&S Report, our Directors are of the view that leasing of exempted machines would remain in demand in the near future. Therefore, we do not have a proposed replacement plan of the exempted machines in our fleet.

In relation to the NRMM Regulation and the Technical Circular, our Directors believe such regulations will pose minimal impact on the construction machinery trading business of our Group, which accounted for approximately 72.1%, 74.6%, 66.8% and 55.7% of our total revenue during the Track Record Period, as (i) we normally place back-to-back orders for trading of new construction machinery; and (ii) we do not have any exempted NRMMs in inventory as at the Latest Practicable Date. In addition, our Group will continue to increase the proportion of approved NRMMs out of the Regulated Machines carried in our leasing fleet to cope with the future demand for approved machines according to our expansion plan. For the details of our expansion plan, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus. For the Regulated Machines that are exempted from the NRMM Regulation, our Directors consider that the implementation of the Technical Circular will not have material impact to our Group's business operation and financial position given that (i) the impact of such regulations on our major business segment, trading of construction machinery, is considered to be minimal; (ii) our Group had accordingly entered into purchase agreement of 104 units of NRMM approved power generators during the year ended 31 March 2016; (iii) our Group has an expansion plan; (iv) we would continue to review our leasing fleet regularly for the expansion, disposal and replacement of respective construction machinery; and (v) the market size for engineering construction projects in private sector is expected to be higher than that in public sector. Our Directors confirmed that we did not experience any shortage or delay in the supply of machinery when we acquired new machines to our fleet during the Track Record Period. As such, we believe that there will be no material impact to our Group's operation and financial position and we will have sufficient approved machines under the NRMM Regulation to meet our customers' demand. Our Directors therefore believe that the impact shall be remote and minimal and therefore there shall not be any adjustment to the estimated useful lives and no indication of any impairment loss. Our Directors consider that the existing accounting policy over depreciation and impairment loss adopted by our Group is fair and reasonable and in line with the applicable accounting standard as well as the industry norm. Our Directors foresee no material difficulty in complying with relevant NRMM Regulation and Technical Circular.

QUALIFICATIONS, CERTIFICATIONS AND COMPLIANCE

Qualifications

As advised by our legal advisers as to Hong Kong laws, save for business registration, our Group does not require any approval, permit, consent, license and registration in respect of our business operation in Hong Kong. Our Directors also confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group has obtained all requisite approval, permit, consent, license and registration for our business and operations in Hong Kong and all of them are in force.

Certifications

In recognition of our quality control system, we have obtained a number of certifications which are set out as follows:

Certifications	Year of Grant	Description	Issuing organization	Expiry date
ISO 9001 : 2015	2016	Certification of quality management system (Note)	BVCH SAS UK Branch	14 April 2019
ISO14001 : 2015	2016	Certification of environmental management system (Note)	BVCH SAS UK Branch	14 April 2019
OHSAS 18001 : 2007	2016	Certification occupational health and safety management system (Note)	Bureau Veritas Certification Hong Kong Limited	4 April 2019

Note: The certification concerns our provision of sales, leasing, repair and maintenance of construction machinery used for foundation work, power generator and air compressor.

Compliance

Our Directors and our legal advisers as to Hong Kong laws confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident which was material non-compliance incidents.

NON-COMPLIANCE

Our Directors confirm that they were aware of certain systemic non-compliances of our Group in relation to the Predecessor Companies Ordinance and the Companies Ordinance in respect of matters including amongst others, late filings of certain statutory corporate forms within the prescribed time.

As advised by the Company's Hong Kong legal advisors, the above non-compliance incidents are either (i) time barred by the time limit for prosecution; or (ii) immaterial in respect to the monetary penalty. Taking into account the above and the fact that any loss, fee, expense and penalty of our Group in relation to the non-compliance matters will be fully indemnified by our Controlling Shareholders, our Directors consider, and the Sponsor concurs, that the impact of them would be immaterial upon our Group's operation and financial positions.

As confirmed by our Directors, as at the Latest Practicable Date, save as disclosed above, our Group did not receive any notice for any fines or penalties for any non-compliance in relation to the predecessor Companies Ordinance and the Companies Ordinance, and, save as disclosed above, we have complied with all applicable laws and regulations in all material respects in Hong Kong (being the principal jurisdiction in which we operate) during the Track Record Period and up to the Latest Practicable Date.

No provision was made in the financial statement of our Group in respect of the aforementioned non-compliances as our Directors have taken into consideration the followings: (i) up to the Latest Practicable Date, our Directors were not aware of any prosecution instituted against us or any notices for any fine or penalties in relation to the above non-compliances; (ii) even if there is any prosecution, the actual amount of penalty cannot be estimated with reasonable accuracy and the potential maximum penalties of the abovementioned non-compliance incidents is considered to be immaterial; (iii) legal opinion on chance of prosecution and legal liability; and (iv) our Controlling Shareholders agree to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, of any claim of the non-compliance incidents of our Group on or before the date on which the Share Offer becomes unconditional, particulars of which are set out in the section headed "Statutory and General Information — E. Other Information — 15. Tax and other indemnities" in Appendix IV to this prospectus.

Furthermore, taking into account that (i) the non-compliance incidents were unintentional, did not involve any dishonesty or fraudulent act on the part of our executive Directors, and did not raise any question as to the integrity of our executive Directors; (ii) our Group has used its best effort to rectify all the non-compliance incidents so far as applicable and practicable; and (iii) our internal control system already covers our major business aspects and it is effectively supervised by the management of our Group, details of which are set out in the section headed "Business — Internal

Control and Risk Management — Internal control" in this prospectus. Our Directors are of the view, and the Sponsor concurs, that the abovementioned non-compliance incidents would not affect the suitability of our executive Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability of Listing of our Company under Rule 8.04 of the Listing Rules.

As at the Latest Practicable Date, our Group has obtained approval or exemption for all of our machinery that are subject to the NRMM Regulation.

LITIGATION, ARBITRATION AND POTENTIAL CLAIMS

As at the Latest Practicable Date, no member of our Group was involved in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors as pending or threatened against any member of our Group.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Directors recognise that corporate governance and risk management are crucial to the development and success of our business. We have adopted corporate governance measures and risk management measures in various aspects of our business operations such as financial reporting, legal compliance, information system, premises safety and human resources management.

Internal Control

In preparation for the Listing, the Company has engaged an Independent Third Party consultant (the "**Internal Control Consultant**") to assist the Company in reviewing the design and effectiveness of certain financial reporting related to internal controls of the Company. The scope of work of the review was discussed with and agreed by the Company and the Sponsor. The review covers entity level controls and business level controls for the processes of revenue and receivables, purchases, procurement and payables, cash/treasury management, human resources, financial reporting, property, plant and equipment and IT general controls. The internal controls review described above was conducted based on information provided by the Company and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

The Internal Control Consultant also performed a follow-up review (the "**Follow-up Review**") in June and August 2016 to review the status of the management actions by our Company to address the findings of the Internal Control Review. The Internal Control Consultant raised no further recommendation in the Follow-up Review except for the need of establishing an internal audit function.

Our Group have adopted and implemented a series of internal control policies and procedures to meet our specific business needs and to minimise our risk exposure. The written policies and procedures are designed to reasonably assure effective and efficient operations, reliable financial reporting and compliance with related laws and regulations.

Our Directors confirmed that the corresponding remedial actions have been implemented according to suggestions of our Internal Control Consultant and accordingly the Follow-up Review did not identify any material weakness.

Our management will continuously monitor and improve the procedures to ensure that effective operation of those internal controls are in line with the growth of our business and good corporate governance practice.

Corporate governance

In terms of corporate governance, our Group has, inter alia, (i) appointed three independent non-executive Directors to ensure the effective exercise of independent judgment on its decision-making process and provide independent advice to our Board; (ii) established the Audit Committee to review our financial reporting system, risk management and internal control system; (iii) appointed Ample Capital Limited as our compliance adviser in compliance with the applicable Listing Rules; and (iv) provided (and will continue to provide) our Directors and senior management with training, development programs on applicable legal and regulatory requirements from time to time.

Risk management

We recognise the need for risk management in our strategic and operational planning, day-to-day management and decision making process and are committed to managing and minimising risks by identifying, analysing, evaluating and mitigating risk exposures that may impact the continued efficiency and effectiveness of our operations or prevent it from achieving its business objective. The risk management process of our Group is coordinated and facilitated by our senior management. The objectives of risk management are to, inter alia, enhance our Company's governance and corporate management processes as well as to safeguard our Group against unacceptable levels of risks and losses. The risk management process of our Group will involve, inter alia, (i) an annual risk identification exercise which involves assessment of the consequence and likelihood of risks (including documenting those of potentially high impact) and the development and/or review of risk management plans for mitigating such risks; (ii) reducing the current level of risk to an acceptable level through implementation of additional controls or risk mitigating actions; (iii) ensuring that the risk control and treatment measures are effective for identified risk by holding meetings with the risk owner, to discuss the status of the follow up actions taken on the identified risks and improve the mitigation actions where appropriate, to ensure that the risks are managed properly and effectively; and (iv) assessing identified risks, the related impact, likelihood of risks and the risk mitigating actions with a documented report in form of a risk register, where the management will provide a report on our Group's risk profile to the Board of Directors and the Audit Committee for their consideration together with key risks or significant deficiencies in Group's risk management process and the steps taken to deal with them.

The following sets out the key risks of our business and the internal control procedures to mitigate and minimise the corresponding risks:

Regulatory risk management

Our Group will be exposed to the risk of non-compliance with regard to the applicable laws and regulations, and also Listing Rules, upon listing. Our Group has appointed Ample Capital Limited as our Compliance Advisor to advise us on complying with the Listing Rules upon listing, and regarding the compliance on applicable Hong Kong laws and regulations, our Group will also appoint a legal advisor to advise us in that regard. For further information, please refer to the section headed "Business — Internal Control and Risk Management — Corporate governance".

Credit risk management

Our Group is exposed to the risk of whether we are able to collect the receivables from our counterparties which will result in a financial loss if we fail to do so. The finance department would prepare a monthly report on outstanding overdue payments for our executive Directors and alert our executive Directors on new overdue payments for them to closely monitor, evaluate the risk level and decide on actions to follow-up depending on, among others, the relationship with the customer, payment history of the customer, the general economic environment and our Group's financial position. In general, deposits are normally required for new customers. In addition, before entering contracts with any new customer, we would perform searches and assess whether the new customer has acceptable financial background, track record and reputation. Furthermore, for project value exceeding a certain amount and, entering contracts with new customers would subject to approval from our executive Directors.

Operational risk management

Our executive Directors and senior management staff are responsible for monitoring our daily operation and assessing the relevant operational risks. We have control measures on inventory, product and service quality and pricing. The measures will be reviewed by our executive Directors on a regular basis.

Our Group also emphasis on ethical value and prevention of fraud and bribery. To achieve so, we have established a whistleblower programme for employees to report irregularities anonymously to our executive Directors directly. In addition, our staff including all employees and Directors of our Group, are required to read our staff handbook and internal control manual. Such procedure allows us to minimise the risk associated with potential unethical behaviours, wrongdoings, frauds or unauthorised access to confidential information.

Foreign currency risk management

Our Group operates in Hong Kong with all receivables in HK dollar. Our Group is then exposed to foreign currency risks given the nature of our business of sourcing from overseas suppliers, mainly with respect to Yen, Euro and USD. Since HK dollar is pegged with USD, the management are of the opinion that the foreign exchange risk arising from USD is insignificant. We have adopted a hedging policy to ensure that all of our hedging activities are properly conducted. For details of our hedging policy, please refer to the section headed "Financial information — Quantitative and qualitative disclosures about market risks — Hedging" in this Prospectus.

Our Group is allowed to enter into forward contract to hedge against the foresaid risk. Regarding hedging, our Group has not used and will not use any hedging contracts to engage in speculative activities. To enter to such contracts, the details, including but not limited to the position limits, will have to be handled by our finance department and subject to approval by the executive Directors. On a monthly basis, our finance department is required to prepare an outstanding mark-to-market position of all forward contracts for the executive Directors to review on the performance and to evaluate the total value at risks. For details related to hedging, please refer to the section headed "Business — Hedging" in this Prospectus.

Based on the above, our Directors are of the view that our Company has adequate corporate governance measures and risk management procedures in place for the business operations of our Group.

INTELLECTUAL PROPERTY

We are the registrant of the domain **sanrochk.com** and **sanroc-intl.com**. We have applied for registration of two trademarks for our business operation in Hong Kong. Please refer to the section headed "Statutory and General Information — B. Further Information about the Business of Our Group — 2. Our material intellectual property rights" in this prospectus for further details.

As at the Latest Practicable Date, our Group was not aware of any infringement by us of any intellectual property rights owned by third parties, or by any third parties of any intellectual property rights owned by our Group.

HEDGING

Our Group is subject to foreign exchange risk regarding our construction machinery trading business as we received our revenue proceeds denominated in HKD and we settled some of our suppliers with foreign currencies such as Yen, Euro and USD.

Our principal bankers had granted us a facility regarding foreign exchange forward contract in the value of US$2.6 million. During the Track Record Period and up to the Latest Practicable Date, our Group had not utilised any of the credit line.

We constantly monitor our Group's foreign exchange risk exposure and we might enter into exchange forward contract with our principal bank on a case-by-case basis. For further details regarding our Group's internal control procedures to mitigate and minimise the foreign currency risk, please refer to the section headed "Internal Control and Risk Management — Risk Management — Foreign currency risk management" in this Prospectus.

We have entered into Japanese Yen agreed rate regarding some of our purchases as at 28 August 2013. Please refer to note 21 of the Accountant's Report in Appendix I to this prospectus for further details.

You should read the following discussion of our Group's result of operation and financial condition in conjunction with its audited combined financial information as at and for the three years ended 31 March 2016 and the four months ended 31 July 2016, including the notes thereto, included in Appendix I to this prospectus. This historical combined financial information is not necessarily indicative of the future performance of our Group. Our combined financial statements have been prepared in accordance with HKFRS, which may differ in material respects from the generally accepted accounting principles in other jurisdictions.

The following discussion contains forward-looking statements that involves risk and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current condition and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depends on a number of factors over which we have no control. You should review the section headed "Risk Factors" in this prospectus for a discussion of the important factors that could cause our actual results to differ materially from the results described in or implied by forward-looking statements.

OVERVIEW

Our Group provides construction machinery trading and leasing services in Hong Kong. Our business comprises: (i) trading of construction machinery, which are mainly foundation machinery and drilling accessories; (ii) leasing of construction machinery, which are mainly power and energy machinery; and (iii) provision of local transportation services with our crane lorries.

Our Group's revenue amounted to approximately HK$112.8 million, HK$207.5 million, HK$205.4 million, HK$81.3 million and HK$58.5 million respectively for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016. The following table sets forth the breakdown of our revenue by our business segments during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(Unaudited)			
Trading of construction machinery	81,347	72.1	154,731	74.6	137,128	66.8	61,140	75.2	32,594	55.7
Leasing of construction machinery	31,487	27.9	52,803	25.4	66,993	32.6	20,170	24.8	23,405	40.0
Transportation services(Note)	—	—	—	—	1,318	0.6	16	0.0	2,485	4.3
	112,834	100.0	207,534	100.0	205,439	100.0	81,326	100.0	58,484	100.0

Note: Our transportation services commenced in July 2015.

SUMMARY OF HISTORICAL COMBINED FINANCIAL INFORMATION

The selected financial information from our Group's combined balance sheets as at 31 March 2014, 2015 and 2016 and 31 July 2016 and its combined statements of comprehensive income and combined statements of cash flows for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016 set forth below are extracted from the section headed "Accountant's Report" included in Appendix I to this prospectus, and should be read in conjunction with it.

Combined statements of comprehensive income

	For the year ended 31 March			For the four months ended 31 July	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue	112,834	207,534	205,439	81,326	58,484
Cost of sales and services	(85,574)	(154,152)	(147,477)	(62,191)	(39,757)
Gross profit	27,260	53,382	57,962	19,135	18,727
Other income and gains/(losses), net	71	(3,184)	(62)	(1,980)	(873)
Selling expenses	(3,466)	(3,319)	(3,453)	(1,084)	(851)
Administrative expenses	(8,274)	(11,054)	(13,828)	(3,771)	(8,936)
Operating profit	15,591	35,825	40,619	12,300	8,067
Finance income	26	115	229	2	90
Finance costs	(493)	(640)	(927)	(240)	(460)
Finance costs, net	(467)	(525)	(698)	(238)	(370)
Profit before income tax	15,124	35,300	39,921	12,062	7,697
Income tax expenses	(2,561)	(5,853)	(6,936)	(1,991)	(2,114)
Profit for the year/period	12,563	29,447	32,985	10,071	5,583
Profit and total comprehensive income attributable to equity holders of the Company	12,563	29,447	32,985	10,071	5,583

BASIS OF PREPARATION

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted Company with limited liability on 25 July 2016 in preparation for a listing of our Shares. Pursuant to the Reorganisation as more fully described in the section "History, Development and Reorganisation" in this prospectus, our Company became the holding company of our Group on 10 November 2016. Apart from the Reorganisation, our Company has not commenced any business or operation since its incorporation. The combined balance sheets of our Group as at 31 March 2014, 2015 and 2016 and 31 July 2016 have been prepared to present the assets and liabilities of the entities now comprising our Group which were in existence at those dates, as if the current group structure had been in existence as at the respective dates. The net assets and results of our Group were combined using the carrying value from the perspective of the Controlling Shareholders. All significant intra-group transactions and balances have been eliminated on combination.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The Accountant's Report in Appendix I to this document sets out further significant accounting policies in note 2, which are important for an understanding of the financial condition and results of operation of our Group.

Some of our accounting policies involve subjective assumptions, estimates and judgements that are discussed in note 4 to the Accountant's Report in Appendix I to this document. In the application of our accounting policies, our management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Our estimates and other associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Our estimates and underlying assumptions are reviewed by our management on an ongoing basis. See note 4 of the Accountant's Report in Appendix I to this document.

IMPACT OF NEW OR REVISED ACCOUNTING STANDARDS

In May 2016, the Hong Kong Institute of Certified Public Accountants issued the HKFRS16 "Leases", which is not expected to be applied by the Group until the financial year ended 31 March 2020. Therefore, in presenting the financial information set out in this document, the Group has not early adopted the relevant provisions of HKFRS 16.

The Group is a lessee of various machinery, offices and warehouses which are currently classified as operating leases. The Group's current accounting policy for such leases and future operating lease commitments, which is not reflected in the combined balance sheets, are set out in note 2.11 and note 24(b), respectively, to the Accountant's Report in appendix I to this document. HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the balance sheet. Instead, all long-term leases must be recognised in the balance sheet in the form of assets (for the rights of use) and lease liabilities (for the payment obligations). Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations. The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the balance sheet. In profit or loss, rental expenses will be replaced with depreciation and interest expense. The impacts on the Group's financial results and position upon the adoption of HKFRS16 as lessor of finance leases and operating leases are not expected to be material.

PRINCIPAL KEY FACTORS AFFECTING OUR FINANCIAL POSITION AND RESULTS OF OUR OPERATIONS

Our results of operations and financial condition have been, and will continue to be, affected by a number of factors including those set out below and in the section headed "Risk Factors" in this prospectus.

Economic conditions and level of construction activities in Hong Kong

The demand of construction machinery is driven by the level of construction activities in the region. As our revenue is mainly attributable to the customers engaged in construction works, our results of operation is dependent on the level of constructions and infrastructure projects in Hong Kong.

There is no assurance that the number of construction projects will not decrease in the future. In the event that the demand of construction machinery decreases as a result of the reduction in the number of construction projects in Hong Kong, our business in general and our results of operation may be adversely and materially affected.

Employees and staff costs

Our staff costs, including Director's emoluments, were approximately HK$7.6 million, HK$9.6 million, HK$10.3 million, HK$3.0 million and HK$5.0 million for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016 respectively, representing approximately 6.8%, 4.6%, 5.0%, 3.7% and 8.5% of our revenue.

We believe our employees are the most valuable resources to achieve our success and are not easily replaceable. Should we fail to retain our employees, our capability to provide quality services to our customers may be adversely affected. This would reduce our competitiveness and adversely affect our profitability and financial performance.

The following sensitivity analysis illustrates the potential impact of fluctuations in staff costs, including Director's emoluments, to the profit before taxation with all other variables held constant during the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
If the staff costs, including Director's emoluments, had been 5% higher/lower					
Decrease/increase in profit before taxation	−/+382	−/+480	−/+516	−/+149	−/+248
Percentage decrease/increase in profit before taxation	−/+2.5%	−/+1.4%	−/+1.3%	−/+1.2%	−/+3.2%
If the staff costs, including Director's emoluments, had been 10% higher/lower					
Decrease/increase in profit before taxation	−/+764	−/+960	−/+1,031	−/+297	−/+497
Percentage decrease/increase in profit before taxation	−/+5.1%	−/+2.7%	−/+2.6%	−/+2.5%	−/+6.5%

Our market leading position in the foundation work machinery trading and power and energy machinery leasing market in Hong Kong and our reputation in the industry

According to the F&S report, we were ranked first in the foundation machinery trading and second in the power and energy machinery leasing market in Hong Kong with market share of approximately 28.3% and 8.9% in the respective markets in 2015. We believe that our established reputation in the industry and our business development will continue to benefit from our long established strong relationships with major customers. It provides us a favourable position to capture the overall growth trend of the construction machinery trading and power and energy machinery leasing market in Hong Kong according to the F&S Report. Consequently, should there be any disruption to our operations, we may risk losing customers' confidence and our reputation in the industry, which, in turn, may adversely affects our profitability and financial performance.

Our high utilisation rate in the industry

During the Track Record Period, we recorded continued growth in revenue generated from leasing of construction machinery while expanding our leasing fleet. Our utilisation rate of our power and energy machinery leasing fleet were approximately 93.8%, 92.5%, 89.4% and 84.2% for the three years ended 31 March 2016 and the four months ended 31 July 2016 respectively. For more details regarding utilisation rate of our leasing fleet during the Track Record Period, please refer to the section headed "Business — Our Business Model — Leasing of construction machinery".

As a result of growing environmental awareness and the implementation of the NRMM Regulation and QPME System, a growing demand is expected for approved power and energy machinery in the market. In order to cater for the expected demand for such machinery in the upcoming construction projects in Hong Kong, we have accordingly entered into purchase agreement of purchasing 104 units of NRMM approved power generators during the year ended 31 March 2016, which all have been delivered to us as at the Latest Practicable Date, to meet the new emission standards which helps us to retain our market position and competitiveness in Hong Kong. We intend to purchase more machinery during the upcoming years. However, the expansion of our leasing fleet will need to be complemented by increased leasing of our machinery. We must develop sufficient market share to maintain high utilisation rate of our leasing fleet and achieve a profitable expansion plan. Should we fail to maintain a high utilisation rate of our leasing fleet, our revenue from leasing may not be able to cover the increased depreciation and maintenance costs and thus our gross profit margin and results of operation will be adversely affected.

Exclusive dealerships with various suppliers

We had exclusive dealership arrangements with five suppliers of construction machinery as at Latest Practicable Date. There are no guarantees that we will be able to maintain the exclusive dealerships with them after expiration, which may consequently reduce or eliminate our market share in the trading market of construction machinery manufactured by them. To this end, our results of operation and financial performance may be adversely affected should we fail in identifying alternative suppliers to source similar products.

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

The selected financial information from our Group's combined balance sheets as at 31 March 2014, 2015 and 2016 and 31 July 2016 and its combined statements of comprehensive income and combined statements of cash flows for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016 set forth below are extracted from the section headed "Accountant's Report" included in Appendix I to this prospectus, and should be read in conjunction with it.

Revenue

Our revenue amounted to approximately HK$112.8 million, HK$207.5 million, HK$205.4 million, HK$81.3 million and HK$58.5 million for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016 respectively. The following table sets forth the details of our Group's revenue by business segments during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (Unaudited)	*%*	*HK$'000*	*%*
Trading of construction machinery	81,347	72.1	154,731	74.6	137,128	66.8	61,140	75.2	32,594	55.7
Leasing of construction machinery	31,487	27.9	52,803	25.4	66,993	32.6	20,170	24.8	23,405	40.0
Transportation services (Note)	—	—	—	—	1,318	0.6	16	0.0	2,485	4.3
Total revenue	112,834	100.0	207,534	100.0	205,439	100.0	81,326	100.0	58,484	100.0

Note: Our transportation services commenced in July 2015.

(I) *Trading of construction machinery*

Our revenue generated from the trading of construction machinery amounted to approximately HK$81.3 million, HK$154.7 million, HK$137.1 million, HK$61.1 million and HK$32.6 million for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016 respectively. The following table sets forth the breakdown of our revenue from trading of construction machinery by product type during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (Unaudited)	*%*	*HK$'000*	*%*
Trading of foundation machinery	17,484	21.5	73,609	47.6	62,261	45.4	29,402	48.1	20,732	63.6
Trading of drilling accessories	56,066	68.9	72,883	47.1	64,696	47.2	27,684	45.3	11,862	36.4
Others	7,797	9.6	8,239	5.3	10,171	7.4	4,054	6.6	—	—
- Trading of power and energy machinery	7,570	9.3	6,682	4.3	9,283	6.8	4,046	6.6	—	—
- Miscellaneous (Note)	227	0.3	1,557	1.0	888	0.6	8	0.0	—	—
	81,347	100.0	154,731	100.0	137,128	100.0	61,140	100.0	32,594	100.0

Note: This category includes revenue from handling charges and miscellaneous services related to trading of construction machinery.

Our revenue from trading of foundation machinery were approximately HK$17.5 million, HK$73.6 million, HK$62.3 million, HK$29.4 million and HK$20.7 million for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016 respectively, representing approximately 21.5%, 47.6%, 45.4%, 48.1% and 63.6% of our revenue in the trading sector respectively.

Our revenue from trading of drilling accessories were approximately HK$56.1 million, HK$72.9 million, HK$64.7 million, HK$27.7 million and HK$11.9 million for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016 respectively, representing approximately 68.9%, 47.1%, 47.2%, 45.3% and 36.4% of our revenue in the trading sector respectively.

Our revenue from other services such as trading of power and energy machinery and handling charges and miscellaneous services related to trading of construction machinery were approximately HK$7.8 million, HK$8.2 million, HK$10.2 million, HK$4.1 million and nil for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016 respectively, representing approximately 9.6%, 5.3%, 7.4%, 6.6% and nil of our revenue in the trading sector respectively.

(II) ***Leasing of construction machinery***

Our revenue generated from the leasing of construction machinery amounted to approximately HK$31.5 million, HK$52.8 million, HK$67.0 million, HK$20.2 million and HK$23.4 million for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016 respectively. The following table sets forth the breakdown of our revenue from leasing of construction machinery by machinery type during the Track Record Period:

	For the year ended 31 March						**For the four months ended 31 July**			
	2014		**2015**		**2016**		**2015**		**2016**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (*Unaudited*)	*%*	*HK$'000*	*%*
Leasing of construction machinery	30,931	98.2	52,060	98.6	65,043	97.1	19,711	97.7	22,646	96.8
- Power generator	24,158	76.7	33,189	62.9	43,635	65.1	14,062	69.7	16,024	68.5
- Air compressor	2,587	8.2	10,939	20.7	11,100	16.6	3,228	16.0	3,062	13.0
- Foundation machinery	3,872	12.3	7,626	14.4	7,829	11.7	2,039	10.1	2,566	11.0
- Others	314	1.0	306	0.6	2,479	3.7	382	1.9	994	4.3
Other related services(Note)	556	1.8	743	1.4	1,950	2.9	459	2.3	759	3.2
	31,487	100.0	52,803	100.0	66,993	100.0	20,170	100.0	23,405	100.0

Note: This category mainly includes revenue from repairing charges and services related to leasing of construction machinery.

Our revenue generated from leasing of power generator were approximately HK$24.2 million, HK$33.2 million, HK$43.6 million, HK$14.1 million and HK$16.0 million for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016 respectively, representing approximately 76.7%, 62.9%, 65.1%, 69.7% and 68.5% of our revenue in the leasing sector respectively.

Our revenue generated from leasing of air compressor were approximately HK$2.6 million, HK$10.9 million, HK$11.1 million, HK$3.2 million and HK$3.1 million for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016 respectively, representing approximately 8.2%, 20.7%, 16.6%, 16.0% and 13.0% of our revenue in the leasing sector respectively.

Our revenue from leasing of foundation machinery amounted to approximately HK$3.9 million, HK$7.6 million, HK$7.8 million, HK$2.0 million and HK$2.6 million for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016 respectively, representing approximately 12.3%, 14.4%, 11.7%, 10.1% and 11.0% of our revenue in the leasing sector respectively.

Our revenue from the leasing of other construction machineries amounted to approximately HK$0.3 million, HK$0.3 million, HK$2.5 million, HK$0.4 million and HK$1.0 million for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016 respectively, representing approximately 1.0%, 0.6%, 3.7%, 1.9% and 4.3% of our revenue in the leasing sector respectively.

Our revenue from other leasing related services such as repairing charges were approximately HK$0.6 million, HK$0.7 million, HK$2.0 million, HK$0.5 million and HK$0.8 million for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016 respectively, representing approximately 1.8%, 1.4%, 2.9%, 2.3% and 3.2% of our revenue in the leasing sector respectively.

The following table sets forth the breakdown of our revenue from leasing of construction machinery by machinery type during the Track Record Period:

	For the year ended 31 March						**For the four months ended 31 July**			
	2014		**2015**		**2016**		**2015**		**2016**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(Unaudited)			
Owned fleet and other related services(Note)	31,487	100.0	52,066	98.6	57,362	85.6	17,691	87.7	21,169	90.4
Rented fleet	—	—	737	1.4	9,631	14.4	2,479	12.3	2,236	9.6
	31,487	100.0	52,803	100.0	66,993	100.0	20,170	100.0	23,405	100.0

Note: Other related services mainly includes revenue from repairing charges and services related to leasing of construction machinery.

(III) ***Transportation services***

Our revenue from the transportation services were approximately HK$1.3 million, HK$16,000 and HK$2.5 million for the year ended 31 March 2016 and the four months ended 31 July 2015 and 2016 respectively. The following table sets forth our revenue from transportation services during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (Unaudited)	*%*	*HK$'000*	*%*
Transportation services(Note)	—	—	—	—	1,318	100.0	16	100.0	2,485	100.0

Note: Our transportation services commenced in July 2015.

Cost of sales and services

Our cost of sales and services amounted to approximately HK$85.6 million, HK$154.2 million, HK$147.5 million, HK$62.2 million and HK$39.8 million for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016 respectively. The following table sets forth below are the details of our Group's cost of sales and services by business segments during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (Unaudited)	*%*	*HK$'000*	*%*
Trading of construction machinery	67,305	78.7	127,633	82.8	109,734	74.4	50,845	81.8	24,564	61.8
Leasing of construction machinery	18,269	21.3	26,519	17.2	35,560	24.1	11,188	18.0	12,598	31.7
Transportation services (Note)	—	—	—	—	2,183	1.5	158	0.2	2,595	6.5
	85,574	100.0	154,152	100.0	147,477	100.0	62,191	100.0	39,757	100.0

Note: Our transportation services commenced in July 2015.

(I) ***Trading of construction machinery***

Our Group's cost of sales and services, incurred from trading of construction machinery during the Track Record Period, primarily consists of the cost of machinery and spare parts which mainly represents our cost of purchase of construction machinery for trading. Our Group's cost of sales and services incurred from trading of construction machinery were approximately HK$67.3 million, HK$127.6 million, HK$109.7 million, HK$50.8 million and HK$24.6 million for the three years ended

31 March 2016 and the four months ended 31 July 2015 and 2016 respectively. The following table sets forth below illustrates our Group's cost of sales and services during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(Unaudited)			
Cost of machinery and spare parts	64,579	95.9	123,581	96.8	107,728	98.2	49,785	97.9	24,092	98.1
Sales commission expenses	1,729	2.6	1,952	1.5	—	—	—	—	—	—
Freight charges	515	0.8	615	0.5	912	0.8	570	1.1	371	1.5
Others[(Note)]	482	0.7	1,485	1.2	1,094	1.0	490	1.0	101	0.4
	67,305	100.0	127,633	100.0	109,734	100.0	50,845	100.0	24,564	100.0

Note: This category mainly includes declaration charges, packing charges, transportation charges, storage charges and insurance charges.

The table below sets out the respective cost of sales and services, incurred from trading of construction machinery, by product type during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(Unaudited)			
Trading of foundation machinery	14,945	22.2	61,248	48.0	54,677	49.8	27,336	53.7	16,580	67.5
Trading of drilling accessories	44,190	65.7	58,918	46.2	47,427	43.2	21,129	41.6	7,797	31.7
Others *[(Note)]*	8,170	12.1	7,467	5.8	7,630	7.0	2,380	4.7	187	0.8
	67,305	100.0	127,633	100.0	109,734	100.0	50,845	100.0	24,564	100.0

Note: Others comprises power and energy machinery and miscellaneous items.

(II) ***Leasing of construction machinery***

Our Group's cost of sales and services derived from leasing of construction machinery during the Track Record Period primarily consists of (i) depreciation which represents the depreciation expenses for the construction machinery leased; (ii) sub-leasing expenses which represents the leasing expenses paid to third parties construction companies for their construction machineries leased to us for our sub-leasing purposes; (iii) staff costs which mainly represents the staff costs paid to our technical staff who would perform regular check and technical supports for the machinery leased; and (iv) cost of spare parts and consumables which represents our cost paid to our suppliers for the purchase of spare parts and consumables for the operation of the machineries. Our Group's cost of sales and services derived from leasing of construction machinery were approximately HK$18.3 million, HK$26.5

million, HK$35.6 million, HK$11.2 million and HK$12.6 million for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016 respectively. The following table sets forth the details of our Group's cost of sales and services of leasing of construction machinery during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(Unaudited)			
Depreciation	12,407	67.9	17,906	67.5	18,781	52.9	6,412	57.3	7,009	55.6
Leasing expense of machinery and equipment	43	0.2	692	2.6	7,875	22.1	2,027	18.1	1,906	15.1
Staff costs	2,314	12.7	3,499	13.2	3,661	10.3	1,136	10.2	1,623	12.9
Cost of spare parts and consumables	1,839	10.1	2,130	8.0	3,093	8.7	810	7.2	752	6.0
Others(Note)	1,666	9.1	2,292	8.7	2,150	6.0	803	7.2	1,308	10.4
	18,269	100.0	26,519	100.0	35,560	100.0	11,188	100.0	12,598	100.0

Note: Other mainly includes transportation charges, storage charges and insurance charges.

The following table sets forth the details of the cost of sales and services of leasing of construction machinery by owned fleet and rented fleet during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(Unaudited)			
Owned fleet and other related services	18,269	100.0	25,827	97.4	27,685	77.9	9,161	81.9	10,692	84.9
Rented fleet	—	—	692	2.6	7,875	22.1	2,027	18.1	1,906	15.1
	18,269	100.0	26,519	100.0	35,560	100.0	11,188	100.0	12,598	100.0

Breakeven analysis for the rental of construction machinery

During the Track Record Period, the fixed cost for the construction machinery rental business includes depreciation expense, insurance charges and staff costs; while the variable cost for the construction machinery rental business includes sub-lease expenses, repair and maintenance, delivery expenses and fuel and oil. The following table sets forth the details of cost of sales and services by fixed and variable cost during Track Record Period:

	For the year ended 31 March						For the four months ended 31 July	
	2014		2015		2016		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Fixed cost	14,611	80.0	21,587	81.4	22,670	63.8	8,678	68.9
Variable cost	3,658	20.0	4,932	18.6	12,890	36.2	3,920	31.1
	18,269	100.0	26,519	100.0	35,560	100.0	12,598	100.0

For illustration purpose, the table below sets out the breakeven utilisation rates of our construction machineries and vehicles in the rental fleet during the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July
	2014	2015	2016	2016
Breakeven utilisation rate of the rental fleet (%) (Note)	48.9%	41.4%	37.2%	37.3%

Note: The breakeven utilisation rate of each period of the Track Record Period is calculated based on the actual utilisation rate, revenue, fixed cost and variable cost of the respective period with the following formula:

$$\text{Breakeven utilisation rate} = \text{Actual utilisation rate} \times \frac{\text{Fixed cost}}{(\text{Revenue} - \text{Variable cost})}$$

At the breakeven utilisation rate, the gross profit of rental of construction machinery of the respective period would be zero. The calculation of the breakeven utilisation rate is based on the following assumptions:

(a) The revenue and variable cost of the respective period were positively correlated with the utilisation rate of the corresponding period;

(b) The same utilisation rate was applied to all of our construction machinery in the rental fleet of the respective period; and

(c) The proportion of fixed cost and variable cost was the same across all construction machineries in the respective period.

(III) ***Transportation services***

Our transportation services, which commenced in July 2015, incurred cost of sales and services of approximately HK$2.2 million, HK$0.2 million and HK$2.6 million for the year ended 31 March 2016 and the four months ended 31 July 2015 and 2016 respectively. The cost of sales and services, amounted from transportation services, primarily consists of (i) staff costs which mainly represent the staff costs of crane lorries drivers for our transportation services; and (ii) depreciation charges which represent the depreciation of our transportation fleet used in our transportation services. The following table illustrates the cost of sales and services amounted from the transportation services of our Group during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (Unaudited)	*%*	*HK$'000*	*%*
Staff costs	—	—	—	—	1,143	52.4	57	36.1	800	30.8
Depreciation charges	—	—	—	—	851	39.0	59	37.3	609	23.5
Others(Note 1)	—	—	—	—	189	8.6	42	26.6	1,186	45.7
	—	—	—	—	2,183	100.0	158	100.0	2,595	100.0

Note: Our transportation services commenced in July 2015.

Note 1: Others mainly include operating costs incurred for fuel, parking, autotoll, insurance, license and repair and maintenance.

Utilisation rate of transportation fleet categorised by lifting capacity

	For the year ended 31 March			For the four months ended 31 July
	2014	**2015**	**2016**	**2016**
Lifting Capacity				
- 17 tonnes	N/A	N/A	64.0%	67.4%
- 30 tonnes	N/A	N/A	70.3%	76.0%
Overall	**N/A**	**N/A**	**67.8%**	**71.9%**

Note: Our transportation services commenced in July 2015.

Breakeven analysis for the transportation service

During the Track Record Period, the fixed cost for the transportation service includes depreciation expense and staff costs; while the variable cost for the construction machinery rental business includes fuel, parking, autotoll, insurance, license and repair and maintenance. The following table sets forth the details of cost of sales and services by fixed and variable cost during Track Record Period:

	For the year ended 31 March						For the four months ended 31 July	
	2014		**2015**		**2016**		**2016**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Fixed cost	—	—	—	—	1,995	91.4	1,409	54.3
Variable cost	—	—	—	—	188	8.6	1,186	45.7
	—	—	—	—	2,183	100.0	2,595	100.0

Note: Our transportation services commenced in July 2015.

For illustration purpose, the table below sets out the breakeven utilisation rates of our vehicles in the transportation fleet during the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July
	2014	**2015**	**2016**	**2016**
Breakeven utilisation rate of the transportation fleet (%) *(Note1)*	N/A	N/A	119.7% *(Note2)*	79.2%

Note:

1. The breakeven utilisation rate of each period of the Track Record Period is calculated based on the actual utilisation rate, revenue, fixed cost and variable cost of the respective period with the following formula:

$$\text{Breakeven utilisation rate} = \text{Actual utilisation rate x } \frac{\text{Fixed cost}}{(\text{Revenue} - \text{Variable cost})}$$

At the breakeven utilisation rate, the gross profit of transportation service of the respective period would be zero. The calculation of the breakeven utilisation rate is based on the following assumptions:

(a) The revenue and variable cost of the respective period were positively correlated with the utilisation rate of the corresponding period;

(b) The same utilisation rate was applied to all of our transportation fleet of the respective period; and

(c) The proportion of fixed cost and variable cost was the same across all the vehicles in the transportation fleet in the respective period.

2. As confirmed by our Directors, the high breakeven utilisation rate of the transportation fleet for the year ended 31 March 2016 was mainly due to (i) recruitment of certain transportation staff during the first half of the year ended 31 March 2016 to prepare for the commencement of transportation service which lead to higher fixed costs, and the impact of such additional costs was relatively significant due to the lower revenue level the business was still in early stage; and (ii) service charge borne by us for transportation services provided in certain occasions for the purpose of introducing and promoting our transportation service to our customers in the early stage of business.

Gross profit and gross profit margin

Our gross profit were approximately HK$27.3 million, HK$53.4 million, HK$58.0 million, HK$19.1 million and HK$18.7 million, representing gross profit margin of approximately 24.2%, 25.7%, 28.2%, 23.5% and 32.0% for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016 respectively. The following table sets forth below are the details of our Group's gross profit and gross profit margin by business segments during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	Gross profit HK$'000	*Gross profit margin %*	*Gross profit HK$'000*	*Gross profit margin %*	*Gross profit HK$'000*	*Gross profit margin %*	*Gross profit HK$'000*	*Gross profit margin %*	*Gross profit HK$'000*	*Gross profit margin %*
							(Unaudited)			
Trading of construction machinery	14,042	17.3	27,098	17.5	27,394	20.0	10,295	16.8	8,030	24.6
Leasing of construction machinery	13,218	42.0	26,284	49.8	31,433	46.9	8,982	44.5	10,807	46.2
Transportation services(Note)	—	—	—	—	(865)	(65.6)	(142)	(887.5)	(110)	(4.4)
	27,260	24.2	53,382	25.7	57,962	28.2	19,135	23.5	18,727	32.0

Note: Our transportation services commenced in July 2015.

(I) ***Trading of construction machinery***

The table below sets out the respective gross profit and gross profit margin by product type during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	Gross profit	*Gross profit margin*	*Gross profit*	*Gross profit margin*	*Gross profit*	*Gross profit margin*	*Gross profit*	*Gross profit margin*	*Gross profit*	*Gross profit margin*
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(Unaudited)			
Trading of foundation machinery	2,539	14.5	12,361	16.8	7,584	12.2	2,066	7.0	4,152	20.0
Trading of drilling accessories	11,876	21.2	13,965	19.2	17,269	26.7	6,555	23.7	4,065	34.3
Others (Note)	(373)	(4.8)	772	9.4	2,541	25.0	1,674	41.3	(187)	N/A
	14,042	17.3	27,098	17.5	27,394	20.0	10,295	16.8	8,030	24.6

Note: Others comprises power and energy machinery and miscellaneous items.

Our Group's gross profit generated from trading of construction machinery were approximately HK$14.0 million, HK$27.1 million, HK$27.4 million, HK$10.3 million and HK$8.0 million for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016 respectively. The corresponding gross profit margin were approximately 17.3%, 17.5%, 20.0%, 16.8% and 24.6% for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016, respectively.

(II) ***Leasing of construction machinery***

The table below sets forth the details of gross profit and gross profit margin generated by leasing of construction machinery during the Track Record Period:

	For the year ended 31 March						For the four months ended 31 July			
	2014		2015		2016		2015		2016	
	Gross profit	*Gross profit margin*	*Gross profit*	*Gross profit margin*	*Gross profit*	*Gross profit margin*	*Gross profit*	*Gross profit margin*	*Gross profit*	*Gross profit margin*
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(Unaudited)			
Owned fleet and other related services	13,218	42.0	26,239	50.4	29,677	51.7	8,530	48.2	10,477	49.5
Rented fleet	—	—	45	6.1	1,756	18.2	452	18.2	330	14.8
	13,218	42.0	26,284	49.8	31,433	46.9	8,982	44.5	10,807	46.2

The gross profit generated from leasing of construction machinery were approximately HK$13.2 million, HK$26.3 million, HK$31.4 million, HK$9.0 million and HK$10.8 million for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016 respectively. The corresponding gross profit margin were approximately 42.0%, 49.8%, 46.9%, 44.5% and 46.2% for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016, respectively.

For our transportation services, our service only commenced in July 2015 and we recorded a gross loss of approximately HK$0.9 million, HK$0.1 million and HK$0.1 million, with a gross loss margin of approximately 65.6%, 887.5% and 4.4% for the year ended 31 March 2016 and the four months ended 31 July 2015 and 2016 respectively.

Other income and gains

Our other income and gains mainly consists of (i) gain/(loss) on derivative financial instruments which represents the realised and unrealised gain/(loss) on the forward exchange contracts our Group entered into during the Track Record period; (ii) gain/(loss) on foreign exchange which represents the gain/(loss) on the difference of exchange rates between Hong Kong dollars and foreign currencies; and (iii) gain/(loss) on disposal of machinery and equipment which represents the gain/(loss) on the disposal of machinery and equipment between its net book value and sales proceeds. The following table sets forth are the details of our Group's other income and gains during the Track Record Period:

	For the year ended 31 March			Four months ended 31 July	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Management fee income	444	444	—	—	—
Gain/(loss) on derivative financial instruments	2	(2,703)	(407)	(267)	—
Net foreign exchange gain/(loss)	123	1,793	(47)	571	(736)
(Loss)/gain on disposal of machinery and equipment	(575)	(2,845)	328	(2,291)	(238)
Others (Note)	77	127	64	7	101
	71	(3,184)	(62)	(1,980)	(873)

Note: This category includes sundry income and insurance claim.

Selling expenses

Our selling expenses comprises expenses in salary and staff benefit payable to all our sales representatives. The following table sets forth the figures of our selling expenses during the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July	
	2014	2015	2016	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Salary expenses and staff benefits	3,466	3,319	3,453	1,084	851

Administrative expenses

Our administrative expenses mainly consists of (i) salary expenses and staff benefit which mainly represents the expenses in salary and staff benefit payable to our administrative department including our Directors; (ii) listing expenses; (iii) professional fees such as legal consultancy fees; (iv) entertainment expenses; (v) motor expenses which mainly represents the petrol fee, toll fees, daily maintenance fee and license fee for our motor vehicles; and (vi) the depreciation which mainly represents the depreciation expenses for our office equipment. The following table sets forth the breakdown of our administrative expenses during the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July	
	2014	2015	2016	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Listing expenses	—	—	2,108	—	5,023
Salary expenses and staff benefits	1,860	2,786	2,054	696	1,691
Audit fees	218	263	1,000	333	333
Office expenses	341	266	334	150	320
Depreciation	790	1,373	1,095	423	303
Motor expenses	847	997	1,383	360	289
Travelling expenses	1,822	1,410	836	397	264
Bank charges	118	284	285	68	221
Entertainment	1,165	1,138	1,418	319	113
Professional fees	146	1,107	1,499	275	92
Repairs and maintenance	374	540	850	148	11
Others(Note)	593	890	966	602	276
	8,274	11,054	13,828	3,771	8,936

Note: This category mainly includes business registration charges and sundry expenses.

Net finance costs

Our finance income and costs mainly consists of income on finance lease receivables, interest expenses on bank loans and obligations under finance leases. The following table sets forth are the details of our Group's finance costs during the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Finance income					
- Finance income on finance lease receivables	26	85	208	1	89
- Interest income on bank deposits	—	30	21	1	1
	26	115	229	2	90
Finance costs					
- Interest expense on bank loans	(493)	(640)	(708)	(227)	(205)
- Interest expense on obligations under finance leases	—	—	(219)	(13)	(255)
	(493)	(640)	(927)	(240)	(460)
Net finance costs	(467)	(525)	(698)	(238)	(370)

Our finance income were approximately HK$26,000, HK$0.1 million, HK$0.2 million, HK$2,000 and HK$0.1 million for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016 respectively.

Our finance costs were approximately HK$0.5 million, HK$0.6 million, HK$0.9 million, HK$0.2 million and HK$0.5 million for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016 respectively.

Income tax expenses

Hong Kong

Our operations in Hong Kong are subject to a profits tax rate of 16.5% on estimated assessable profits arising in Hong Kong. For more details, please see note 10 to the Accountant's Report set out in Appendix I to this prospectus. Our effective tax rates for operations in Hong Kong were approximately 16.9%, 16.6%, 17.4%, 16.5% and 27.5% for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016 respectively. The effective tax rate for the year ended 31 March 2016 and the four months ended 31 July 2016 was considerably higher than 16.5% which was primarily due to the non-deductible expenses arising from our listing expenses.

Cayman Islands

We are not subject to Cayman Islands profit tax as we had no assessable income arising in or derived from the Cayman Islands during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, as confirmed by our Directors, we had paid all relevant taxes applicable to us and did not have any dispute or issue with tax authorities which have had a material impact on our business, financial conditions or result of operations.

Net profit and net profit margin

Our Group's net profit were approximately HK$12.6 million, HK$29.4 million, HK$33.0 million, HK$10.1 million and HK$5.6 million for the three years ended 31 March 2016 and the four months ended 31 July 2015 and 2016 respectively, which represented net profit margins of approximately 11.1%, 14.2%, 16.1%, 12.4% and 9.5%, respectively.

Our Group had non-recurring listing expenses incurred during the year ended 31 March 2016 and the four months ended 31 July 2016. The adjusted net profit and net profit margins for the year ended 31 March 2016 and the four months ended 31 July 2016, excluding the non-recurring listing expenses, were approximately HK$35.1 million, 17.1%, HK$10.6 million and 18.1% respectively.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Four months ended 31 July 2016 compared to four months ended 31 July 2015

Revenue

Our Group's revenue decreased by approximately HK$22.8 million, or approximately 28.1%, from approximately HK$81.3 million for the four months ended 31 July 2015 to approximately HK$58.5 million for the four months ended 31 July 2016. It was mainly due to the drop in trading of construction machinery of approximately HK$28.5 million, which was in line with the current market demand of partly shifting from trading of construction machinery to leasing of construction machinery as illustrated in the F&S Report, and was partially offset by the growth in leasing of construction machinery of approximately HK$3.2 million simultaneously.

(I) *Trading of construction machinery*

Our Group's revenue generated from trading of construction machinery recorded a decrease of approximately HK$28.5 million, or approximately 46.7%, from approximately HK$61.1 million for the four months ended 31 July 2015 to approximately HK$32.6 million for the four months ended 31 July 2016 and it was mainly due to the decline of sales in drilling accessories by approximately HK$15.8 million, mostly of DTH accessories.

(II) *Leasing of construction machinery*

Our Group's revenue generated from leasing of construction machinery recorded an increase of approximately HK$3.2 million, or approximately 16.0%, from approximately HK$20.2 million for the four months ended 31 July 2015 to approximately HK$23.4 million for the four months ended 31 July 2016. Such increase was mainly attributable to the increase in number of power generators in our leasing fleet from 491 as at 31 March 2015 to 555 as at 31 March 2016; and further to 583 as at 31 July 2016. The increase in our Group's machinery under lease capacity enabled us to derive a higher lease rental income.

(III) *Transportation services*

Our Group's revenue generated from transportation services increased significantly from approximately HK$16,000 for the four months ended 31 July 2015 to approximately HK$2.5 million for the four months ended 31 July 2016, as the transportation business was still in early stage during the four months ended 31 July 2015 and hence the related revenue increased by a significant margin as this business segment develops.

Cost of sales and services

(I) *Trading of construction machinery*

The cost of sales and services derived from trading of construction machinery decreased by approximately HK$26.3 million, or approximately 51.7%, from approximately HK$50.8 million for the four months ended 31 July 2015 to approximately HK$24.6 million for the four months ended 31 July 2016. The decrease in the said cost was in line with the decrease in revenue incurred from trading of construction machinery.

(II) *Leasing of construction machinery*

The cost of sales and services derived from leasing of construction machinery increased by approximately HK$1.4 million, or approximately 12.6%, from approximately HK$11.2 million for the four months ended 31 July 2015 to approximately HK$12.6 million for the four months ended 31 July 2016. Such increase was mainly attributable to (i) the increase in staff cost due to the increase in number of staff for leasing of construction machinery business in line with our business growth; and (ii) the increased depreciation cost due to newly purchased leasing machinery.

(III) *Transportation services*

The cost of sales and services of transportation services increased from approximately HK$158,000 for the four months ended 31 July 2015 to approximately HK$2.6 million for the four months ended 31 July 2016, as the service was still in the early stage during the four months ended 31 July 2015, with significantly lower cost incurred due to low level of service activities.

Gross profit and gross profit margin

Our overall gross profit remained stable at approximately HK$19.1 million and HK$18.7 million for the four months ended 31 July 2015 and 2016 respectively.

Our overall gross profit margin increased by 8.5 percentage point from approximately 23.5% for the four months ended 31 July 2015 to approximately 32.0% for the four months ended 31 July 2016 mainly attributable to (i) the increased gross profit contribution from our leasing business, which had a higher gross profit margin as compared to our trading business as set out below; and (ii) the improvement on the gross profit margin from our trading business as set out below, for the four months ended 31 July 2016.

(I) *Trading of construction machinery*

The gross profit generated from trading of construction machinery decreased by approximately HK$2.3 million, or approximately 22.0%, from approximately HK$10.3 million for the four months ended 31 July 2015 to approximately HK$8.0 million for the four months ended 31 July 2016, which was due to the previously mentioned market demand shift as illustrated in the F&S report.

The corresponding gross profit margin increased by approximately 7.8 percentage point from approximately 16.8% for the four months ended 31 July 2015 to approximately 24.6% for the four months ended 31 July 2016. The increase was mainly due to the increased sales portion of certain DTH accessories and drilling rigs which have a higher gross profit margin than other products, which then generated a higher gross profit margin for the four months ended 31 July 2016.

(II) *Leasing of construction machinery*

The gross profit generated from leasing of construction machinery increased by approximately HK$1.8 million, or approximately 20.3%, from approximately HK$9.0 million for the four months ended 31 July 2015 to approximately HK$10.8 million for the four months ended 31 July 2016, which was due to the continual expansion of our Group's machinery fleet under lease with a net addition during the four months ended 31 July 2016 of 28 units of machinery under lease, including principally of power generators with QPME label. With the enlarged base of machinery available for leasing, our Group was able to derive a higher gross profit amounts from leasing activities.

The corresponding gross profit margin increased by approximately 1.7 percentage point from approximately 44.5% for the four months ended 31 July 2015 to approximately 46.2% for the four months ended 31 July 2016 principally due to the result of general increase in per-unit lease rental rate charged by the Group for power generators with QPME Labels during the four months ended 31 July 2016 compared to the four months ended 31 July 2015.

(III) *Transportation services*

The gross loss due to transportation services were approximately HK$142,000 and HK$110,000 for the four months ended 31 July 2015 and 2016 respectively, as the service was commenced only during the four months ended 31 July 2015 and we were yet to generate sufficient revenue from our transportation services to cover the overhead costs. The corresponding gross loss margins were approximately 887.5% and 4.4% for the four months ended 31 July 2015 and 2016, respectively, with the gross loss margin for the four months ended 31 July 2015 being significantly higher as only approximately HK$16,000 of revenue was generated from transportation service for the concerned period due to low level of service activities at the early stage of business.

Other income and gains

Our Group's loss on other income and gains decreased by approximately HK$1.1 million, or approximately 55.9%, from approximately HK$2.0 million for the four months ended 31 July 2015 to approximately HK$0.9 million for the four months ended 31 July 2016. The decrease was mainly due to the decreased loss on disposal of machinery and equipment which was mainly attributable to the disposal of power and energy equipment, mainly air compressor, during the four months ended 31 July 2015.

Selling expenses

The selling expenses decreased by approximately HK$0.2 million, or approximately 21.5%, from approximately HK$1.1 million for the four months ended 31 July 2015 to approximately HK$0.9 million for the four months ended 31 July 2016, mainly due to the decrease in staff benefits.

Administrative expenses

The administrative expenses increased by approximately HK$5.2 million, or approximately 137.0%, from approximately HK$3.8 million for the four months ended 31 July 2015 to approximately HK$8.9 million for the four months ended 31 July 2016. The increased expense was mainly due to the listing expenses of approximately HK$5.0 million accounted for during the four months ended 31 July 2016.

Finance income

The finance income increased by approximately HK$88,000, or approximately 4,400.0%, from approximately HK$2,000 for the four months ended 31 July 2015 to approximately HK$90,000 for the four months ended 31 July 2016, and it was mainly due to the increase in finance lease interest income from our customers.

Finance costs

The finance costs increased by approximately HK$0.2 million, or approximately 91.7%, from approximately HK$0.2 million for the year ended 31 July 2015 to approximately HK$0.5 million for the four months ended 31 July 2016. Such increase was mainly due to the increased finance lease obligations due to the newly acquired machines and crane lorries through finance lease during the four months ended 31 July 2016.

Income tax expense

Our Group's income tax expenses slightly increased by approximately HK$0.1 million, or approximately 6.2%, from approximately HK$2.0 million for the four months ended 31 July 2015 to approximately HK$2.1 million for the four months ended 31 July 2016. Such increase differentiated with our profit before income tax and was due to the non-deductible expenses arising from our listing expenses for the four months ended 31 July 2016.

Effective tax rate

Our Group's effective tax rate increased by 11.0 percentage point from approximately 16.5% for the year ended 31 July 2015 to approximately 27.5% for the four months ended 31 July 2016, which was due to non-deductible expenses arising from our listing expenses for the four months ended 31 July 2016.

Net profit and net profit margin

Our Group's net profit decreased by approximately HK$4.5 million, from approximately HK$10.1 million for the four months ended 31 July 2015 to approximately HK$5.6 million for the four months ended 31 July 2016, representing a net profit decline of approximately 44.6%. The net profit margin were approximately 12.4% and 9.5% for the four months ended 31 July 2015 and 2016 respectively, where the decrease was mainly due to the listing expense of approximately HK$5.0 million incurred during the four months ended 31 July 2016.

The net profit excluding the non-recurring listing expense increased by approximately HK$0.5 million, from approximately HK$10.1 million for the four months ended 31 July 2015 to approximately HK$10.6 million for the four months ended 31 July 2016, representing a net profit gain of approximately 5.3%. The net profit margin excluding the non-recurring listing expense were approximately 12.4% and 18.1% for the four months ended 31 July 2015 and 2016 respectively, representing an increase of approximately 5.8 percentage point.

Year ended 31 March 2016 compared to year ended 31 March 2015

Revenue

Our Group's revenue decreased by approximately HK$2.1 million, or approximately 1.0%, from approximately HK$207.5 million for the year ended 31 March 2015 to approximately HK$205.4 million for the year ended 31 March 2016. It was mainly attributable to the drop in trading of construction machinery of approximately HK$17.6 million, which was in line with the current market demand of partly shifting from trading of construction machinery to leasing of construction machinery as set out in the section headed "Industry Overview", and was partially offset by the growth in leasing of construction machinery of approximately HK$14.2 million during the year.

(I) *Trading of construction machinery*

Our Group's revenue generated from trading of construction machinery recorded a decrease of approximately HK$17.6 million, or approximately 11.4%, from approximately HK$154.7 million for the year ended 31 March 2015 to approximately HK$137.1 million for the year ended 31 March 2016 and it was mainly attributable to the sourcing of a few high value crawler cranes, which is not usually offered by us, on special request of one of our major customers during the year ended 31 March 2015. As a result, we recorded a higher revenue for the year ended 31 March 2015. In addition, as mentioned above, the decrease is in line with the market demand which was mentioned in the section headed "Industry Overview".

(II) *Leasing of construction machinery*

Our Group's revenue generated from leasing of construction machinery recorded an increase of approximately HK$14.2 million, or approximately 26.9%, from approximately HK$52.8 million for the year ended 31 March 2015 to approximately HK$67.0 million for the year ended 31 March 2016. Such increase was mainly due to (i) the increased leasing of power generators attributable to the increase in number of power generators from 491 as at 31 March 2015 to 555 as at 31 March 2016, in our leasing fleet, whereas we also had a stable utilisation rate for the year ended 31 March 2016.

(III) *Transportation services*

Our Group's revenue generated from transportation services amounted to approximately HK$1.3 million for the year ended 31 March 2016, where the service commenced in July 2015.

Cost of sales and services

(I) *Trading of construction machinery*

The cost of sales and services derived from trading of construction machinery decreased by approximately HK$17.9 million, or approximately 14.0%, from approximately HK$127.6 million for the year ended 31 March 2015 to approximately HK$109.7 million for the year ended 31 March 2016. The decrease in the said cost was in line with the decrease in revenue generated from trading of construction machinery.

(II) *Leasing of construction machinery*

The cost of sales and services derived from leasing of construction machinery increased by approximately HK$9.0 million, or approximately 34.1%, from approximately HK$26.5 million for the year ended 31 March 2015 to approximately HK$35.6 million for the year ended 31 March 2016. Such increase was mainly attributable to (i) increased cost on the sub-leasing expenses due to insufficient machinery in our leasing fleet; and (ii) increased depreciation cost due to newly purchased leasing machinery.

(III) *Transportation services*

The cost of sales and services of transportation services amounted to approximately HK$2.2 million for the year ended 31 March 2016, where the service commenced in July 2015.

Gross profit and gross profit margin

Our overall gross profit increased by approximately HK$4.6 million, or approximately 8.6%, from approximately HK$53.4 million for the year ended 31 March 2015 to approximately HK$58.0 million for the year ended 31 March 2016 mainly due to higher gross profit contributed by our leasing business.

Our overall gross profit margin increased by 2.5 percentage point from approximately 25.7% for the year ended 31 March 2015 to approximately 28.2% for the year ended 31 March 2016 due to the increased revenue contribution from our leasing business, which had a higher gross profit margin as compared to our trading business as set out below, for the year ended 31 March 2016.

(I) *Trading of construction machinery*

The gross profit generated from trading of construction machinery remained stable with an increase of approximately HK$0.3 million, or approximately 1.1%, from approximately HK$27.1 million for the year ended 31 March 2015 to approximately HK$27.4 million for the year ended 31 March 2016.

The corresponding gross profit margin increased by approximately 2.5 percentage point from approximately 17.5% for the year ended 31 March 2015 to approximately 20.0% for the year ended 31 March 2016. The increase in gross profit margin in the trading business was due to the sale of a particular model of drilling rigs which we charged a higher gross profit margin.

(II) *Leasing of construction machinery*

The gross profit generated from leasing of construction machinery increased by approximately HK$5.1 million, or approximately 19.6%, from approximately HK$26.3 million for the year ended 31 March 2015 to approximately HK$31.4 million for the year ended 31 March 2016. The increase was a combined effect of (i) the continual expansion of our Group's machinery fleet under lease, including a net addition of 46 units of machinery under lease, including principally of power generators with QPME label. With the enlarged base of machinery available for leasing, our Group was able to derive a higher gross profit amounts from leasing activities; and (ii) the increase in sub-leasing business for which our Group derived additional revenue of approximately HK$8.9 million for the year ended 31 March 2016, as compared with the preceding year.

The corresponding gross profit margin decreased by approximately 2.9 percentage point from approximately 49.8% for the year ended 31 March 2015 to approximately 46.9% for the year ended 31 March 2016. Notwithstanding the expansion of our Group's owned fleet of construction machinery under lease, there was an overall decrease in gross profit margin with our Group's leasing of construction machinery principally due to the considerable increase in sub-leasing activities, for which our Group derived additional revenue of approximately HK$8.9 million for the year ended 31 March 2016, as compared with the preceding year. As our Group has a markedly lower gross profit margin realised with sub-leasing activities owing to sub-leasing expenses paid to the counterpart of machinery owner, which were included as part of our Group's cost of sales and services, the considerable increase in sub-leasing activities has correspondingly resulted in an overall reduced gross profit margin with our Group's leasing of construction machinery.

(III) *Transportation services*

The gross loss due to transportation services was approximately HK$0.9 million for the year ended 31 March 2016, where the service commenced in July 2015. The corresponding gross loss margin was approximately 65.6% for the year ended 31 March 2016, as we were yet to generate sufficient from our transportation services to cover the overhead costs at its early stage of business.

Other income and gains

Our Group's other income and gains increased by approximately HK$3.1 million from a loss of approximately HK$3.2 million for the year ended 31 March 2015 to a loss of approximately HK$62,000 for the year ended 31 March 2016. The increase was a combined effect of (i) the decreased loss on derivative financial instruments; (ii) the loss on foreign exchange incurred in the previous year; and (iii) the increased gain on disposal of machinery and equipment from a previous loss.

Selling expenses

The selling expenses increased by approximately HK$0.1 million, or approximately 4.0%, from approximately HK$3.3 million for the year ended 31 March 2015 to approximately HK$3.5 million for the year ended 31 March 2016, mainly due to increased sales commission paid to our sales representatives as a result of improved results of mainly operation of our Group during the year.

Administrative expenses

The administrative expenses increased by approximately HK$2.8 million, or approximately 25.1%, from approximately HK$11.1 million for the year ended 31 March 2015 to approximately HK$13.8 million for the year ended 31 March 2016. The increased expense was mainly due to (i) increased audit fees; and (ii) listing expense charged to profit or loss of our Group during the year ended 31 March 2016.

Finance income

The finance income increased by approximately HK$114,000, or approximately 99.1%, from approximately HK$115,000 for the year ended 31 March 2015 to approximately HK$229,000 for the year ended 31 March 2016, and it was mainly due to the increase in finance lease interest income from our customers.

Finance costs

The finance costs increased by approximately HK$0.3 million, or approximately 44.8%, from approximately HK$0.6 million for the year ended 31 March 2015 to approximately HK$0.9 million for the year ended 31 March 2016. Such increase was mainly due to the increase in bank borrowings during the year ended 31 March 2016.

Income tax expense

Our Group's income tax expenses increased by approximately HK$1.1 million, or approximately 18.5%, from approximately HK$5.9 million for the year ended 31 March 2015 to approximately HK$6.9 million for the year ended 31 March 2016. Such increase was in line with our profit before income tax and was due to the increase of our gross profit.

Effective tax rate

Our Group's effective tax rate slightly increased from approximately 16.6% for the year ended 31 March 2015 to approximately 17.4% for the year ended 31 March 2016, which was due to non-deductible expenses arising from our listing expenses.

Net profit and net profit margin

Our Group's net profit increased by approximately HK$3.5 million, from approximately HK$29.4 million for the year ended 31 March 2015 to approximately HK$33.0 million for the year ended 31 March 2016, representing a net profit growth of approximately 12.0%.

The net profit margin were approximately 14.2% and 16.1% for the two years ended 31 March 2016, where the increase was mainly due to the reasons illustrated above.

Year ended 31 March 2015 compared to year ended 31 March 2014

Revenue

Our Group's revenue increased by approximately HK$94.7 million, or approximately 83.9%, from approximately HK$112.8 million for the year ended 31 March 2014 to approximately HK$207.5 million for the year ended 31 March 2015. The growth was mainly attributable to (i) the growth of approximately HK$73.4 million from the trading of construction machinery segment; and (ii) the growth of approximately HK$21.3 million from the leasing of construction machinery segment during the year.

(I) *Trading of construction machinery*

Our Group's revenue generated from trading of construction machinery increased by approximately HK$73.4 million, or approximately 90.2%, from approximately HK$81.3 million for the year ended 31 March 2014 to approximately HK$154.7 million for the year ended 31 March 2015. Such increase was mainly due to (i) growth in sales of RCD machinery; and (ii) sourcing of a few high value crawler cranes, which is not usually offered by us, on special request of one of our major customers during the year ended 31 March 2015 resulting in higher revenue for the year.

(II) *Leasing of construction machinery*

Our Group's revenue generated from leasing of construction machinery increased by approximately HK$21.3 million, or approximately 67.7%, from approximately HK$31.5 million for the year ended 31 March 2014 to approximately HK$52.8 million for the year ended 31 March 2015 and the increase was mainly attributable to (i) the increased leasing attributable to the increase in number of machines from 361 as at 31 March 2014 to 550 as at 31 March 2015, mainly power generators, in our leasing fleet; (ii) we also had a stable utilisation rate during the year ended 31 March 2015; and (iii) the revenue generated by the 23 newly purchased air compressors for the year ended 31 March 2015.

Cost of sales and services

(I) *Trading of construction machinery*

Our Group's cost of sales and services derived from trading of construction machinery increased by approximately HK$60.3 million, or approximately 89.6%, from approximately HK$67.3 million for the year ended 31 March 2014 to approximately HK$127.6 million for the year ended 31 March 2015. Such increase was in line with our growth in revenue.

(II) *Leasing of construction machinery*

The cost of sales and services derived from leasing of construction machinery increased by approximately HK$8.3 million, or approximately 45.2%, from approximately HK$18.3 million for the year ended 31 March 2014 to approximately HK$26.5 million for the year ended 31 March 2015. The increase was mainly attributable to (i) increased depreciation cost due to newly purchased machinery; and (ii) increased sub-leasing cost due to the insufficient machinery in our leasing fleet.

Gross profit and gross profit margin

Our overall gross profit increased by approximately HK$26.1 million, or approximately 95.8%, from approximately HK$27.3 million for the year ended 31 March 2014 to approximately HK$53.4 million for the year ended 31 March 2015 mainly due to our revenue growth during the period.

Our overall gross profit margin remained stable at 24.2% and 25.7% for the two years ended 31 March 2015 respectively.

(I) *Trading of construction machinery*

The gross profit generated from trading of construction machinery increased by approximately HK$13.1 million, or approximately 93.0%, from approximately HK$14.0 million for the year ended

31 March 2014 to approximately HK$27.1 million for the year ended 31 March 2015. Such growth in gross profit was mainly contributed from the trading of foundation machinery, including the previously mentioned growth in sales in RCD machinery and high value crawler cranes on special request.

The corresponding gross profit margin remained stable at approximately 17.3% and 17.5% for the two years ended 31 March 2015 respectively.

(II) *Leasing of construction machinery*

The gross profit generated from leasing of machinery increased by approximately HK$13.1 million, or approximately 98.9%, from approximately HK$13.2 million for the year ended 31 March 2014 to approximately HK$26.3 million for the year ended 31 March 2015. The growth in gross profit amount was mainly the result of the expansion of our Group's machinery fleet under lease with a net addition of 189 units of machinery under lease for the year ended 31 March 2015, including principally of power generators with QPME Label. With the enlarged base of machinery available for leasing, our Group was able to derive a higher gross profit amounts from leasing of power generators with QPME Label. As the number of units of additions for the year ended 31 March 2015 was significant and our Group was able to command a higher rate of lease rentals for power generators with QPME Label, the rate of increase in gross profit amount with our Group's leasing of construction machinery is relatively pronounced.

Our Group's owned fleet of construction machinery under lease consisted mainly of power generators and, to considerably lesser extent, air compressors. In addition, our Group may lease machinery from third party construction companies and sub-lease them to customers. Our Group's gross profit margin with leasing of construction machinery increased from approximately 42.0% for the year ended 31 March 2014 to approximately 49.8% for the year ended 31 March 2015. The foregoing year-to-year and period-to-period increase in gross profit margin was principally the result of the general increase in per-unit lease rental rate charged by the Group for power generators with QPME Labels during the year ended 31 March 2015. Our Directors understand that as market acceptance of the QPME System increased over the years since its implementation, there was an increasing demand in the market for machinery with QPME Labels in anticipation that certain contract employers of construction projects in awarding their contracts would accord marginal preference to machinery with QPME Labels. As such, the Group was able to increase its per-unit rental rate charged to customers for power generators with QPME Labels.

In spite of the general growth in gross profit margin, our Group's utilisation rate for its machinery fleet under lease decreased from approximately 93.2% for the year ended 31 March 2014 to approximately 91.8% for the year ended 31 March 2015 mainly because of the time lag involved with the interval from the initial inspections of the machinery additions upon receiving deliveries from the manufacturers to the initiation of first lease transaction with customers.

Other income and gains

Our other income and gains dropped by approximately HK$3.3 million, from a gain of approximately HK$71,000 for the year ended 31 March 2014 to a loss of approximately HK$3.2 million for the year ended 31 March 2015. Such decrease was mainly due to (i) the loss on derivative financial instrument from a previous gain; and (ii) the increased loss on disposal of machinery and equipment; and partially offset by the increased gain on net foreign exchange.

Selling expenses

The selling expenses decreased by approximately HK$0.1 million, or approximately 4.2%, from approximately HK$3.5 million for the year ended 31 March 2014 to approximately HK$3.3 million for the year ended 31 March 2015, due to more discretionary bonus paid to our sales representatives during the year ended 31 March 2014.

Administrative expenses

Our administrative expenses increased by approximately HK$2.8 million, or approximately 33.6%, from approximately HK$8.3 million for the year ended 31 March 2014 to approximately HK$11.1 million for the year ended 31 March 2015. Such increase was mainly due to (i) salary and staff benefits expenses increase of approximately HK$0.9 million due to the increased number of staff; and (ii) increase of professional fee of approximately HK$1.0 million.

Finance income

The finance income increased by approximately HK$89,000, or approximately 342.3%, from approximately HK$26,000 for the year ended 31 March 2014 to approximately HK$0.1 million for the year ended 31 March 2015, and it was mainly due to finance leases to our customers during the year ended 31 March 2015.

Finance costs

Our Group's finance cost increased by approximately HK$0.1 million, or approximately 29.8%, from approximately HK$0.5 million for the year ended 31 March 2014 to approximately HK$0.6 million for the year ended 31 March 2015. The increased cost was mainly attributable to the increased interest expense on bank loans of approximately HK$0.1 million due to increased bank borrowing during the year ended 31 March 2015.

Income tax expense

Our Group's income tax expenses increased by approximately HK$3.3 million, or approximately 128.5%, from approximately HK$2.6 million for the year ended 31 March 2014 to approximately HK$5.9 million for the year ended 31 March 2015. Such increase was in line with our profit before income tax and was due to the increase of our gross profit.

Effective tax rate

Our Group's effective tax rate decreased slightly from approximately 16.9% for the year ended 31 March 2014 to approximately 16.6% for the year ended 31 March 2015.

Net profit and net profit margin

Our Group's net profit increased by approximately HK$16.9 million, from approximately HK$12.6 million for the year ended 31 March 2014 to approximately HK$29.4 million for the year ended 31 March 2015, representing a net profit growth of approximately 134.4%.

The net profit margin were approximately 11.1% and 14.2% for the two years ended 31 March 2015, where the increase was mainly due to the reasons illustrated above.

CASH FLOWS

The following tables sets forth a summary of our cash flows during Track Record Period:

	For the year ended 31 March			For the four months ended 31 July	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Net cash generated from/(used in) operating activities	27,265	64,211	31,336	(26,539)	38,879
Net cash (used in)/generated from investing activities	(24,848)	(57,631)	(17,480)	4,974	(18,191)
Net cash (used in)/generated from financing activities	(3,531)	17,471	(2,727)	14,511	(13,788)
Net (decrease)/increase in cash and cash equivalents	(1,114)	24,051	11,129	(7,054)	6,900
Cash and cash equivalents at beginning of the year/period	3,354	2,240	26,291	26,291	37,420
Cash and cash equivalents at end of the year/period	2,240	26,291	37,420	19,237	44,320

Operating cash flows before movements in working capital

During the Track Record Period, our operating cash flows before movements in working capital represented profit before taxation for the year, adjustment for depreciation of machinery and equipment, loss/(gain) on disposal of machinery and equipment, finance income and finance costs.

For the year ended 31 March 2016, we had cash flows before movements in working capital of approximately HK$61.0 million. Such amount was mainly derived from our profit before taxation of approximately HK$39.9 million, positively adjusted for (i) depreciation of approximately HK$20.7 million; and (ii) the finance costs of approximately HK$0.9 million; and negatively adjusted for the gain on disposal of machinery and equipment of approximately HK$0.3 million.

For the year ended 31 March 2015, we had cash flows before movements in working capital of approximately HK$57.9 million. Such amount was mainly derived from our profit before taxation of approximately HK$35.3 million, positively adjusted for (i) depreciation of approximately HK$19.3 million; (ii) the loss on disposal of machinery and equipment of approximately HK$2.8 million; and (iii) the finance costs of approximately HK$0.6 million.

For the year ended 31 March 2014, we had cash flows before movements in working capital of approximately HK$29.4 million. Such amount was mainly derived from our profit before taxation of approximately HK$15.1 million, positively adjusted for (i) depreciation of approximately HK$13.2 million; (ii) the loss on disposal of machinery and equipment of approximately HK$0.6 million; and (iii) the finance costs of approximately HK$0.5 million.

For the four months ended 31 July 2016, we had cash flows before movements in working capital of approximately HK$16.2 million. Such amount was mainly derived from our profit before taxation of approximately HK$7.7 million, positively adjusted for (i) depreciation of approximately HK$7.9 million; and (ii) the finance costs of approximately HK$0.5 million.

For the four months ended 31 July 2015, we had cash flows before movements in working capital of approximately HK$21.5 million. Such amount was mainly derived from our profit before taxation of approximately HK$12.1 million, positively adjusted for (i) depreciation of approximately HK$6.9 million; and (ii) the loss on disposal of machinery and equipment of approximately HK$2.3 million.

Cash flow generated from operating activities

Our cash outflow from operating activities is principally for purchase of construction machinery and parts for trading purpose and other operational expenses relating to our operating activities.

Net cash flows generated from operating activities were approximately HK$31.3 million for the year ended 31 March 2016. Such amount was mainly derived from operating cash flows before movements in working capital of approximately HK$61.0 million, negatively adjusted for (i) the increase in trade and bills receivables by approximately HK$10.1 million; (ii) the increase in restricted cash by approximately HK$9.2 million; (iii) the decrease in accruals and other payables by approximately HK$2.2 million; (iv) the decrease in trade and bills payable by approximately HK$1.8 million; and (v) the decrease in derivative financial instruments by approximately HK$2.0 million.

Net cash flows generated from operating activities were approximately HK$64.2 million for the year ended 31 March 2015. Such amount was mainly derived from operating cash flows before movements in working capital of approximately HK$57.9 million, positively adjusted for (i) the increase in trade and bills payables by approximately HK$11.1 million; (ii) the decrease in trade and bills receivables by approximately HK$3.1 million; and negatively adjusted for (iii) the increase in inventories by approximately HK$7.7 million.

Net cash flows generated from operating activities were approximately HK$27.3 million for the year ended 31 March 2014. Such amount was mainly derived from operating cash flow before movements in working capital of approximately HK$29.4 million, negatively adjusted for (i) the increase in trade and bills receivables by approximately HK$6.7 million; and (ii) increase in inventories by approximately HK$2.6 million; and positively adjusted for (i) the increase in trade and bills payables by approximately HK$4.0 million; and (ii) the increase in accruals and other payables of approximately HK$4.4 million.

Net cash flows generated from operating activities were approximately HK$38.9 million for the four months ended 31 July 2016. Such amount was mainly derived from operating cash flows before movements in working capital of approximately HK$16.2 million, positively adjusted for (i) the increase in trade and bills payables of approximately HK$11.7 million; (ii) the decrease in trade and bills receivables of approximately HK$5.7 million; (iii) the decrease in inventories of approximately HK$4.2 million; and (iv) the increase in accruals and other payables of approximately HK$4.2 million.

Net cash flows used in operating activities were approximately HK$26.5 million for the four months ended 31 July 2015. Such amount was mainly derived from increase in trade and bills receivables of approximately HK$19.4 million, positively adjusted for (i) the increase in restricted cash of approximately HK$16.9 million; (ii) the increase in inventories of approximately HK$7.4 million; (iii) the increase in deposits, prepayments and other receivables of approximately HK$6.2 million, and negatively adjusted for (i) operating cash flows before movements in working capital of approximately HK$21.5 million; (ii) the increase in accruals and other payables of approximately HK$1.9 million; and (iii) the increase in trade and bills payables of approximately HK$1.2 million.

Cash flow used in investing activities

Our investing activities during the Track Record Period primarily included investing in construction machinery for leasing purpose and finance lease receivables. Our cash proceeds from disposal of machinery and equipment were mainly sales of construction machinery for leasing that we retire.

Net cash flow used in investing activities were approximately HK$17.5 million for the year ended 31 March 2016, which was mainly due to (i) the purchase of machinery and equipment of approximately HK$32.6 million; and (ii) the finance lease receivables of approximately HK$5.4 million; and partially offset by the increase of proceeds from disposal of machinery and equipment to approximately HK$20.5 million.

Net cash flow used in investing activities were approximately HK$57.6 million for the year ended 31 March 2015, which was mainly due to the purchase of machinery and equipment of approximately HK$62.8 million; and partially offset by the proceeds from disposal of machinery and equipment of approximately HK$4.2 million.

Net cash flow used in investing activities were approximately HK$24.8 million for the year ended 31 March 2014, which was mainly due to (i) the purchase of machinery and equipment of approximately HK$26.7 million; and partially offset by (ii) the proceeds received from disposal of machinery and equipment of approximately HK$2.9 million.

Net cash flow used in investing activities were approximately HK$18.2 million for the four months ended 31 July 2016, which was mainly due to the purchase of machinery and equipment of approximately HK$19.9 million; and partially offset by the decrease in finance lease receivables of approximately HK$1.1 million.

Net cash flow generated from investing activities were approximately HK$5.0 million for the four months ended 31 July 2015, which was mainly due to the proceeds from disposal of machinery and equipment of approximately HK$11.7 million; and partially offset by the purchase of machinery and equipment of approximately HK$7.5 million.

Cash flow used in financing activities

Our financing activities during the Track Record Period mainly included proceeds from borrowings and also repayments of borrowings.

Net cash flow used in financing activities were approximately HK$2.7 million for the year ended 31 March 2016, which was mainly due to net borrowings of approximately HK$6.9 million; and partially offset by (i) the decrease in amounts due to related companies by approximately HK$6.7 million; and (ii) the repayment of finance lease obligations of approximately HK$1.3 million.

Net cash flow generated from financing activities were approximately HK$17.5 million for the year ended 31 March 2015, which was mainly due to (i) the increase in amounts due from directors by approximately HK$14.3 million; and (ii) the increase in amounts due to related companies by approximately HK$2.4 million.

Net cash flow used in financing activities were approximately HK$3.5 million for the year ended 31 March 2014, which was mainly due to the decrease in amounts due to directors by approximately HK$4.0 million.

Net cash flow used in financing activities were approximately HK$13.8 million for the four months ended 31 July 2016, which was mainly due to the decrease in amounts due to directors of approximately HK$18.0 million; and partially offset by the net borrowings of approximately HK$6.8 million.

Net cash flow generated from financing activities were approximately HK$14.5 million for the four months ended 31 July 2015, which was mainly due to the net borrowings of approximately HK$15.0 million.

CURRENT ASSETS AND LIABILITIES

The following table sets for the breakdown of our current assets, current liabilities and net current assets/liabilities as at 31 March 2014, 2015, 2016, 31 July 2016 and 30 November 2016 being the latest practicable date for determining our Group's indebtedness:

	As at 31 March			As at 31 July	As at 30 November
	2014	**2015**	**2016**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)
Current assets					
Inventories	5,646	13,366	12,813	8,570	11,569
Income tax recoverable	—	—	—	2,535	—
Trade and bills receivables	29,553	26,502	36,621	30,899	42,581
Deposits, prepayments and other receivables	261	1,584	2,540	3,346	10,680
Amounts due from related companies	970	888	—	12	22
Amounts due from a director	250	591	591	—	—
Restricted cash	—	751	—	—	—
Cash and bank balances	2,240	26,291	37,420	44,320	39,549
Finance lease receivables	1,439	763	3,309	3,309	2,876
	40,359	70,736	93,294	92,991	107,277
Current liabilities					
Trade and bills payables	19,277	30,334	28,520	40,246	53,311
Accruals and other payables	6,377	6,901	4,747	8,989	16,681
Derivative financial instruments	—	1,979	—	—	—
Amounts due to related companies	5,477	7,352	216	75	—
Amounts due to directors	4,904	19,539	18,583	—	—
Borrowings	15,613	16,438	23,300	30,134	33,310
Income tax payable	581	1,899	3,776	5,120	7,696
Obligations under finance leases	—	—	5,008	5,445	5,445
	52,229	84,442	84,150	90,009	116,443
Net current (liabilities)/assets	(11,870)	(13,706)	9,144	2,982	(9,166)

As at 31 March 2014, our Group had net current liabilities of approximately HK$11.9 million respectively. The key components of our current assets as at 31 March 2014 include trade and bill receivables of approximately HK$29.6 million, inventories of approximately HK$5.6 million, and cash and bank balances of approximately HK$2.2 million. The key components of our current liabilities as at 31 March 2014 include trade and bills payables of approximately HK$19.3 million, borrowings of approximately HK$15.6 million, accruals and other payables of approximately HK$6.4 million, and amounts due to related companies and directors of approximately HK$10.4 million in aggregate.

The net current liabilities of our Group increased by approximately HK$1.8 million from approximately HK$11.9 million as at 31 March 2014 to approximately HK$13.7 million at as 31 March 2015. Such increase is mainly attributable to (i) the increase of trade and bills payables by approximately HK$11.1 million to approximately HK$30.3 million as at 31 March 2015; (ii) the increase in amounts due to directors by approximately HK$14.6 million to approximately HK$19.5 million as at 31 March 2015; and (iii) the decrease in trade and bill receivables by approximately HK$3.1 million to approximately HK$26.5 million; and partially offset by (i) the increase of cash and bank balances by approximately HK$24.1 million to approximately HK$26.3 million as at 31 March 2015; and (ii) the increase of inventories by approximately HK$7.7 million to approximately HK$13.4 million as at 31 March 2015.

The net current assets of our Group were approximately HK$9.1 million as at 31 March 2016, an increase of approximately HK$22.9 million from the net current liabilities of approximately HK$13.7 million as at 31 March 2015. Such change is mainly attributable to (i) the increase in trade and bills receivables of approximately HK$10.1 million to approximately HK$36.6 million as at 31 March 2016; and (ii) the increase in cash and bank balances of approximately HK$11.1 million to approximately HK$37.4 million as at 31 March 2016.

The net current assets of our Group were approximately HK$3.0 million as at 31 July 2016, a decrease of approximately HK$6.2 million from approximately HK$9.1 million as at 31 March 2016. Such change is mainly attributable to (i) the increase in trade and bills payables by approximately HK$11.7 million to approximately HK$40.2 million as at 31 July 2016; (ii) the increase in borrowings by approximately HK$6.8 million to approximately HK$30.1 million as at 31 July 2016; (iii) the decrease in trade and bills receivables by approximately HK$5.7 million to approximately HK$30.9 million as at 31 July 2016; (iv) the decrease in inventories by approximately HK$4.2 million to approximately HK$8.6 million as at 31 July 2016; and partially offset by (i) the decrease in amounts due to directors by approximately HK$18.6 million to nil as at 31 July 2016; and (ii) the increase in cash and bank balances by approximately HK$6.9 million to approximately HK$44.3 million as at 31 July 2016.

The net current liabilities of our Group were approximately HK$9.2 million as at 30 November 2016, a decrease of approximately HK$12.1 million from the net current asset of approximately HK$3.0 million as at 31 July 2016. Such decrease is mainly attributable to (i) the increase in trade and bill payables by approximately HK$13.1 million from approximately HK$40.2 million to approximately HK$53.3 million as at 30 November 2016; (ii) the decrease in cash and bank balances of approximately HK$4.8 million from approximately HK$44.3 million as at 31 July 2016 to approximately HK$39.5 million as at 30 November 2016; and (iii) the increase in borrowings by approximately HK$3.2 million from approximately HK$30.1 million as at 31 July 2016 to approximately HK$33.3 million as at 30 November 2016; and partially offset by the increase in trade and bills receivables by approximately HK$11.7 million to approximately HK$42.6 million as at 30 November 2016.

Our Group had net current liabilities of HK$11.9 million and HK$13.7 million as at 31 March 2014 and 2015, which has arisen principally out of our Group's business expansion during the relevant years involving the material additions to our leasing fleet by means of purchases of machinery and equipment. For the years ended 31 March 2014 and 2015, our Group's purchases of machinery and equipment amounted to HK$24.4 million and HK$61.4 million, respectively. Due to the nature of our business, our Group finance these material additions to our leasing fleet by means of primarily utilization of positive cash flow from our operations and draw down of bank borrowings, as well as, to a lesser extent, bank overdrafts and finance leases. In addition, our Group also made use of bank borrowings for the financing of working capital. As all material additions to our leasing fleet were classified as non-current assets, while a large portion of the borrowings used for financing the purchases of machinery and equipment and working capital requirements were classified as current liabilities, for the reasons explained below, the material additions to our leasing fleet has contributed to the incurrence of net current liabilities of our Group for the relevant financial years.

As at 31 March 2014, 2015, 2016 and 31 July 2016, respectively, included in Our Group's net current liabilities were borrowings of HK$5.3 million, HK$5.2 million, HK$13.7 million, HK$15.5 million due for repayment after 1 year but within 5 years which contain repayable on demand clause. The borrowings as aforementioned were used for financing the purchases of our leasing fleet which is classified as non-current assets of machinery and equipment, and also our Group's working capital requirements. The net book value of our total property, plant and equipment amounted to approximately HK$76.6 million, HK$113.1 million, HK$121.1 million and HK$134.3 million as at 31 March 2014, 2015, 2016 and 31 July 2016, respectively. In preparing the combined financial information, our Directors have taken into account all information that could reasonably be expected to be available, and consider that the relevant banks will not exercise their discretion to demand immediate repayment but allow such borrowings to be repaid in accordance with the scheduled dates set out in the relevant agreements.

Had the aforementioned bank borrowings with repayable on demand clause are excluded from current liabilities as our Directors do not expect them to be required to be repaid within 12 months, our Group would have adjusted net current liabilities of approximately HK$6.6 million and HK$8.5 million as at 31 March 2014 and 2015, respectively, and net current assets of approximately HK$22.8 million and HK$18.5 million as at 31 March 2016 and 31 July 2016, respectively. Notwithstanding our Group would still have adjusted net current liabilities as at 31 March 2014 and 2015, the amount has been correspondingly reduced from the foregoing presented figures. As at 30 November 2016, our Group had net current liabilities of approximately HK$9.2 million, which was ascertained after deduction of bank borrowings repayable after 1 year but within 5 years that contain repayable on demand clause and classified as current liabilities.

ANALYSIS OF SELECTED COMBINED BALANCE SHEETS

Machinery and equipment

During the Track Record Period, our machinery and equipment mainly comprised (i) machinery; (ii) furniture, fixtures and equipment; and (iii) motor vehicles. The following table sets forth our machinery and equipment as of the dates indicated:

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Machinery	72,300	108,932	109,123	121,170
Furniture, fixtures and equipment	456	923	763	763
Motor vehicles	3,801	3,203	11,255	12,370
	76,557	113,058	121,141	134,303

As at 31 March 2014, 2015 and 2016 and 31 July 2016, our machinery and equipment amounted to approximately HK$76.6 million, HK$113.1 million, HK$121.1 million and HK$134.3 million respectively. The substantial increase was mainly due to our acquisition of a number of construction machinery and crane lorries for our leasing and transportation business over the Track Record Period.

Our Group acquired certain machinery and equipment under finance lease. The carrying amount of machinery and equipment held by our Group under finance leases amounted to approximately nil, nil, HK$16.5 million and HK$17.3 million as at 31 March 2014, 2015 and 2016 and 31 July 2016 respectively.

Inventories

Our inventories consist primarily of foundation machinery, drilling accessories and spare parts for trading. The following table sets forth our inventories as of the dates indicated:

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Machinery[Note]	5,646	13,366	12,813	8,570

Note: Our machinery inventory consist primarily of foundation machinery, drilling accessories and spare parts.

The table below sets out the average inventory turnover days for the years indicated:

	For the year ended 31 March			For the four months ended 31 July
	2014	**2015**	**2016**	**2016**
	Days	*Days*	*Days*	*Days*
Average inventory turnover days (Note)	23.8	27.6	43.1	52.5

Note: Average inventory turnover days is calculated as the average of the beginning and ending inventory balances for the year/period, divided by the cost for machinery and spare parts and consumables included in cost of sales for that year/period, multiplied by 365 days for the three years ended 31 March 2016 and multiplied by 122 days for the four months ended 31 July 2016.

During the Track Record Period, our inventories increased as our trading business grew. As at 31 March 2014, 2015 and 2016 and 31 July 2016, our inventories amounted to approximately HK$5.6 million, HK$13.4 million, HK$12.8 million, HK$8.6 million. Our average inventory turnover days were approximately 23.8 days, 27.6 days, 43.1 days, 52.5 days for the three years ended 31 March 2016 and the four months ended 31 July 2016, respectively. The inventory turnover days increased from 23.8 days as at 31 March 2014 to 27.6 days as at 31 March 2015, further to 43.1 days as at 31 March 2016 mainly due to the high level of inventories maintained at 31 March 2015 and 2016 as a result of the expansion of our trading business. As at 31 March 2016, our Group kept certain high-value foundation machines in our inventory which drove up the opening inventory balance and in turn the average inventory balance for the four months ended 31 July 2016, resulting in the further increase of turnover days to 52.5 days as at 31 July 2016 whereas the trading business performance declined during the same reporting period.

As at 30 September 2016, approximately HK$6.7 million, or approximately 78.6%, of our inventories as at 31 July 2016 were subsequently sold in our operation.

Trade and bills receivables, deposits and prepayments

The table below sets forth our trade and bills receivables as at the dates indicated:

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills receivables	30,575	27,524	37,643	31,921
Less: Provision for impairment	(1,022)	(1,022)	(1,022)	(1,022)
	29,553	26,502	36,621	30,899
Deposits, prepayments and other receivables	1,706	2,549	4,180	4,786
Less: non-current portion	(1,445)	(965)	(1,640)	(1,440)
Current portion	261	1,584	2,540	3,346

Trade and bills receivables

The table below sets forth the ageing analysis of the trade and bills receivables by business segments:

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trading of construction machinery	9,912	14,835	20,932	16,774
Leasing of construction machinery	19,641	11,667	14,917	13,053
Transportation services	—	—	772	1,072
	29,553	26,502	36,621	30,899

The table below sets forth the ageing analysis of the trade and bills receivables based on invoice date as at the dates indicated:

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
1 to 30 days	17,064	9,842	13,034	13,864
31 to 60 days	7,708	9,162	16,353	8,717
61 to 90 days	3,962	5,933	3,124	3,910
More than 90 days	819	1,565	4,110	4,408
	29,553	26,502	36,621	30,899

The table below sets forth our average trade and bills receivables turnover days for the years/period indicated:

	For the year ended 31 March			For the four months ended 31 July
	2014	**2015**	**2016**	**2016**
	Days	*Days*	*Days*	*Days*
Average trade and bills receivable turnover days (Note)	84.8	49.3	56.1	70.4

Note: *Average trade and bills receivable turnover days is calculated as the average of the beginning and ending trade and bills receivables for the year/period, divided by our revenue for that year/period, multiplied by 365 days for the three years ended 31 March 2016 and multiplied by 122 days for the four months ended 31 July 2016.*

During the Track Record Period, our trade and bills receivables decreased by approximately HK$3.1 million from approximately HK$29.6 million as at 31 March 2014 to approximately HK$26.5 million as at 31 March 2015. The decrease in trade receivables as at 31 March 2015 was mainly attributable to less sales order received near the end of the year ended 31 March 2015 as compared to the year ended 31 March 2014. Our trade and bills receivables increased by approximately HK$10.1 million to approximately HK$36.6 million as at 31 March 2016. The increase in trade and bills receivables as at 31 March 2016 is mainly attributable to the increase in sales order received near the end of the year ended 31 March 2016 as compared to the year ended 31 March 2015. The decrease in trade receivables by approximately HK$5.7 million to approximately HK$30.9 million, as at 31 July 2016 was mainly attributable to the decrease in trade and bill receivables of our major customers.

The credit period granted to our customers was generally from 30 to 60 days. We recorded average trade and bills receivable turnover days of approximately 84.8 days, 49.3 days, 56.1 days and 70.4 days for the three years ended 31 March 2016 and 31 July 2016 respectively. The decrease in trade and bills receivable turnover days from 84.8 days as at 31 March 2014 to 49.3 days as at 31 March 2015 was due to the high opening balance of trade and bills receivable for the year ended 31 March 2014 attributable to significant sales during February and March 2013, while the day of 1 April 2013 lay within the credit period of such sales orders such that the relevant trade receivables remained in the closing balance of the financial year. The increase in turnover days from 49.3 days to 56.1 days as at 31 March 2016 was due to more sales order received near the end of the year ended 31 March 2016. The further increase in turnover days to 70.4 days as at 31 July 2016 was due to (i) the previously mentioned high balance as at 31 March 2016 due to sales order near the end of year ended 31 March 2016; and (ii) the decline in revenue for the four months ended 31 July 2016.

As at 31 March 2016, the ageing of trade and bills receivables based on invoice date with an ageing of more than 90 days increased by approximately HK$2.5 million to approximately HK$4.1 million which is mainly due to an extension of credit period which was offered to some of our customers on a discretionary and case-by-case basis. The further slight increase of the figure to HK$4.4 million as at 31 July 2016 was of the same reason mentioned above.

As at 30 September 2016, approximately HK$19.7 million or approximately 63.9% of our trade and bills receivables as at 31 July 2016 have been settled.

The table below sets forth the ageing analysis of these trade and bills receivables based on past due date as at the dates indicated:

	As at 31 March			As at 31 July
	2014	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Past due by:				
1 to 30 days	6,962	5,113	12,242	7,964
31 to 60 days	2,751	4,444	6,193	1,977
61 to 90 days	422	1,012	1,242	2,780
More than 90 days	457	540	1,972	3,444
	10,592	11,109	21,649	16,165

Our past due trade and bills receivables amounted to approximately HK$10.6 million, HK$11.1 million, HK$21.6 million and HK$16.2 million, as at 31 March 2014, 2015 and 2016 and 31 July 2016 respectively. They were considered as past due but not considered to be impaired because they mainly relate to customers from whom there is no recent history of default and based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality of these clients and the balances are still considered fully recoverable.

Deposits, prepayments and other receivables

The table below sets forth our deposits, prepayments and other receivables as at the dates indicated:

	As at 31 March			As at 31 July
	2014	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	1,330	962	2,714	4,403
Rental and other deposits	353	367	365	379
Trade deposit	23	1,169	1,081	—
Other debtors	—	51	20	4
	1,706	2,549	4,180	4,786

As at 31 March 2014, 2015 and 2016 and 31 July 2016, our deposits, prepayments and other receivables amounted to approximately HK$1.7 million, HK$2.5 million, HK$4.2 million and HK$4.8 million respectively. Our deposits, prepayments and other receivables mainly consists of (i) prepayments which mainly represent the prepayment paid to suppliers for purchasing crane lorries and drilling machines; and (ii) the trade deposits which represent trade deposits paid to our suppliers for our trade business. Our deposits, prepayments and other receivables increased by approximately HK$0.8 million to approximately HK$2.5 million as at 31 March 2015 mainly due to the increase of trade deposit by HK$1.1 million paid to our suppliers due to the expansion of our business. Our deposits, prepayments and other receivables increased by approximately HK$1.6 million to approximately HK$4.2 million as at 31 March 2016 mainly due to the increase in prepayments paid to suppliers by approximately HK$1.8 million as a result of the increase in the number of crane lorries purchased for the year ended 31 March 2016. The figure further increased by approximately HK$0.6 million to approximately HK$4.8 million as at 31 July 2016 which was mainly attributable to the increase in prepayments by approximately HK$1.7 million mainly due to the increased prepayment of listing expenses; and partially offset by the decrease in trade deposit by approximately HK$1.1 million to approximately nil as at 31 July 2016.

Finance lease receivables

Our finance lease receivables primarily consist of leasing out construction machineries for periods ranging from 1 to 3 years. The table below sets forth the minimum lease payments for the finance lease receivables as at the dates indicated:

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not later than one year	1,472	764	3,390	3,390
Later than one year and not later than five years	214	—	3,340	2,210
Less: Unearned finance income	(44)	(1)	(323)	(233)
Present value of minimum lease payment receivable	1,642	763	6,407	5,367

The effective interest rates of the above finance leases are approximately 4.5% per annum during the relevant periods.

Trade and bill payables, accruals and other payables

Our trade and bill payables, accruals and other payables primarily consist of payables to suppliers. The following table sets forth our trade payables, accruals and other payables as at the dates indicated:

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bill payables	19,277	30,334	28,520	40,246
Accruals and other payables	6,377	6,901	4,747	8,989
	25,654	37,235	33,267	49,235

Trade and bill payables

The table below sets forth the ageing analysis of the trade and bill payables based on invoice date as at the dates indicated:

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 30 days	7,504	6,158	5,353	3,202
31 to 60 days	6,152	7,496	10,100	3,495
61 to 90 days	970	7,155	10,205	2,636
More than 90 days	4,651	9,525	2,862	30,913
	19,277	30,334	28,520	40,246

The table below sets forth our average trade and bill payables turnover days for the year indicated:

	For the year ended 31 March			For the four months ended 31 July
	2014	2015	2016	2016
	Days	*Days*	*Days*	*Days*
Average trade and bill payables turnover days(Note)	73.7	58.7	72.8	105.5

Note: Average trade and bill payables turnover days is calculated as the average of the beginning and ending trade and bill payables for the year, divided by the cost of sales and services for that year, multiplied by 365 days for the three years ended 31 March 2016 and multiplied by 122 days for the four months ended 31 July 2016.

During the Track Record Period, our trade and bills payables increased by approximately HK$11.0 million from approximately HK$19.3 million as at 31 March 2014 to approximately HK$30.3 million as at 31 March 2015. The increase was in line with the expansion of our business. Our trade and bills payables remained stable for the years ended 31 March 2015 and 2016. Our trade and bills payables then increased by approximately HK$11.7 million from approximately HK$28.5 million as at 31 March 2016 to approximately HK$40.2 million as at 31 July 2016 due to the payables to our supplier who granted us a credit period for up to two years.

The credit period granted by our suppliers was generally ranged from 10 to 60 days. One of our major suppliers granted us a credit period for up to two years during the Track Record Period. We recorded average trade and bill payables turnover days of approximately 73.7 days, 58.7 days, 72.8 days and 105.5 days for the three years ended 31 March 2016 and the four months ended 31 July 2016 respectively, which fall within the range of credit period granted by our suppliers.

As at 30 September 2016, approximately HK$11.4 million, or approximately 28.4%, of our trade and bills payables as at 31 July 2016 had been settled.

Accruals and other payables

The table below sets forth our accruals and other payables as of the dates indicated:

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	2,530	2,457	2,463	6,942
Trade deposit received	1,247	2,360	364	248
Leasing deposit received	2,600	2,084	1,920	1,799
	6,377	6,901	4,747	8,989

As at 31 March 2014, 2015 and 2016 and 31 July 2016, our accruals and other payables amounted to approximately HK$6.4 million, HK$6.9 million, HK$4.7 million and HK$9.0 million respectively. Our accruals and other payables comprised (i) accruals which mainly represents the accrual for the legal and professional fee provided to our Group; (ii) trade deposits received which mainly represents the trade deposits received from our customers who had shorter business relationship with us; and (iii) rental deposits received which mainly represents the leasing deposits received from our customers for our leasing business. Our accruals and other payables increased by approximately HK$0.5 million to approximately HK$6.9 million as at 31 March 2015, and decreased by approximately HK$2.2 million to approximately HK$4.7 million as at 31 March 2016 mainly due to the fluctuation of trade deposit received in relation to purchase orders from our customers who had shorter business relationship with us. Our accruals and other payables increased by approximately HK$4.2 million to approximately HK$9.0 million as at 31 July 2016 mainly attributable to the increase of approximately HK$4.5 million in accruals which was mainly due to the provision of listing expenses and professional fees.

Amounts due from related parties

The table below sets forth the amounts due from related parties as at the dates indicated:

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from related companies				
Trade in nature [(1)]				
Sanroc Equipment	82	—	—	—
Non-trade in nature [(2)]				
Mansion	888	888	—	—
Lion Spring	—	—	—	12
	970	888	—	12
Amounts due from a director				
Non-trade in nature [(2)(3)]				
Mr. Jonathan Siu	250	591	591	—

Note:

1. The amounts due from related parties with trade in nature are unsecured, interest-free and with credit term of 30 days.

2. The amounts due from related parties with non-trade in nature are unsecured, interest free and repayable on demand.

3. As at the Latest Practicable Date, the amounts due from related parties as at 31 March 2016 are fully settled.

Amounts due to related parties

The table below sets forth the amounts due from related parties as at the dates indicated:

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due to related companies				
Trade in nature [(1)] [(3)]				
Mansion	1,108	660	216	—
Sanroc Equipment	29	—	—	—
Non-trade in nature [(2)]				
Skyway	1,037	2,281	—	75
Mansion	2,803	3,911	—	—
Sanroc Macau	500	500	—	—
	5,477	7,352	216	75
Amounts due to directors				
Non-trade in nature [(2)] [(3)]				
Mr. Siu	4,904	19,539	15,583	—
Mrs. Siu	—	—	3,000	—
	4,904	19,539	18,583	—

Note:

1. The amounts due from related parties with trade in nature are unsecured, interest-free and with credit term of cash on delivery and 30 days.

2. The amounts due from related parties with non-trade in nature are unsecured, interest free and repayable on demand.

3. As at the Latest Practicable Date, the amounts due to related parties as at 31 March 2016 are fully settled.

INDEBTEDNESS

The following table sets forth the amounts of indebtedness as at 31 March 2014, 2015, 2016, 31 July 2016 and 30 November 2016, being the latest practicable date for determining our Group's indebtedness:

	As at 31 March			As at 31 July	As at 30 November
	2014	**2015**	**2016**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)
Current liabilities					
Amounts due to related companies(Note)	5,477	7,352	216	75	—
Amounts due to directors(Note)	4,904	19,539	18,583	—	—
Borrowings	15,613	16,438	23,300	30,134	33,310
Obligations under finance leases	—	—	5,008	5,445	5,445
	25,994	43,329	47,107	35,654	38,755
Non-current liabilities					
Obligations under finance leases	—	—	10,114	10,121	8,484
	25,994	43,329	57,221	45,775	47,239

Note: As at the Latest Practicable Date, the amounts due to related parties as at 31 July 2016 had been settled.

Borrowings

The following table sets forth the details of our bank borrowings as at the dates indicated:

	As at 31 March			As at 31 July	As at 30 November
	2014	**2015**	**2016**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (*Unaudited*)
Trust receipt loans	4,580	—	—	—	—
Short-term bank borrowings	—	428	857	2,991	1,808
Portion of long-term bank borrowings due for repayment within one year	5,704	10,791	8,787	11,688	14,848
Portion of long-term bank borrowings due for repayment after one year which contain a repayment on demand clause[(Note)]	5,329	5,219	13,656	15,455	16,654
Bank borrowings - secured	15,613	16,438	23,300	30,134	33,310

Note: These amounts represent balances that are repayable at any time at the discretion of the lender in accordance with the respective banking facility agreements and are therefore classified as current liabilities.

Our bank borrowings amounted to approximately HK$15.6 million, HK$16.4 million, HK$23.3 million, HK$30.1 million and HK$33.3 million as at 31 March 2014, 2015 and 2016, 31 July 2016, and 30 November 2016, respectively, comprising fixed-rate and variable-rate borrowings carrying interest at rates ranging from approximately 3% to 3.25% per annum, 2.6% to 3.25% per annum, 2.6% to 4.24% per annum, 2.6% to 4.24% per annum and 2.6% to 4.55% per annum respectively. All of our bank loans were denominated in Hong Kong dollars.

Our finance lease liabilities amounted to nil as at 31 March 2014 and 2015, and approximately HK$15.1 million, HK$15.6 million, HK$13.9 million as at 31 March 2016, 31 July 2016 and 30 November 2016 respectively. The effective interest rates of our finance leases are approximately 4.24% to 4.73% per annum during the relevant period and for the period ended 30 November 2016. Our finance lease liabilities were denominated in Hong Kong dollars.

As at 30 November 2016, being the latest practicable date for the purpose of this statement of indebtedness, our total available bank borrowing facilities amounted to HK$96.4 million and our unutilised bank borrowing facilities amounted to HK$30.7 million. Our Directors confirmed that we did not have any further plan for material debt financing as at the Latest Practicable Date.

As at 30 November 2016, being the latest practicable date for the purpose of indebtedness, our Group had utilised banking facilities for bank borrowings of approximately HK$33.3 million and bills payables of approximately HK$32.4 million. The facilities were secured by (i) an unlimited corporate guarantee provided by a subsidiary of our Group; (ii) unlimited personal guarantees provided by two of our Directors; (iii) a property held by a related company; and (iv) certain machinery and equipment of the Group. The aforementioned personal and corporate guarantees, and the property held by the related company will be released upon Listing. Our Directors confirm that there was not any breach in financial covenants or other material covenants relating to our bank borrowings and finance lease, and no material defaults by our Group in payment of its bank borrowings and finance lease during the Track Record period and up to the Latest Practicable Date.

Save as disclosed in this prospectus, our Group did not have any other outstanding mortgages, charges, debentures, loan capital, bank overdrafts, debt securities or other similar indebtedness, finance lease or hire purchases and finance lease commitments, liabilities under acceptances or acceptance credits, or any other guarantees or other material contingent liabilities as at Latest Practicable Date. The Directors also confirm that we are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us as at the Latest Practicable Date.

CAPITAL EXPENDITURES

Historical Capital Expenditures

Our capital expenditures, which were funded out of bank loans, finance leases, and cash flows from our operations have been primarily used to expand our leasing and transportation fleet. The following table sets out our historical capital expenditures during the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Machinery and equipment				
Machinery(Note)	24,448	61,393	39,093	19,735
Equipment and tools	—	—	—	—
Furniture, fixtures and equipment	12	723	9	56
Motor vehicles	2,280	675	9,929	2,075
	26,740	62,791	49,031	21,866

Note: Our machinery consist primarily of foundation machinery, drilling accessories and spare parts.

Future Capital Expenditures

For our future capital expenditures, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

CAPITAL AND CONTRACTUAL COMMITMENTS

Capital commitments

Our Group had no capital commitments contracted but not provided for equipment for the three years ended 31 March 2016 and the four months ended 31 July 2016.

Operating lease commitments

The table below sets forth the outstanding commitments as lessee under these non-cancellable lease agreements as of the dates indicated:

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
No later than 1 year	224	840	806	1,275
Later than 1 year and no later than 5 years	—	455	—	—
	224	1,295	806	1,275

Our operating lease commitments as lessee represented the leases of office and storage premises, quarters for directors and construction machineries under non-cancellable operating lease agreements. The lease terms were between one and five years. Our lease commitments as lessee amounted to approximately HK$0.2 million, HK$1.3 million, HK$0.8 million and HK$1.3 million as at 31 March 2014, 2015 and 2016 and 31 July 2016 respectively.

The table below sets forth the outstanding commitments as lessor under these non-cancellable lease agreements as of the dates indicated:

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
No later than 1 year	6	127	165	219
Later than 1 year and no later than 5 years	—	—	—	—
	6	127	165	219

Our operating lease commitments as lessor represented the lease of machinery with tenants under non-cancellable operating lease agreements. The lease terms were all within one year. Our lease commitments as lessor amounted to approximately HK$6,000, HK$127,000, HK$165,000 and HK$219,000 as at 31 March 2014, 2015 and 2016 and 31 July 2016 respectively.

KEY FINANCIAL RATIOS

The following table below sets forth our key financial ratios for the year/period and as of the dates indicated:

	For the year ended/ As at 31 March			For the four months ended/As at 31 July
	2014	**2015**	**2016**	**2016**
Key financial ratios				
Current ratio (1)	0.8	0.8	1.1	1.0
Gearing ratio (2)	27.9%	19.2%	32.4%	36.8%
Debt to equity ratio (3)	23.9%	N/A	N/A	N/A
Interest coverage (4)	31.7	56.2	44.1	17.7
Return on total assets (5)	10.6%	15.9%	14.4%	2.3%
Return on equity (6)	22.4%	34.5%	27.8%	4.5%

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year/period end.

2. Gearing ratio is calculated based on the total debt (including all borrowings and finance lease payables) divided by the total equity as at the respective year/period end and multiplied by 100%.

3. Debt to equity ratio is calculated by the net debt (all borrowings, including finance lease payables, net of cash and cash equivalents and restricted cash) divided by the total equity as at the respective year/period end and multiplied by 100%.

4. Interest coverage ratio is calculated by profit before interest and tax divided by interest expense for the respective year/period end.

5. Return on total assets is calculated by net profit for the year/period divided by the total assets and multiplied by 100%.

6. Return on equity is calculated by net profit for the year/period divided by the total equity as at the respective year/period end and multiplied by 100%.

Please refer to the section headed "Period-to-period Comparison of Results of Operations" for a discussion on factors affecting net profit margin during the respective periods.

Current Ratio

Our Group's current ratio remained stable during the Track Record Period, which was approximately 0.8 times, 0.8 times, 1.1 times and 1.0 times as at 31 March 2014, 2015 and 2016 and 31 July 2016 respectively. Our current ratio increased over the Track Record Period mainly due to the fact that our current liabilities did not increase as much as our current assets growth in terms of amount and percentage. The increase in our current assets as at 31 March 2016 was mainly caused by the increase in trade and other receivables and cash and cash equivalents as a result of our revenue growth over the Track Record Period.

Gearing Ratio

Our Group's gearing ratio decreased from approximately 27.9% as at 31 March 2014 to approximately 19.2% as at 31 March 2015, which was mainly due to the increased net asset attributable to the increase in (i) machinery and equipment; (ii) inventories; and (iii) cash and bank balances.

The gearing ratio then increased to approximately 32.4% as at 31 March 2016, and further increased to approximately 36.8% as at 31 July 2016 which was a combined effect of the increases in (i) obligations under finance lease; (ii) interest-bearing borrowings; (iii) cash and cash equivalents; and (iv) trade and bill receivables.

Debt to equity ratio

Our Group's debt to equity ratio was approximately 23.9% as at 31 March 2014. As at 31 March 2015 and 2016 and 31 July 2016, our Group had net cash position which was due to the increase in cash and cash equivalents.

Interest coverage

Our Group's interest coverage were approximately 31.7 times, 56.2 times, 44.1 times and 17.7 times as at 31 March 2014, 2015 and 2016 and 31 July 2016 respectively. The increase from approximately 31.7 times as at 31 March 2014 to approximately 56.2 times as at 31 March 2015 was primarily due to the increase in profit before income tax. The decrease from approximately 56.2 times as at 31 March 2015 to approximately 44.1 times as at 31 March 2016 was mainly attributable to the increase in finance costs due to the increased bank borrowings. The further decrease to approximately 17.7 times as at 31 July 2016 was mainly due to (i) the aforesaid non-recurring listing expense adversely affecting the profit before income tax and interest; and (ii) the increased interest expense due to the increased finance lease obligations.

Return on total assets

Our Group's return on total assets were approximately 10.6%, 15.9%, 14.4%, and 2.3% as at 31 March 2014, 2015 and 2016 and 31 July 2016 respectively. The increase from approximately 10.6% as at 31 March 2014 to approximately 15.9% as at 31 March 2015 was primarily attributable to the increase in profit due to the increase in revenue. The slight decrease from approximately 15.9% as at

31 March 2015 to approximately 14.4% as at 31 March 2016 was due to the combined effect of the increase in total asset outpacing the increase in profit due to the increase in revenue. The further decrease to approximately 2.3% as at 31 July 2016 was mainly attributable to (i) the aforesaid non-recurring listing expense adversely affecting our net profit; and (ii) the net profit figure only comprised four months of operation.

Return on equity

Our Group's return on equity were approximately 22.4%, 34.5%, 27.8%, and 4.5% as at 31 March 2014, 2015 and 2016 and 31 July 2016 respectively. The increase from approximately 22.4% as at 31 March 2014 to approximately 34.5% as at 31 March 2015 was primarily attributable to the increase in profit due to the increase in revenue. The decrease from approximately 34.5% as at 31 March 2015 to approximately 27.8% as at 31 March 2016 was due to the combined effect of the increase in equity outpacing the increase in profit. The further decrease to approximately 4.5% as at 31 July 2016 was mainly due to (i) the aforesaid non-recurring listing expense adversely affecting our net profit; and (ii) the net profit figure only comprised four months of operation.

DIVIDEND

Our Group currently does not have a dividend policy and may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to declare and pay any dividend would require the approval of our Directors and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. Distribution of dividends, in the future, if any, will depend on the results of its operations, cash flows, financial conditions, statutory and regulatory restrictions as aforementioned and other factors that it may consider relevant, and is subject to its discretion. 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. The Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

On 15 July 2016, Sanroc Leasing declared to its then shareholders, namely Mrs. Siu and Ms. Yip who held 250,000 ordinary shares on trust for Mrs. Siu, a final dividend in relation to the year ended 31 March 2016 of HK$12.0 million and a special dividend of HK$3.0 million, which have been fully paid to its then shareholders on 23 August 2016.

No dividend has been paid or declared by the Company since its incorporation.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The market risks that our Group is associated with include interest rate risks, credit risk, liquidity risk and foreign exchange risk.

Interest rate risk

Our Group has no significant interests-bearing assets except for cash at bank and hence is not exposed under interest rate risk with the assets. Our Group is exposed to interest rate risk as borrowings are carried at floating rates. During the Track Record Period, our Group has not used any interest rate swaps to hedge its exposure to interest rate risks. The following sensitivity analysis illustrates the potential impact of fluctuations in interest rates to the profit before taxation with all other variables held constant.

	For the year ended 31 March			For the four months ended 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
If the basis points had been 100 higher/lower				
Decrease/increase in profit before taxation	-/+110	-/+164	-/+200	-/+168
Percentage decrease/increase in profit before taxation	-/+0.7%	-/+0.5%	-/+0.5%	-/+2.2%

Credit risk

Our Group's credit risk is primarily attributable to its finance lease receivables and trade and bills receivables. As at 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, our five largest customers accounted for approximately 60.4%, 54.7%, 59.3% and 54.4% of our revenue respectively. In order to minimize the credit risk, the management has been monitoring procedures to ensure that follow-up action is taken to recover the overdue debts. In addition, the management regularly reviews the recoverable amount of each individual trade receivable to ensure that adequate impairment provision is made for the irrecoverable amounts. The relevant risk on deposits with bank and the amounts due from related companies are limited because deposits are in banks with sound credit ratings and the management does not expect any loss from non-performance by related parties.

Liquidity risk

Liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. The management monitors and maintains a level of cash and cash equivalents considered adequate to finance the operations and mitigate the effects of fluctuations in cash flows. The Directors also monitor the utilisation of bank borrowings to ensure adequate utilities banking facilities and compliance with the loan covenants.

Foreign exchange risk

Our Group operates mainly in Hong Kong, and is exposed to foreign currency risks arising from various currency exposures, mainly with respect to JPY, EUR and USD. Since HK$ is pegged with USD, the management is of the opinion that the foreign exchange risk arising from USD is insignificant. The following sensitivity analysis illustrates the potential impact of fluctuations in HK$ strength to the profit before taxation with all other variables held constant.

	For the year ended 31 March			For the four months ended 31 July
	2014	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
If the HK$ had been 5% stronger/weaker				
Increase/decrease in profit before taxation	+/-5	+/-710	+/-818	+/-1,335
Percentage increase/decrease in profit before taxation	+/-0.0%	+/-2.0%	+/-2.0%	+/-17.3%

The following table sets forth the breakdown of our Group's purchases in different major currencies, in equivalent HK$, during the Track Record Period:

	For the year ended 31 March			For the four months ended 31 July
	2014	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
USD	39,911	87,419	53,095	15,140
HK$	36,557	57,806	58,947	6,634
JPY	15,269	49,871	21,610	6,922
EUR	1,787	265	32,721	16,241

Hedging

As at 31 March 2015, our Group had outstanding foreign exchange forward contract to purchase JPY and sell HK$. The notional principal amounts of the outstanding forward foreign exchange contracts were approximately HK$13.6 million. Our Group entered into the forward contract to hedge against the fluctuation of JPY against HK$. The forward contract was a one-off transaction during the Track Record Period. For instance, our Group is subject to foreign exchange risk regarding our construction machinery trading business as we receive our revenue proceeds denominated in Hong Kong dollars and we settle some of our overseas suppliers with foreign currencies such as JPY, EUR and USD, thus hedging contract may be entered into in order to minimize the exposure to foreign exchange risk during the period between the placing of purchase order and settlement of payment to overseas suppliers. To ensure that all of our hedging activities are properly conducted, we have adopted a hedging policy in order to minimize the foreign currency risk exposure arising from the settlement of our purchase in JPY and EUR. Our Directors consider that there will not be any hedging policy in relation to USD as the foreign exchange risk is not significant.

For settlement of the purchase to suppliers in JPY or EUR, once the purchase order is placed, provided that there is time difference (at least over one week) for the payments to suppliers, management can consider to enter into foreign exchange forward contract with our principal bank on a case-by-case basis. Several factors are considered by the head of the purchasing department before entering into any hedging contracts, such as (i) the extent of the exchange rate fluctuations in the market; (ii) the exposure period before settlement of the purchase; and (iii) the contract amount of the purchase agreement. After considering the above factors, the head of the purchasing department would discuss with our chief financial officer should the need arise, and the details and the proposal of entering into foreign exchange contract would be reviewed by our chief financial officer and approved by our executive Directors. For the contract exceeding the amount HK$1 million, this should be approved by two executive Directors, while for the contract exceeding the amount HK$3 million, this should be approved by Mr. Siu. On a monthly basis, the finance department is required to prepare an outstanding mark-to-market position of all forward contracts for the executive Directors to review on the performance and to evaluate the total value at risks. Our Group has not used and will not use any hedging contracts to engage in speculative activities.

LISTING EXPENSES

We estimate the total amount of expenses that will be incurred in connection with the Listing to be approximately HK$25.3 million, including the underwriting commission of HK$4.7 million and other listing expenses and fees (including SFC transaction levy and Stock Exchange trading fee) of approximately HK$20.6 million. The Selling Shareholder shall bear the underwriting commission in the amount of HK$0.8 million which represents the underwriting commission attributable to the sale of the Sale Shares in the Placing. The remaining listing expenses, fees and underwriting commission of approximately HK$24.5 million shall be borne by our Company, of which approximately HK$8.6 million is expected to be deducted from equity after the Listing. The remaining HK$15.9 million fees and expenses have been or are expected to be charged to the profit or loss of our Group, of which HK$2.1 million and HK$5.0 million were charged for the year ended 31 March 2016 and the four months ended 31 July 2016, respectively, and HK$8.8 million will be recognised as expenses during the remaining period of the year ending 31 March 2017.

WORKING CAPITAL CONFIRMATION

Our Directors confirm, and Sponsor concurs, that there had not been any material defaults in payment of trade and non-trade payables and borrowings or any material covenants relating to our Group's outstanding borrowing during the Track Record Period. Taking into account the financial resources available to our Group, including the internally generated funds, the available banking facilities and the estimated proceeds from the Share Offer, our Directors are of the opinion that our Group has sufficient funds to meet the working capital and financial requirements for at least the next 12 months from the date of this prospectus.

RELATED PARTY TRANSACTION

With respect to the related parties transactions set out in note 26 to the Accountant's Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on arm's length basis and on normal commercial terms. Our Directors consider that these related party transactions would not distort our results during the Track Record Period, and would not make our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, our Directors confirm that we had not entered any off-balance sheet arrangements.

DISTRIBUTABLE RESERVES

As at the Latest Practicable Date, our Company had no distributable reserves available for distribution to our Shareholders.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which, had our Group been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in its financial or trading position or prospects since 31 July 2016, being the date of the last audited financial statement as set out in Appendix I in this prospectus, up to the date of this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

Please see the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus.

OUR CONTROLLING SHAREHOLDERS

On 9 August 2016, in preparation for the Listing, Mr. Siu and Mrs. Siu entered into the Acting-in-Concert Confirmation, wherein they confirmed the existence of their earlier acting-in-concert arrangements, as well as their intention to continue such arrangements upon the Listing to consolidate their control over Sanroc Leasing, Sanroc International and Santech Transportation (the "**Relevant Subsidiaries**").

Pursuant to the Acting-in-Concert Confirmation, and in relation to each of the Relevant Subsidiaries, Mr. Siu and Mrs. Siu confirm that, since the date on which they were contemporaneously either the legal owners of shares, and/or the ultimate beneficiaries therein, or were contemporaneously involved in the management thereof, in exercising and implementing the management and operation of the Relevant Subsidiaries, both Mr. Siu and Mrs. Siu had, at all times, been acting in concert with each other, and intend to continue to do so with regard to the said companies upon the Listing for purposes of consolidating their control over the Relevant Subsidiaries. Accordingly, although Mr. Siu, in his capacity as the chief executive officer of Sanroc Leasing during the Track Record Period, did not hold any interest in the said company during the said period, nevertheless, as per the Acting-in-Concert-Confirmation, Mr. Siu and Mrs. Siu have consulted one another, and acted in concert, in this regard, and shall continue to do so with regard to, *inter alia*, the following matters pertaining to the business activities/operations of the Relevant Subsidiaries:

(a) matters requiring decision from the shareholders of the Relevant Subsidiaries;

(b) matters requiring management decision(s) to be made at any management meeting;

(c) matters requiring decision to be made as to whether any of the Relevant Subsidiaries shall participate in the investment and management of any suitable business opportunity or project for the same, and, if so, the extent of such participation; and

(d) matters relating to the appointment (prior to the convening of a management meeting) of either Mr. Siu or Mrs. Siu as a proxy, and issue an authorization letter to the said individual for purposes of authorizing the same to exercise voting rights on behalf of Mr. Siu and/or Mrs. Siu at the management meeting according to the unanimous decision that has been reached.

Moreover, in accordance with the Acting-in-Concert Confirmation, Mr. Siu and Mrs. Siu have centralised, and shall continue to centralize, the ultimate control, and right to make final decisions, with respect to their interests in the businesses and projects of the Relevant Subsidiaries. To this end, in making any decisions with regard to the removal of the director(s) of our Company, Mr. Siu and Mrs. Siu shall act in accordance with the Acting-in-Concert Confirmation and act in consensus, for purposes of strengthening their mutual decisions in such regard, and accordingly, Mr. Siu shall not be removed as a director of the Company involuntarily.

Immediately following completion of the Capitalisation Issue and the Share Offer, Mr. Siu, Mrs. Siu, Lion Spring Enterprises Limited, Diamond Vista Holdings Limited and BNP Paribas Singapore Trust Corporation Limited as the trustee of The JANTS Trust shall control more than 30% of our issued share capital. For the purpose of the Listing Rules, Mr. Siu, Mrs. Siu, Lion Spring Enterprises Limited, Diamond Vista Holdings Limited and BNP Paribas Singapore Trust Corporation Limited as the trustee of The JANTS Trust are our Controlling Shareholders. Each of Mr. Siu, Mrs. Siu, Lion Spring Enterprises Limited, Diamond Vista Holdings Limited and BNP Paribas Singapore Trust Corporation Limited as the trustee of The JANTS Trust confirms that he/she/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE CLOSE ASSOCIATES

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

Financial independence

Our Group has an independent financial system, makes financial decisions according to its own business needs, and has sufficient capital to operate our business independently, and adequate internal resources and a strong credit profile to support our daily operations.

As at the Latest Practicable Date, the trade related and non-trade related amounts due to, or from, the Controlling Shareholders, or their respective close associates, have been fully settled, and the guarantees provided to our Group by the Controlling Shareholders or their respective close associates shall be released on or before the Listing Date.

Operational independence

Our Group has established its own organisational structure comprising individual departments, each with specific areas of responsibilities. Our Group has not shared its operational resources, such as suppliers, subcontractors, customers, marketing, sales and general administrative resources, with the Controlling Shareholders and/or their respective close associates during the Track Record Period.

Save as disclosed below, no services, premises and facilities shall be provided by the Controlling Shareholders and/or their respective close associates to our Group during the Track Record Period.

Our Directors confirm that, save as disclosed below, none of the Controlling Shareholders, Directors, or their respective close associates, has any relationship with the suppliers, subcontractors and customers of our Group during the Track Record Period.

Independence of management

Our Board comprises four (4) executive Directors and three (3) independent non-executive Directors.

Each of our Directors is aware of his or her fiduciary duties as a Director, which require, among other things, that he or she acts for the benefit, and in the best interests, of our Company, and does not allow any conflict to occur between his or her duties as a Director and his or her 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 close 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.

Three (3) of the members of our Board are independent non-executive Directors, who are either well-educated, and have extensive experience in different areas, or are professionals, and have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions.

Furthermore, our Board's main functions include the provision of approvals for the overall business plans and strategies of our Group, the monitoring of the implementation of such policies, and of the strategies and management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and applicable laws, whereby no single Director shall have any decision-making power unless otherwise authorised by our Board.

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

CORPORATE GOVERNANCE MEASURES

Our Company shall adopt the following measures to manage any conflict of interest, and to safeguard the interests of our Shareholders:

1. the independent non-executive Directors shall review relevant matters pertaining to the compliance by Mr. Siu, Mrs. Siu, Lion Spring Enterprises Limited, Diamond Vista Holdings Limited and BNP Paribas Singapore Trust Corporation Limited as the trustee of The JANTS Trust with the provisions of the Deed of Non-competition (as defined below) on an annual basis;

2. Mr. Siu, Mrs. Siu, Lion Spring Enterprises Limited, Diamond Vista Holdings Limited, BNP Paribas Singapore Trust Corporation Limited as the trustee of The JANTS Trust undertake to provide all information requested by our Company that are required for the annual review by the independent non-executive Directors, and the enforcement, of the Deed of Non-competition;

3. our Company shall disclose decisions on issues reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition by Mr. Siu, Mrs. Siu, Lion Spring Enterprises Limited, Diamond Vista Holdings Limited and BNP Paribas Singapore Trust Corporation Limited as the trustee of The JANTS Trust in the Company's annual reports;

4. Mr. Siu, Mrs. Siu, Lion Spring Enterprises Limited, Diamond Vista Holdings Limited and BNP Paribas Singapore Trust Corporation Limited as the trustee of The JANTS Trust shall make a declaration on compliance with the Deed of Non-competition on an annual basis in our Company's annual report; and

5. the Articles provide that a Director shall abstain himself or herself from participating in Board meetings, nor shall he be counted in the quorum of such meetings, and shall abstain himself or herself from voting on any resolution of our Board approving any contract, arrangement and/or other proposal in which he/she or any of his/her associates is materially interested, unless a majority of our independent non-executive Directors expressly require him to attend.

Further, any transaction that is proposed to be entered into between our Group and our Controlling Shareholders, and/or their respective associates, shall be required to comply with the requirements of the Listing Rules, including, where appropriate, reporting, annual review, announcement and independent Shareholders' approval requirements.

With the measures set out above, our Directors believe that the interest of our Shareholders shall be protected.

COMPETING INTEREST

Our Controlling Shareholders and our Directors do not have any interest in any business apart from our Group's business, which competes or is likely to compete, directly or indirectly, with our business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

Mr. Siu, Mrs. Siu, Lion Spring Enterprises Limited, Diamond Vista Holdings Limited and BNP Paribas Singapore Trust Corporation Limited as the trustee of The JANTS Trust (each the "**Covenantor**", and collectively, the "**Covenantors**") entered into the Deed of Non-competition in favour of our Group, with an aim to avoid any possible future competition between our Group and each of the Covenantors. Pursuant to the Deed of Non-competition, each of the Covenantors has jointly, severally, irrevocably and unconditionally undertaken and covenanted with the Company (for itself, and as trustee of our subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/she/it and his/her/its respective associates shall not, directly or indirectly, be interested, involved or engaged, or acquire or hold any right or interest, in any business which competes with the existing business engaged by our Group from time to time, save for the holding of not more than 5% of shareholding interest (individually or with his/her/its respective associates) in any company listed on a recognised stock exchange, and he/she/it or his/her/its respective associates is not entitled to appoint a majority of the directors or management of that company.

Each of the Covenantors further undertakes that, should he/she/it or his/her/its respective associates be aware of any project, or new business opportunity, that may compete with our business, he/she/it or his/her/its respective associates shall refer such project or new business opportunity to our Group for consideration.

Our Company shall adopt the following procedures to ensure that the provisions of the Deed of Non-competition are observed at all times:

(a) Our independent non-executive Directors shall review, on an annual basis, the above undertakings from the Covenantors, and evaluate the effective implementation of the terms and conditions of the Deed of Non-competition; and

(b) each of the Covenantors shall further undertake and covenant with our Company that:

  (i) for so long as the Deed of Non-competition remains in effect, he/she/it shall promptly provide our Company with such information as our Company shall, from time to time, reasonably request to ascertain compliance by the Covenantors of their obligations under the Deed of Non-competition; and

  (ii) if requested by our Company, he/she/it shall issue a letter to the Company, confirming his/her/its full compliance with the relevant terms and conditions of the Deed of Non-competition, and consenting to our Company's disclosure of the contents of such letter in the annual report of our Company, and/or such other documents as otherwise published by our Company.

The terms and conditions of the Deed of Non-competition are conditional on, and take effect upon, the Listing.

The Deed of Non-competition shall terminate on the earlier date on which: (i) our Company becomes wholly-owned by the Covenantors and/or their respective associates (whether individually or collectively); or (ii) the securities of our Company cease to be listed on the Stock Exchange, or any other stock exchange recognised under the SFO.

SHARE CAPITAL

Assuming the Over-allotment 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 will be as follows:

Authorised share capital		*HK$*
2,000,000,000	Shares	20,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of the Share Offer and the Capitalisation Issue:

		HK$
4	Shares in issue as at the date of this prospectus	0.04
899,999,996	Shares to be issued pursuant to the Capitalisation Issue	8,999,999.96
300,000,000	Shares to be issued pursuant to the Share Offer	3,000,000
1,200,000,000	Shares in total	12,000,000

Assuming the Over-allotment 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 will be as follows:

Authorised share capital		*HK$*
2,000,000,000	Shares	20,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of the Share Offer, Capitalisation Issue and exercise of the Over-allotment Option:

		HK$
4	Shares in issue as at the date of this prospectus	0.04
899,999,996	Shares to be issued pursuant to the Capitalisation Issue	8,999,999.96
300,000,000	Shares to be issued pursuant to the Share Offer	3,000,000
54,000,000	Shares to be issued upon exercise of the Over-allotment Option in full	540,000
1,254,000,000	Shares in total	12,540,000

ASSUMPTIONS

The above table was prepared under the assumption that the Share Offer becomes unconditional, and the issue of Shares pursuant to the Share Offer and the Capitalisation Issue are effected. No account was taken of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Offer Shares, including the Shares to be issued pursuant to the exercise of the Over-allotment Option, shall rank *pari passu* in all respects with all Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, shall 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 written resolutions of our sole Shareholder passed on 23 January 2017, and 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 899,999,996 Shares credited as fully paid at par to the holder(s) of Shares on the register of members of our Company in the Cayman Islands at the close of business on such date as the Directors 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$8,999,999.96 standing to the credit of the share premium account of our Company. 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 fulfilment of conditions as stated in section headed "Structure and Conditions of the Share Offer" in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of 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 (such share capital being exclusive of any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue, or upon the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme. This general mandate to issue Shares shall expire at the earliest of the following:

(a) the conclusion of our Company's next annual general meeting; or

(b) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles of Association; or

(c) the date on which this general mandate is varied or revoked by an ordinary resolution of our Shareholders in our Company's general meeting.

Further details of this general mandate are set out to the section headed "A. Further Information about Our Company — 5. Written resolutions of our sole Shareholder passed on 23 January 2017" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on fulfilment of the conditions as stated in section headed "Structure and Conditions of the Share Offer" of this prospectus, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase 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 Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme) (the "**Repurchase Mandate**").

The Repurchase 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 recognized by the SFC and the Stock Exchange for this purpose), and is 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 "A. Further Information about Our Company — 6. Repurchase of our Shares by our Company" in Appendix IV to this prospectus.

The Repurchase Mandate shall expire at the earliest of the following:

(i) the conclusion of our Company's next annual general meeting; or

(ii) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles of Association; or

(iii) the date on which this general mandate is varied or revoked by an ordinary resolution of our Shareholders in our Company's general meeting.

Further details of the Repurchase Mandate are set out in the section headed "A. Further Information about Our Company — 5. Written resolutions of our sole Shareholder passed on 23 January 2017" in Appendix IV to this prospectus.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 23 January 2017. Details of the principal terms of the Share Option Scheme are summarised in the section headed "D. Share Option Scheme" as set out in Appendix IV to this prospectus.

Our Group does not have any outstanding share options, warrants, convertible instruments, pre-IPO share options or similar rights convertible into the Shares as at the Latest Practicable Date.

So far as our Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any exercise of the Over-allotment Option and/or any options that may be granted under the Share Option Scheme), the following persons shall have an interest or short position in the Shares, or the underlying Shares, which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who shall, 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 our Group:

Name	**Nature of Interest**	**No. of Shares held after completion of the Share Offer and the Capitalisation Issue**	**Approximate percentage of shareholding in our Company after completion of the Share Offer and the Capitalisation Issue**
Ms. Wong Fei Heung Terbe[(1)]	Beneficiary and founder of a discretionary trust, interest in a controlled corporation	840,000,000	70%
Mr. Siu Chun Yiu Jonathan[(2)]	Interest in spouse	840,000,000	70%
Lion Spring Enterprises Limited[(3)]	Beneficial owner	840,000,000	70%
Diamond Vista Holdings Limited[(3)]	Interest in a controlled corporation	840,000,000	70%
BNP Paribas Singapore Trust Corporation Limited[(4)]	Interest in a controlled corporation	840,000,000	70%

Notes:

(1) To the best of our Directors' knowledge, information and belief, and having made all reasonable enquiries, immediately upon completion of the Capitalisation Issue and the Share Offer. Mrs. Siu is deemed to be interested in 840,000,000 Shares of our Company's total issued share capital for the purposes of the SFO as founder and one of the beneficiaries of The JANTS Trust.

(2) Mr. Siu is the spouse of Mrs. Siu. Accordingly, to the best of our Directors' knowledge, information and belief, and having made all reasonable enquiries, immediately upon completion of the Capitalisation Issue and the Share Offer, Mr. Siu is deemed to be interested in the Shares which Mrs. Siu is interested in for the purpose of the SFO.

(3) Lion Spring Enterprises Limited, which owns 70% of the issued share capital of our Company, is owned as to 23.23% by Mr. Siu Chun Yiu Jonathan, the trustee of AMSC GRAT of 2017 and 76.77% by Diamond Vista Holdings Limited, which in turn is wholly-owned by BNP Paribas Singapore Trust Corporation Limited as the trustee of The JANTS Trust.

(4) BNP Paribas Singapore Trust Corporation Limited, as trustee of The JANTS Trust, holds 100% of the issued share capital of Diamond Vista Holdings Limited. The JANTS Trust is a discretionary trust established by Mrs. Siu as settlor and BNP Paribas Singapore Trust Corporation Limited as trustee. The beneficiaries of The JANTS Trust are Mrs. Siu and the children born to Mr. Siu and Mrs. Siu. By virtue of the SFO, the trustee is deemed to be interested in the Shares in which Diamond Vista Holdings Limited is interested.

Save as disclosed in this section, our Directors are not aware of any persons who, immediately following completion of the Share Offer and the Capitalisation Issue (not taking into account any exercise of the Over-allotment Option and/or any options that may be granted under the Share Option Scheme), shall have an interest or a short position in the 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 shall be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Group, and are, therefore, regarded as substantial shareholders under the Listing Rules.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

DIRECTORS

Our Board currently consists of seven (7) Directors, comprising four (4) executive Directors, and three (3) independent non-executive Directors. The following table sets out relevant information regarding our Directors:

Name of Directors	Age	Date of appointment as Director	Date of joining our Group	Position/Title	Roles and responsibilities	Relationship with other Directors or senior management
Mr. Siu Chun Yiu Jonathan (蕭振耀)	65	16 August 2016	7 October 1991	Executive Director and Chairman	Responsible for attending to the overall strategic management and development of our Group's business operations, marketing, business development and finance	spouse of Mrs. Siu
Ms. Wong Fei Heung Terbe (王菲香)	43	16 August 2016	2 November 1998	Executive Director	Responsible for overseeing our Group's business development	spouse of Mr. Siu
Ms. Yip Kam Ling (葉錦玲)	47	16 August 2016	22 October 1991	Executive Director	Responsible for attending to our Group's business development, administration and human resources matters	Nil
Mr. Ho King Chiu (何景超)	46	16 August 2016	1 April 2003	Executive Director	Responsible for attending to the business development and monitoring of all projects within our Group	Nil
Mr. Chui Kwong Fun (徐廣勳)	67	20 January 2017	20 January 2017	Independent non-executive Director	Responsible for attending to the supervision and provision of independent judgment to our Board	Nil
Mr. Leung Siu Hong (梁兆康)	41	20 January 2017	20 January 2017	Independent non-executive Director	Responsible for attending to the supervision and provision of independent judgment to our Board	Nil
Mr. Li Ching Wing (李正榮)	49	20 January 2017	20 January 2017	Independent non-executive Director	Responsible for attending to the supervision and provision of independent judgment to our Board	Nil

Executive Directors

Mr. Siu Chun Yiu Jonathan (蕭振耀) ("**Mr. Siu**"), aged sixty-five (65), is our Company's executive Director and Chairman, and the spouse of Ms. Wong Fei Heung Terbe. Mr. Siu was appointed as our Company's executive Director and Chairman on 16 August 2016, and is responsible for attending to the overall strategic management and development of our Group's business operations, marketing, business development and finance. Mr. Siu has more than twenty-five (25) years of experience in the construction machinery industry.

Mr. Siu obtained a Bachelor of Engineering in Mechanical Engineering from the National Cheng Kung University, Taiwan in June 1973.

Ms. Wong Fei Heung Terbe (王菲香) ("**Mrs. Siu**"), aged forty-three (43), is our Company's executive Director, and is responsible for overseeing our Group's business development, in particular, liaising with our local customers. Mrs. Siu joined our Group in November 1998, and was appointed as our Company's executive Director on 16 August 2016. Mrs. Siu has more than nineteen (19) years of experience in the construction machinery industry. Prior to joining our Group, she was employed as a clerk by Kingland Concrete Drilling Company Limited from February 1997 to October 1998.

Mrs. Siu was admitted to Secondary One of the Hong Kong Taoist Association Ching Chung Secondary School in September 1985, and left in July 1990 after completion of Secondary Five.

Ms. Yip Kam Ling (葉錦玲) ("**Ms. Yip**"), aged forty-seven (47), is our Company's executive Director, and is responsible for attending to our Group's business development, administration and human resources matters. Ms. Yip joined our Group in October 1991, and was appointed as our Company's Director on 16 August 2016. Ms. Yip has more than twenty-five (25) years of experience in the construction machinery industry. Her duties include overseeing the accounting matters of our Group and co-ordinating affairs among different departments to ensure sufficiency of office support for the operation of our Group.

Ms. Yip passed the School Certificate Examination of St. Johannes College in July 1986. She also passed the book-keeping examination of the London Chamber of Commerce and Industry Examinations Board, and the Commercial Studies Examination of The Chinese Young Men's Christian Association Hong Kong in spring 1987 and in May 1987, respectively, and completed the training course on Trade Finance and Import/Export Procedures organised by the Chinese Manufacturers' Association of Hong Kong in May 1990.

Mr. Ho King Chiu (何景超) ("**Mr. Ho**"), aged forty-six (46), is our Company's executive Director, and is responsible for attending to the business development and monitoring of all projects within our Group. Mr. Ho joined our Group in April 2003, and was appointed as our Company's Director on 16 August 2016. His duties include overseeing sales and marketing activities of our Company. Mr. Ho has more than twenty-five (25) years of experience in the construction machinery industry. During the period from October 1991 to October 2002, Mr. Ho was a sales manager at Yau Hing Marine Store & Old Metal Dealer which is a construction machinery leasing company.

Mr. Ho completed a two-year course of Sixth Form Education in St. Benedict's Secondary Technical School in July 1991.

Independent non-executive Directors

Mr. Chui Kwong Fun (徐廣勳) ("**Mr. Chui**"), aged sixty-seven (67), was appointed as our independent non-executive Director on 20 January 2017.

Mr. Chui has over twenty-five (25) years of experience in the field of engineering. Mr. Chui joined the Government in June 1981 as a geotechnical engineer of the Public Works Department. He was transferred to various governmental departments over the years, and he retired from the Government in October 2009, with his last position as a senior geotechnical engineer in the Architectural Services Department. Since February 2008, Mr. Chui has been the director of One Circle Limited, a company limited by guarantee incorporated to promote the faith of Christianity.

Mr. Chui graduated from National Taiwan University, Taiwan, with a Bachelor of Science in Engineering in June 1972, and also obtained a Master's degree in Engineering from the Asian Institute of Technology, Thailand in May 1975.

Mr. Leung Siu Hong (梁兆康) ("**Mr. Leung**"), aged forty-one (41), was appointed as our independent non-executive Director on 20 January 2017.

Mr. Leung has over eighteen (18) years of experience in the fields of auditing, corporate finance and accounting, and has been the financial controller and company secretary of China Starch Holdings Limited (stock code: 3838) since February 2008. He was the financial controller, qualified accountant and company secretary of Ta Yang Group Holdings Limited (stock code: 1991) from March 2006 to January 2008. The shares of both China Starch Holdings Limited and Ta Yang Group Holdings Limited are listed on the Main Board.

Mr. Leung has been an independent non-executive director of Legend Strategy International Holdings Group Company Limited (stock code: 1355) since June 2015, and China Partytime Culture Holdings Limited (stock code: 1532) since August 2015 respectively. The shares of both Legend Strategy International Holdings Group Company Limited and China Partytime Culture Holdings Limited are listed on the Main Board. Mr. Leung is also an independent non-executive director of A.Plus Group Holdings Limited (stock code: 8251) since March 2016, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Leung graduated from University of Aberdeen, Scotland, with a designated degree of Master of Arts in Accountancy in October 1997. He also obtained a degree of Master of Corporate Governance from The Hong Kong Polytechnic University in October 2011, and a Master of Science degree in Financial Analysis from The Hong Kong University of Science and Technology in June 2014. He was admitted as a member of the Association of Chartered Certified Accountants (the "**ACCA**") in May 2002, and became a fellow of ACCA in May 2007. He was also admitted as a member of the Hong

Kong Institute of Certified Public Accountants (the "**HKICPA**") in June 2002 and became a fellow of HKICPA in February 2010. Mr. Leung has also been elected as an associate and a fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in October 2011 and July 2013, respectively.

Mr. Li Ching Wing (李正榮) ("**Mr. Li**"), aged forty-nine (49), was appointed as our independent non-executive Director on 20 January 2017.

Mr. Li is a solicitor of the High Court of the Hong Kong Special Administrative Region with over twenty (20) years of experience in the legal field, practicing in both contentious and non-contentious legal matters. He is currently a solicitor of Raymond T.M. Lau & Co. and has been a civil celebrant of marriages since June 2006.

Mr. Li completed his Common Professional Examination with Manchester Metropolitan University in England in July 1993, and obtained a Postgraduate Certificate in Laws with the University of Hong Kong in June 1994. He also obtained a degree of Master of Laws from the University of Hong Kong in December 2005.

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors confirms with respect to him or her that he or she (i) did not hold other positions in our Company or members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as of the Latest Practicable Date; (iii) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (iv) there are no other matters concerning our Directors' appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules. As of the Latest Practicable Date, save as the interests of Mr. Siu and Mrs. Siu in the Shares which are disclosed in the section headed "Statutory and General Information — C. Further Information about Directors and Substantial Shareholders — 1. Disclosure of interests — (a) Interests of Directors and chief executive in Shares and its associated corporations" in this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

SENIOR MANAGEMENT

The following table sets out relevant information of the senior management of our Group:

Name	Age	Date of joining our Group	Date of appointment as present position	Present position	Roles and responsibilities	Relationship with other Directors or senior management
Ms. Cheng Shing Yan (鄭承欣)	41	25 April 2016	25 April 2016	Chief financial officer and company secretary	Responsible for attending to our Group's financial affairs and managing all aspects of the corporate financial activities, internal control, treasury and investors' relation of our Group.	Nil
Mr. Au Yeung Yiu Fai (歐陽耀輝)	49	5 May 2016	5 May 2016	Finance director	Responsible for attending to the internal audit, internal control, risk management, finance function and corporate finance business of our Group	Nil
Ms. Cheng Wai Yee Sylvia (鄭慧怡)	44	6 January 2016	6 January 2016	General manager	Responsible for attending to our Group's human resources matters, and coordinating affairs among different departments of our Group	Nil

Ms. Cheng Shing Yan (鄭承欣) ("**Ms. Cheng**"), aged forty-one (41), joined our Group in April 2016 as a chief financial officer, and is responsible for overseeing our Group's financial affairs, and managing all aspects of the corporate financial activities, internal control, treasury, investors' relation and company secretarial matters of our Group.

Ms. Cheng has about nineteen (19) years of experience in the fields of accounting and auditing. She worked at Ernst & Young Business Services Ltd. as a senior accountant in January 2004, and her last position was a manager when she left in December 2008. She was a manager at Baker Tilly Hong Kong Business Services Limited during the period from March 2009 to July 2010. Prior to joining our Group, Ms. Cheng was an audit manager at SHINEWING (HK) CPA Limited from November 2010 to September 2014, and worked as a senior audit manager at the said company from October 2014 to April 2016.

Ms. Cheng obtained a degree of Master of Arts in International Accounting at the City University of Hong Kong in October 2003, and was admitted as a member, and a fellow member, of the ACCA in December 2000 and December 2005, respectively. She was also admitted as an associate of the Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants) since July 2003.

Save as disclosed above, Ms. Cheng has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas during the past three (3) years.

Mr. Au Yeung Yiu Fai (歐陽耀輝) ("**Mr. Au Yeung**"), aged forty-nine (49), is our Company's finance director, and is responsible for overseeing the internal audit, internal control, risk management, finance function and corporate finance business of our Group. He was appointed as our Group's finance director on 5 May 2016.

Mr. Au Yeung has more than twenty-two (22) years of experience in the banking and finance industry. Mr. Au Yeung worked as a marketing executive in the investment banking department at International Bank of Asia Limited during the period from March 1994 to January 1996. During the period from January 1996 to May 1997, he served as an account officer at Dao Heng Bank Limited. He was employed by Fortis Bank Asia HK during the period from May 1997 to May 2002, last served as a senior relationship manager in the commercial banking department and is currently, since July 2002, a director of JJC International Limited. Mr. Au Yeung is responsible for providing corporate finance consultancy services to corporate customers, including equity and debt finance, arrangement of syndicated loans and provision of assistance to corporate clients in the listing of their shares in the Hong Kong stock market. He has been, since March 2015, the financial director of the Forc Business Investment Company Limited (the "**Forc Group**"), and is responsible for assisting the Forc Group in the listing of their shares on the Hong Kong stock market, and the management of the listing process. He is also responsible for arranging equity and debt finance for the Forc Group for their future development. Mr. Au Yeung has been managing various companies limited by guarantee and also assisted in formulating internal control policies in one of the non-profit companies incorporated to promote the faith of Christianity since December 1998.

Mr. Au Yeung obtained a Bachelor of Business Administration degree in Finance from the Hong Kong Baptist College (now known as Hong Kong Baptist University) in December 1993, and a Master of Christian Studies in the Evangel Seminary in June 2013. He passed the securities brokers examination of the Stock Exchange in January 1994. In addition, he passed the examination of Chartered Financial Analyst Level I examination of the Association for Investment Management and Research (now known as CFA Institute) in September 1994.

Mr. Au Yeung has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas during the past three (3) years.

Ms. Cheng Wai Yee Sylvia (鄭慧怡) ("**Ms. Sylvia Cheng**"), aged forty-four (44), joined our Group in January 2016 as a general manager and her duties include attending to our Group's human resources matters and coordinating affairs among different departments of our Group.

Ms. Sylvia Cheng has more than twenty-five (25) years of experience in the field of banking. She worked at Hang Seng Bank Limited from May 1991 to April 1993 and her last position was a clerk/teller in the savings/time deposits department. From September 1993 to January 2016, she was employed by OCBC Wing Hang Bank Limited, and last served as a manager in the corporate bank division of OCBC Wing Hang Bank Limited prior to joining our Group.

She completed a five-year Hong Kong Certificate of Education (English) Course at St. Margaret's Girl's College in May 1990.

Ms. Sylvia Cheng has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas during the past three (3) years.

COMPANY SECRETARY

Ms. Cheng, who is our Group's chief financial officer, also acts as the company secretary of the Company. For further details in this regard, please refer to her biography as set out in the section headed "Senior Management" above.

COMPLIANCE ADVISER

We have appointed Ample Capital Limited as our Group's compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our Group's compliance adviser shall be advising us under the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including, but not limited to, share issues and share repurchases;
- 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
- where the Stock Exchange makes an inquiry with us regarding unusual movements in the price or trading volume of our Shares pursuant to Rule 13.10 of the Listing Rules.

The term of the appointment of our Company's compliance advisor shall commence on the Listing Date, and terminate on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

BOARD COMMITTEES

We have established the following committees comprising members of our Company's Board of Directors: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with terms of reference established by our Company's Board.

Audit Committee

Our Company has established an Audit Committee on 23 January 2017 with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are, inter alia, to review and supervise the financial reporting process and internal control system of our Group. The Audit Committee comprises three (3) members, namely Mr. Chui, Mr. Li and Mr. Leung. Mr. Leung, is the chairman of the Audit Committee.

Remuneration Committee

Our Company has established a Remuneration Committee on 23 January 2017 in compliance with Rule 3.25 of the Listing Rules with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Remuneration Committee comprises three (3) members, namely Mr. Chui, Mr. Li and Ms. Yip. Mr. Chui, is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are, inter alia, to make recommendations to our Company's Board on the terms of remuneration packages, bonuses and other compensation payable to our Company's Directors and senior management.

Nomination Committee

Our Company has established a Nomination Committee on 23 January 2017 with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Nomination Committee comprises three (3) members, namely, Mr. Chui, Mr. Li and Mr. Siu. Mr. Siu, is the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for making recommendations to our Board on appointment of Directors.

DIRECTOR'S REMUNERATION

The aggregate amounts of compensation (including fees, salaries, contributions to pension schemes, housing and other allowances, benefit in kind and discretionary bonus) which are paid to our Directors for the three years ended 31 March 2016 and the four months ended 31 July 2016 were approximately HK$2.9 million, HK$3.1 million, HK$3.1 million and HK$0.9 million, respectively.

Our Company's policy concerning the remuneration of Directors is that the amount of remuneration shall be determined by reference to the relevant Director's experience, responsibilities, workload, performance and the time devoted to our Group.

The emoluments paid to our Group's five (5) highest paid individuals (including Directors) in aggregate for the three years ended 31 March 2016 and the four months ended 31 July 2016 were approximately HK$3.9 million, HK$5.0 million, HK$3.5 million and HK$1.8 million, respectively. During the Track Record Period, no emolument was paid by our Group to any of our Directors or the five (5) highest paid individuals (including Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors has waived any emoluments during the Track Record Period.

Except as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted pursuant to the written resolutions of the sole Shareholder passed on 23 January 2017. The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contributions to it. Our Directors consider the Share Option Scheme, with its broadened basis of participation, as enable our Group to reward our Group's employees, Directors and other selected participants for their contributions to our Group. This shall be in accordance with Chapter 17 of the Listing Rules, and other relevant rules and regulations. Further details of the Share Option Scheme are set out in the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this prospectus.

BUSINESS STRATEGIES

For the details of our business strategies, please refer to the section headed "Business — Our Strategies and Future Plans" in this prospectus.

IMPLEMENTATION PLANS

Set forth below are the implementation plans to carry out our business strategies from the Latest Practicable Date to 30 September 2019.

From the Latest Practicable Date to 31 March 2017

Business strategies	Implementation activities	Sources of funding
Expansion of our leasing fleet	Acquiring 37 power generators and 10 air compressors	Listing proceeds of approximately HK$15.1 million
Expansion of our transportation fleet	Acquiring 3 crane lorries	Listing proceeds of approximately HK$7.7 million

From 1 April 2017 to 30 September 2017

Business strategies	Implementation activities	Sources of funding
Expansion of our leasing fleet	Acquiring 20 power generators and 11 air compressors	Listing proceeds of approximately HK$12.3 million
Expansion of our transportation fleet	Acquiring 3 crane lorries	Listing proceeds of approximately HK$6.6 million

From 1 October 2017 to 31 March 2018

Business strategies	Implementation activities	Sources of funding
Expansion of our leasing fleet	Acquiring 16 power generators and 3 air compressors	Listing proceeds of approximately HK$7.2 million
Expansion of our transportation fleet	Acquiring 3 crane lorries	Listing proceeds of approximately HK$6.4 million

From 1 April 2018 to 30 September 2018

Business strategies	Implementation activities	Sources of funding
Expansion of our leasing fleet	Acquiring 16 power generators and 5 air compressors	Listing proceeds of approximately HK$5.7 million
Expansion of our transportation fleet	Acquiring 3 crane lorries	Listing proceeds of approximately HK$5.9 million

From 1 October 2018 to 31 March 2019

Business strategies	Implementation activities	Sources of funding
Expansion of our leasing fleet	Acquiring 9 power generators and 3 air compressors	Listing proceeds of approximately HK$4.8 million
Expansion of our transportation fleet	Acquiring 3 crane lorries	Listing proceeds of approximately HK$6.4 million

From 1 April 2019 to 30 September 2019

Business strategies	Implementation activities	Sources of funding
Expansion of our leasing fleet	Acquiring 10 power generators	Listing proceeds of HK$3.0 million
Expansion of our transportation fleet	Acquiring 3 crane lorries	Listing proceeds of approximately HK$5.6 million

BASES AND ASSUMPTIONS

The implementation plans for our business strategies are set out by our Directors based on the following principal bases and assumptions:

(i) there will be no material changes in the existing political, legal, fiscal or economic conditions in Hong Kong, and any other places where any members of our Group carry on business and provide or will provide services;

(ii) there will be no material changes in the bases or rates of taxation and duties in Hong Kong or in any other places where any member of our Group operates or will operate or is incorporated;

(iii) our Group will have sufficient financial resources to meet the planned capital and business development requirements during the period to which the business objective relates;

(iv) the Share Offer will be completed in accordance with and as described in the section headed "Structure and Conditions of the Share Offer" in this prospectus;

(v) our Directors' and key senior management will continue their involvement in the development of our existing and future development and our Group will be able to retain our key management personnel;

(vi) we will be able to recruit new staff when required;

(vii) there will be no change in the funding requirement for carrying out each of the implementation plans described in this prospectus from the amount as estimated by our Directors;

(viii) we will not be materially and adversely affected by the risk factors as set out in the section headed "Risk Factors" in this prospectus; and

(ix) we will be able to continue our operations in substantially the same manner as we have been operating during the Track Record Period and we will also be able to carry out our implementation plans without disruption.

These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set forth in the section headed "Risk Factors" in this prospectus. There can be no assurance that our plans will materialise in accordance with the expected time frame or that the business objective of our Group will be accomplished at all.

USE OF PROCEEDS

The table below sets out the estimated net proceeds of the Share Offer which we will receive after deduction of the underwriting fees and commissions and other estimated expenses borne by our Company in connection with the Share Offer:

	Assuming the Over-allotment Option is not exercised	**Assuming the Over-allotment Option is exercised in full**
If the Offer Price is fixed at **HK$0.375** per Share (being the **mid-point** of the Offer Price range stated in this prospectus)	Approximately HK$88.0 million	Approximately HK$107.5 million
If the Offer Price is fixed at **HK$0.4** per Share (being the **high end** of the Offer Price range stated in this prospectus)	Approximately HK$95.2 million	Approximately HK$116.1 million
If the Offer Price is fixed at **HK$0.35** per Share (being the **low end** of the Offer Price range stated in this prospectus)	Approximately HK$80.8 million	Approximately HK$99.0 million

We intend to apply the net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses borne by our Company in connection with the Share Offer and assuming that the Over-allotment Option is not exercised at all and an Offer Price of HK$0.375, being the mid-point of the Offer Price range, of approximately HK$88.0 million as follows:

(i) approximately 54.7% of the total estimated net proceeds, or approximately HK$48.1 million, will be used to acquire machinery in order to expand our leasing business scale and capabilities;

(ii) approximately 43.8% of the total estimated net proceeds, or approximately HK$38.6 million, will be used to acquire machinery in order to expand our transportation business scale and capabilities;

(iii) approximately 1.5% of the total estimated net proceeds, or approximately HK$1.3 million, will be used for the funding of our working capital and other general corporate uses.

For illustration purpose, for the period from the Latest Practicable Date to 30 September 2019, our net proceeds from the Share Offer will be used as follows:

	From the Latest Practicable Date to 31 March 2017	Six months ending 30 September 2017	31 March 2018	30 September 2018	31 March 2019	30 September 2019	Total	Percentage
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	*%*
Expansion of our leasing fleet	15.1	12.3	7.2	5.7	4.8	3.0	48.1	54.7
Expansion of our transportation fleet	7.7	6.6	6.4	5.9	6.4	5.6	38.6	43.8
General working capital	1.3	—	—	—	—	—	1.3	1.5
	24.1	18.9	13.6	11.6	11.2	8.6	88.0	100.0

In the event that the Offer Price is set at the high-end of the proposed Offer Price range, our Company will receive additional net proceeds of the Share Offer of approximately HK$7.2 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 in the same proportions as set out above.

In the event that the Offer Price is set at the low-end of the proposed Offer Price range, the net proceeds of the Share Offer will decrease by approximately HK$7.2 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 will reduce our allocation of the net proceeds to the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, we estimate that we would receive additional net proceeds of approximately HK$19.5 million, assuming an Offer Price of HK$0.375 per Share, being the mid-point of the Offer Price range stated in this prospectus. The additional net proceeds received from the exercise of the Over-allotment Option will be applied pro rata to the above mentioned purposes. If the Over-allotment Option is exercised at the higher or lower end of the Offer Price range stated in this prospectus, we will adjust our allocation of the net proceeds for the above mentioned purposes on a pro rata basis.

To the extent that the net proceeds of the Share Offer which we will receive are not immediately applied for the above purposes, we currently intend to deposit such net proceeds into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

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

The net proceeds from the Sale Shares will not contribute to our Group and will be attributable to Lion Spring Enterprises Limited, which are estimated to be approximately HK$21.7 million and calculated based on an Offer Price of HK$0.375 per Share, being the mid-point of the Offer Price range stated in this prospectus.

PUBLIC OFFER UNDERWRITERS

Joint Lead Managers and Bookrunners

Ample Orient Capital Limited
Gransing Securities Co., Limited

Co-Managers

China Jianxin Financial Services Limited
Head & Shoulders Securities Limited
Huajin Securities (International) Limited
Sorrento Securities Limited

PUBLIC OFFER UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription of 36,000,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. Subject to, among other matters, the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and the Offer Price having been determined by our Company (for itself and on behalf of the Selling Shareholder) and AOCL (for itself and on behalf of the Underwriters) at or prior to Monday, 6 February 2017 or such other date or time as may be agreed between our Company (for itself and on behalf of the Selling Shareholder) and AOCL (for itself and on behalf of the Underwriters) but in any event not later than Tuesday, 7 February 2017, the Public Offer Underwriters have agreed on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

The Public Offer Underwriting Agreement is subject to various conditions, which include, but without limitation, the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated. The Public Offer Shares are fully underwritten pursuant to the Public Offer Underwriting Agreement.

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. AOCL (for itself and on behalf of the Public Offer Underwriters) may in its absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to our Company at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date (the "**Termination Time**") if:

(i) there shall develop, occur, exist or come into effect:

(a) any change or prospective change (whether or not permanent) in the business or in the 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, BVI, Cayman Islands or any other jurisdictions where any member of our Group is incorporated or operates (collectively, the "**Relevant Jurisdictions**"); or

(c) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or

(d) any new laws or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or

(e) a change or development or event involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares; or

(f) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or

(g) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement pursuant to the indemnities contained therein; or

(h) (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or

(i) the imposition of economic or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or

(j) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, 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. dollars 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) an order or a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto in respect of any member of our Group; or

(r) any loss or damage sustained by any member of our Group; or

(s) save as disclosed in this prospectus, any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group; or

(t) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from taking part in the management of a company; or

(u) the chairman or president of our Company vacating his office; or

(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 AOCL (for itself and on behalf of the Public Offer Underwriters):

(a) is or will or may individually or in the aggregate have a material adverse effect on the business, financial, trading or other condition or prospects of our Group taken as a whole; or

(b) has or will or may have a material adverse effect on the success of the Public Offer, the Placing and/or the Share Offer or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or

(c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any material part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement, the Public Offer, the Placing and/or the Share Offer to be performed or implemented in accordance with its terms or (ii) to proceed with or to market the Public Offer, the Placing and/or the Share Offer on the terms and in the manner contemplated in this prospectus; or

(ii) the Public Offer Underwriters shall become aware of the fact that, or have cause to believe that:

(a) any of the warranties given by our Company, Controlling Shareholders and executive Directors under the Public Offer Underwriting Agreement or pursuant to the Placing Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated as determined by AOCL (in its sole and absolute discretion), or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect;

(b) any statement contained in this prospectus or the Application Forms was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if this prospectus were to be issued at that time, constitute a material omission therefrom as determined by the Sponsor (in its sole and absolute discretion), or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus and/or any announcements issued by our Company in connection with the Public Offer (including any supplemental or amendment thereto) are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or

(c) there has been a material breach on the part of any of our Company, Controlling Shareholders and executive Director of any of the provisions of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement as determined by AOCL (in its sole and absolute discretion).

Lock-up undertakings pursuant to the Public Offer Underwriting Agreement

Undertakings by our Company

Our Company has undertaken to the Sponsor, the Joint Lead Managers and the Public Offer Underwriters that our Company shall, and each of our Controlling Shareholders have undertaken to the Sponsor and the Joint Lead Managers to procure our Company, among others, that:

(a) except pursuant to the Share Offer, the Capitalisation Issue, the exercise of the subscription rights attaching to the Over-allotment Option or share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules, not without the prior written consent of the Sponsor and AOCL (for itself and on behalf of the Public Offer Underwriter) 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 or the exercise of the subscription rights attaching to the Over-allotment Option or share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules or under Note (2) to Rule 10.07 of the Listing Rules;

(c) not at any time within the period of six months immediately following the expiry of the First Six-month Period (the "**Second Six-month Period**") do any of the acts set out in (a) and (b) above such that any of our Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder of our Company (within the meaning defined in the Listing Rules);

(d) in the event that our Company does any of the acts set out in clause (a) or (b) after the expiry of the First Six-month Period or any of the acts set out in clause(c) the Second Six-month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Provided that none of the above undertakings shall (a) restrict our Company's ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such Subsidiaries ceasing to be a subsidiary of our Company; or (b) restrict any of the subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that Subsidiary ceasing to be a subsidiary of our Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has represented, warranted and undertaken to the Sponsor, the Joint Lead Managers, the Public Offer Underwriters and our Company, among others, that:

(a) he or she or it shall not, without the prior written consent (which consent shall not be unreasonably withheld) of the Sponsor and AOCL (for itself and on behalf of the Public Offer Underwriters), directly or indirectly, and shall procure that none of his or her or its associates (as defined in the Listing Rules) or companies controlled by him or her or it or any nominee or trustee holding in trust for him or her or it shall, during the First Six month Period, offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or 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 she or it is shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares (or any interest therein or any of the voting or other rights attaching thereto); or

(b) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities, at any time during the First Six-month Period, save as provided under notes (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules, and in the event of a disposal of any Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities at any time during the Second Six-month period, (1) such disposal shall not result in any of our Controlling Shareholders ceasing to be our controlling shareholder (as defined in the Listing Rules) of our Company at any time during the Second Six-month Period; and (2) he or she or it shall take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Without prejudice to our Controlling Shareholders' undertaking above, each of the Controlling Shareholders undertakes to the Sponsor, the Joint Lead Managers and our Company that within the First Six-month Period and the Second Six-month Period he or she or it shall:

(a) if and when he or she 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 her or it (or any beneficial interest therein), immediately inform our Company, the Sponsor and AOCL 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 she 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 her or it will be disposed of, immediately inform our Company, the Sponsor and AOCL 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 Over-allotment Option or unless in compliance with the requirements of the Listing Rules, he or she or it shall not, and shall procure that the relevant registered holder(s) shall not, (i) at any time during the period commencing on the date by reference to which disclosure of his or her or its shareholding in our Company is made in the prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of the Company in respect of which he or she or it is shown by this prospectus to be the beneficial owner; and (ii) at any time during the period of six months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or she or it would cease to be our Controlling Shareholder.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, our Controlling Shareholders have further undertaken to us and the Stock Exchange that he or she or it will, within a period of commencing on the date by reference to which disclosure of his or her or its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of:

(a) pledges or charges of any Shares or other securities of our Company beneficially owned by any of our Controlling Shareholders in favor of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform the Company in writing of such pledge or charge together with the number of such Shares or other securities of our Company so pledged or charged; and

(b) when he or she or it or the relevant registered holders receive indication, either verbal or written, from any pledgee or chargee of any of the pledged or charges Shares or other securities of our Company pledged or charged that any of such securities will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as it is informed of the above matters by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement or arrangement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Share Offer (including the exercise of the Over-allotment Option) and the Capitalisation Issue or in certain circumstances prescribed by Rule 10.08 of the Listing Rules which includes the grant of options and the issue of Shares pursuant to the Share Option Scheme.

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and Controlling Shareholders will enter into the Placing Underwriting Agreement with, among other parties, 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 324,000,000 Placing Shares (comprising 264,000,000 New Shares and 60,000,000 Sale Shares) initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the section headed “Lock-up undertakings to the Public Offer” above in this section. It is also expected that upon entering into the Placing Underwriting Agreement, the Placing will be fully underwritten.

Our Company is expected to grant to the Placing Underwriters the Over-allotment Option exercisable by AOCL or its agent, 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 54,000,000 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

According to the Public Offer Underwriting Agreement, the Public Offer Underwriters will receive underwriting commissions of 3.5% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offer out of which the Public Offer Underwriters may pay any sub-underwriting commission in connection with the Public Offer. The Placing Underwriters are expected to receive an underwriting commission on the aggregate Offer Price payable for the Placing Shares initially offered under the Placing.

Based on the Offer Price of HK$0.375 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 (comprising 300,000,000 New Shares to be offered for subscription by our Company and 60,000,000 Sale Shares to be offered for sale by the Selling Shareholder in the Share Offer), are estimated to amount to approximately HK$4.7 million in total (assuming the Over-allotment Option is not exercised). We will also pay for all expenses in connection with any exercise of the Over-allotment Option.

The Selling Shareholder will pay underwriting commission, brokerage, SFC transaction levy and Stock Exchange trading fee and any stamp or capital duty (if any) or premium duty (if any) in respect of the Sale Shares.

SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sponsor will receive a documentation fee. The Joint Lead Managers and the Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the section headed "Commission and expenses" above.

We have appointed Ample Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the full financial year commencing after the Listing Date.

As at the Latest Practicable Date and 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 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.

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of initially 360,000,000 Offer Shares (comprising 300,000,000 New Shares and 60,000,000 Sale Shares) (subject to Over-allotment Option) will be made available under the Share Offer, of which:

(i) 324,000,000 Placing Shares comprising 264,000,000 New Shares and 60,000,000 Sale Shares) (subject to reallocation and the Over-allotment Option), representing 90% of the Offer Shares, will initially be conditionally placed with professional, institutional and other investors under the Placing; and

(ii) 36,000,000 Public Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Public Offer.

The Public Offer Underwriters have agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters are expected to 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 Offers Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both.

The Placing

Our Company is expected to offer initially 324,000,000 Placing Shares comprising 264,000,000 New Shares and 60,000,000 Sale Shares (subject to reallocation and the Over-allotment Option) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer. The Placing is expected to be fully underwritten by the Placing Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

It is expected that the Placing Underwriters or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with professional, institutional and other investors. Professional, institutional and other 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 our Company and the Shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

Our Company, our Directors, the Sponsor and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Public Offer from investors who receive Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Shares under the Public Offer.

The Placing is expected to be subject to the conditions as stated in the section headed "Structure and Conditions of the Share Offer — Conditions of the Share Offer" in this prospectus.

The Public Offer

Our Company is initially offering 36,000,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares offered under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the Offer Price being agreed on or before the Price Determination Date. Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK$0.4 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

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.

The total number of the Offer Shares available under the Public Offer is to be divided into two pools of 18,000,000 Public Offer Shares for each of pool A and pool B, respectively, for allocation purposes:

- Pool A: the Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate subscription price of HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) or less; and

- Pool B: the Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly.

Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Multiple applications or suspected multiple applications and any application made for more than 50% of the 36,000,000 Shares initially comprised in the Public Offer (i.e. 18,000,000 Public Offer Shares) are liable to be rejected.

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is over-subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

BASIS OF ALLOCATION OF THE OFFER SHARES

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

(a) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 108,000,000 Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;

(b) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 144,000,000 Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and

(c) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 180,000,000 Shares, representing 50% of the number 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.

If the Public Offer Shares are not fully subscribed, AOCL has the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as AOCL deems appropriate. In addition, AOCL may reallocate Placing Shares (other than Sale Shares which are to be offered for sale by the Selling Shareholder pursuant to the Placing) from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares (other than the Sale Shares which are to be offered by the Selling Shareholders pursuant to the Placing) to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of AOCL.

OVER-ALLOTMENT OPTION

In connection with the Share Offer, our Company is expected to grant the Over-allotment Option to the Placing Underwriters, exercisable by AOCL (for itself and on behalf of the Placing Underwriters).

Pursuant to the Over-allotment Option, the Placing Underwriters will have the right, exercisable by AOCL (for itself and on behalf of the Placing Underwriters) at any time during the 30-day period from the last day for lodging applications under the Public Offer, to require our Company to issue up to an aggregate of 54,000,000 Shares, representing 15% of the total number of Offer Shares initially available under the Share Offer, at the Offer Price under the Placing to cover over-allocations in the Placing, if any. If the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the Offer Price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Share Offer, the Stabilising Managers, or any person acting for them, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Managers or any person acting for them to conduct any such stabilising action. Such stabilising action, if taken, (i) will be conducted at the absolute discretion of the Stabilising Managers or any person acting for them and in what the Stabilising Managers reasonably regards as the best interest of our Company, (ii) may be discontinued at any time and (iii) is required to be brought to an end within 30 days of the last day for lodging applications under the Public Offer.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases; and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Managers or any person acting for them may, in connection with the stabilising action, maintain a long position in the Shares;

- there is no certainty as to the extent to which and the time or period for which the Stabilising Managers or any person acting for them will maintain such a long position;

- liquidation of any such long position by the Stabilising Managers or any person acting for them and selling in the open market, may have an adverse impact on the market price of the Shares;

- no stabilising action can be taken to support the price of the Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on 5 March 2017, being the 30th day after the last day for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

Over-allocation

Following any over-allocation of Shares in connection with the Share Offer, the Stabilising Managers or any person acting for them may cover such over-allocations by, among others, exercising the Over-allotment Option in full or in part or by using Shares purchased by the Stabilising Managers or any person acting for them in the secondary market at prices that do not exceed the Offer Price or through the stock borrowing arrangement as detailed below or a combination of these means. Any such purchases will be made in accordance with the laws, rules, and regulations in place in Hong Kong, including in relation to stabilisation, the Securities and Futures (Price Stabilizing) Rules, as amended and supplemented to from time to time made under the SFO. The number of Shares which can be over-allocated will not exceed 54,000,000 Shares, representing 15% of the Offer Shares initially available under the Share Offer.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Share Offer, the Stabilising Managers or any person acting for them may choose to borrow up to 54,000,000 Shares (being the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) from Lion Spring Enterprises Limited pursuant to the Stock Borrowing

Agreement, which may be entered into between the Stabilising Managers (or any person acting for them) and Lion Spring Enterprises Limited, or acquire Shares from other sources, including exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price.

If such stock borrowing arrangement with Lion Spring Enterprises Limited is entered into, it will only be effected by the Stabilising Managers or any person acting for them for the settlement of over-allocations in the Placing and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the Placing, are complied with.

The same number of Shares so borrowed must be returned to Lion Spring Enterprises Limited or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised and (ii) the day on which the Over-allotment Option is exercised in full.

The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Lion Spring Enterprises Limited by the Stabilising Managers or any person acting for them in relation to such stock borrowing arrangement.

DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between AOCL (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on or before Monday, 6 February 2017.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lowered than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK$0.4 per Offer Share and is expected to be not less than HK$0.35 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.

AOCL (for itself and on behalf of the Underwriters) may, where they consider appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the number of the Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day lodging applications under the Public Offer, cause there to be posted on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.sanrochk.com** notices of reduction in the number of the Offer Shares and/ or the indicative Offer

Price range. Upon issue of such a notice, the revised number of the Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company (for itself and on behalf of the Selling Shareholder), will be fixed within such revised number of the Offer Shares and/or Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice being published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.sanrochk.com** of a reduction in the number of the Offer Shares and/or the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by AOCL (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If, for any reason, the Offer Price is not agreed between our Company (for itself and on behalf of the Selling Shareholder) and AOCL (for itself and on behalf of the Underwriters) on or before Tuesday, 7 February 2017, the Share Offer will not proceed and will lapse.

Announcement of the final Offer Price, together with the level of indication of interests in the Placing and the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on Thursday, 9 February 2017.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$0.4 per Offer Share and is expected to be not less than HK$0.35 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK$0.4 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK$3,232.25 per board lot of 8,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK$0.4 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

Further details are set out in the section headed "How to Apply for Public Offer Shares" in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, among others, the satisfaction of all of the following conditions:

1. **Listing**

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer and Shares which fall to be allotted and issued upon the exercise of the Over-allotment Option and upon the exercise of any options which may be granted under the Share Option Scheme (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

2. **Underwriting Agreements**

The obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s)) and such obligations not being terminated in accordance with the terms of the Underwriting Agreements.

3. **Price determination**

The Offer Price having been determined and the execution of the Price Determination Agreement on or before the Price Determination Date.

If any of the conditions is not fulfilled or waived on or before the times specified above, the Share Offer will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the section headed "How to Apply for Public Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

DEALING

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 10 February 2017, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 10 February 2017.

The Shares will be traded in board lots of 8,000 Shares each. The stock code of the Shares will be 1660.

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Lead Manager(or their agents or nominees) may accept their at its discretion and on any conditions they thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 27 January 2017 to 12:00 noon on Friday, 3 February 2017 from:

(i) the office of the following parties:

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

Gransing Securities Co., Limited
805-806, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

China Jianxin Financial Services Limited
Room 907, Wing On Centre
111 Connaught Road Central
Hong Kong

Head & Shoulders Securities Limited
Room 2511, 25/F, Cosco Tower
183 Queen's Road Central
Hong Kong

Huajin Securities (International) Limited
Suite 1101, 11/F
Champion Tower
3 Garden Road
Central, Hong Kong

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

(ii) any of the following branches of The Bank of East Asia, Limited, the receiving bank for the Public Offer:

District	**Branch name**	**Address**
Hong Kong Island	Main Branch	10 Des Voeux Road Central, Central
	Wanchai Branch	Shop A-C, G/F, Easey Commercial Building, 253-261 Hennessy Road, Wanchai
	North Point Branch	326-328 King's Road, North Point
Kowloon	Mei Foo Sun Chuen Branch	Shop N57, G/F, Mount Sterling Mall, Mei Foo
	Yaumatei Branch	G/F, 526 Nathan Road, Yaumatei
	Kwun Tong Branch	7 Hong Ning Road, Kwun Tong

New Territories	Tai Wai Branch	Cheung Fung Mansion, 16-18 Tai Wai Road, Shatin
	Tuen Mun Branch	Shop G16, G/F, Eldo Court Shopping Centre, Tuen Mun

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 27 January 2017 until 12:00 noon on Friday, 3 February 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "The Bank of East Asia (Nominees) Limited — Sanroc International Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Friday, 27 January 2017: 9:00 a.m. to 5:00 p.m.
- Wednesday, 1 February 2017: 9:00 a.m. to 5:00 p.m.
- Thursday, 2 February 2017: 9:00 a.m. to 5:00 p.m.
- Friday, 3 February 2017: 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 3 February 2017, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sponsor and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;

(vi) agree that none of our Company, the Sponsor, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;

(viii) agree to disclose to the Company, our Hong Kong Branch Share Registrar, receiving bank, the Sponsor, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sponsor, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 27 January 2017 until 11:30 a.m. on Friday, 3 February 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 3 February 2017 or such later time under the "Effects of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The advantage of **HK eIPO White Form** is to save the use of paper via the self-serviced and electronic application process. Our Company and the Sponsor encourage you to utilise this application channel should you desire the Public Offer Shares to be issued under your own name.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sponsor, the Joint Lead Managers and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Public Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;

- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, the Directors, the Sponsor and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sponsor, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sponsor, the Joint Lead Managers, the Underwriters and/ or their respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association of the Company; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 8,000 Public Offer Shares. Instructions for more than 8,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Friday, 27 January 2017 — 9:00 a.m. to 8:30 p.m.[(1)]

- Wednesday, 1 February 2017 — 8:00 a.m. to 8:30 p.m.[(1)]

- Thursday, 2 February 2017 — 8:00 a.m. to 8:30 p.m.(1)
- Friday, 3 February 2017 — 8:00 a.m.(1) to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, 27 January 2017 until 12:00 noon on Friday, 3 February 2017 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, 3 February 2017, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving banker, the Sponsor, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sponsor, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, 3 February 2017.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 8,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 8,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure and Conditions of Share Offer — Determining the Offer Price".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 3 February 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 3 February 2017 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 9 February 2017 on our Company's website at **www.sanrochk.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.sanrochk.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, 9 February 2017;

- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 9 February 2017 to 12:00 mid-night on Wednesday, 15 February 2017;

- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 9 February 2017 to Tuesday, 14 February 2017 (excluding Saturday and Sunday);

- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 9 February 2017 to Monday, 13 February 2017 at all the receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Share Offer".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) **If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Sponsor, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) **If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Sponsor or the Joint Lead Managers believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$0.4 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and Conditions of the Share Offer — Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 9 February 2017.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or about Thursday, 9 February 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 10 February 2017 provided that the Share Offer has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) ***If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 9 February 2017 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 9 February 2017, by ordinary post and at your own risk.

(ii) ***If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection your refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 9 February 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 9 February 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(iii) ***If you apply through a designated CCASS participant (other than a CCASS investor participant)***

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

(iv) ***If you are applying as a CCASS investor participant***

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 9 February 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(v) ***If you apply through the HK eIPO White Form service***

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 9 February 2017, or such other date as notified by our Company as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 9 February 2017 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(vi) ***If you apply via Electronic Application Instructions to HKSCC***

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 9 February 2017, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of Results" above on Thursday, 9 February 2017. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 9 February 2017 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 9 February 2017. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 9 February 2017.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from the 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.

pwc 羅兵咸永道

27 January 2017

The Directors
Sanroc International Holdings Limited

Ample Capital Limited

Dear Sirs,

We report on the financial information of Sanroc International Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the combined balance sheets as at 31 March 2014, 2015 and 2016 and 31 July 2016, the balance sheet of the Company as at 31 July 2016, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 27 January 2017 (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 25 July 2016 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in note 1.2 of Section II headed "Reorganisation" below, which was completed on 10 November 2016, 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 1.2 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

No statutory audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The statutory 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 the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in note 1.2 of Section II.

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"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA pursuant to separate terms of engagement with the Company.

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 1.3 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 1.3 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 1.3 of Section II below, a true and fair view of the financial position of the Company as at 31 July 2016 and of the combined financial position of the Group as at 31 March 2014, 2015 and 2016 and 31 July 2016 and of the Group's combined financial performance and cash flows for the Relevant Periods.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Section I to II below included in Appendix I to the Prospectus which comprises the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for the four months ended 31 July 2015 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation set out in note 1.3 of Section II below and the accounting policies set out in note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'' issued by the HKICPA. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report is not prepared, in all material respects, in accordance with the basis of presentation set out in note 1.3 of Section II below and the accounting policies set out in note 2 of Section II below.

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 2014, 2015 and 2016 and 31 July 2016 and for each of the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2015 and 2016 (the "Financial Information"), presented on the basis set out in note 1.3 below.

Combined statements of comprehensive income

		Year ended 31 March			Four months ended 31 July	
	Note	**2014**	**2015**	**2016**	**2015**	**2016**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Revenue	5	112,834	207,534	205,439	81,326	58,484
Cost of sales and services	7	(85,574)	(154,152)	(147,477)	(62,191)	(39,757)
Gross profit		27,260	53,382	57,962	19,135	18,727
Other income and gains/(losses), net	6	71	(3,184)	(62)	(1,980)	(873)
Selling expenses	7	(3,466)	(3,319)	(3,453)	(1,084)	(851)
Administrative expenses	7	(8,274)	(11,054)	(13,828)	(3,771)	(8,936)
Operating profit		15,591	35,825	40,619	12,300	8,067
Finance income	9	26	115	229	2	90
Finance costs	9	(493)	(640)	(927)	(240)	(460)
Finance costs, net		(467)	(525)	(698)	(238)	(370)
Profit before income tax		15,124	35,300	39,921	12,062	7,697
Income tax expenses	10	(2,561)	(5,853)	(6,936)	(1,991)	(2,114)
Profit for the year/period		12,563	29,447	32,985	10,071	5,583
Profit and total comprehensive income attributable to equity holders of the Company		12,563	29,447	32,985	10,071	5,583

Combined balance sheets

	Note	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016	As at 31 July 2016
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Non-current assets					
Machinery and equipment	13	76,557	113,058	121,141	134,303
Deferred income tax assets	19	8	15	163	240
Deposits, prepayments and other receivables	14	1,445	965	1,640	1,440
Finance lease receivables	15	203	—	3,098	2,058
Restricted cash	17	—	—	10,000	10,000
		78,213	114,038	136,042	148,041
Current assets					
Inventories	16	5,646	13,366	12,813	8,570
Income tax recoverable		—	—	—	2,535
Trade and bills receivables	14	29,553	26,502	36,621	30,899
Deposits, prepayments and other receivables	14	261	1,584	2,540	3,346
Amounts due from related companies	26(c)	970	888	—	12
Amount due from a director	26(c)	250	591	591	—
Restricted cash	17	—	751	—	—
Cash and cash equivalents	17	2,240	26,291	37,420	44,320
Finance lease receivables	15	1,439	763	3,309	3,309
		40,359	70,736	93,294	92,991
Total assets		118,572	184,774	229,336	241,032
EQUITY					
Capital and reserves attributable to the owners of the Company					
Combined share capital	18	2,500	2,500	2,500	2,500
Retained earnings		53,510	82,957	115,942	121,525
Total equity		56,010	85,457	118,442	124,025

					As at
			As at 31 March		**31 July**
	Note	**2014**	**2015**	**2016**	**2016**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	19	10,333	14,875	16,630	16,877
Obligations under finance leases	23	—	—	10,114	10,121
		10,333	14,875	26,744	26,998
Current liabilities					
Trade and bills payables	20	19,277	30,334	28,520	40,246
Accruals and other payables	20	6,377	6,901	4,747	8,989
Derivative financial instruments	21	—	1,979	—	—
Amounts due to related companies	26(c)	5,477	7,352	216	75
Amounts due to directors	26(c)	4,904	19,539	18,583	—
Borrowings	22	15,613	16,438	23,300	30,134
Income tax payable		581	1,899	3,776	5,120
Obligations under finance leases	23	—	—	5,008	5,445
		52,229	84,442	84,150	90,009
Total liabilities		62,562	99,317	110,894	117,007
Total equity and liabilities		118,572	184,774	229,336	241,032

Balance sheet of the Company

	As at 31 July 2016
	HK$
ASSETS	
Current assets	
Amount due from a related company	1
Total assets	1
DEFICIT	
Capital and reserves attributable to the owners of the Company	
Share capital	1
Accumulated losses	(42,200)
Total deficit	(42,199)
LIABILITIES	
Current liabilities	
Amount due to a subsidiary	42,200
Total deficit and liabilities	1

Combined statements of changes in equity

	Combined share capital *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
At 1 April 2013	2,500	40,947	43,447
Comprehensive income			
Profit for the year	—	12,563	12,563
At 31 March 2014	2,500	53,510	56,010
At 1 April 2014	2,500	53,510	56,010
Comprehensive income			
Profit for the year	—	29,447	29,447
At 31 March 2015	2,500	82,957	85,457
At 1 April 2015	2,500	82,957	85,457
Comprehensive income			
Profit for the period (unaudited)	—	10,071	10,071
At 31 July 2015	2,500	93,028	95,528
At 1 April 2015	2,500	82,957	85,457
Comprehensive income			
Profit for the year	—	32,985	32,985
At 31 March 2016	2,500	115,942	118,442
At 1 April 2016	2,500	115,942	118,442
Comprehensive income			
Profit for the period	—	5,583	5,583
At 31 July 2016	2,500	121,525	124,025

Combined statements of cash flows

		Year ended 31 March			Four months ended 31 July	
	Note	**2014**	**2015**	**2016**	**2015**	**2016**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Cash flows from operating activities						
Net cash generated from/(used in) operations	25(a)	27,758	64,851	35,715	(26,299)	42,474
Interest paid		(493)	(640)	(927)	(240)	(460)
Income tax paid		—	—	(3,452)	—	(3,135)
Net cash generated from/(used in) operating activities		27,265	64,211	31,336	(26,539)	38,879
Cash flows from investing activities						
Interest income on bank deposits received		—	30	21	1	1
Purchase of machinery and equipment	13, 25(c)	(26,740)	(62,791)	(32,614)	(7,473)	(19,866)
(Increase)/decrease in finance lease receivables		(1,000)	964	(5,436)	764	1,129
Proceeds from disposal of machinery and equipment	25(b)	2,892	4,166	20,549	11,682	545
Net cash (used in)/generated from investing activities		(24,848)	(57,631)	(17,480)	4,974	(18,191)

	Note	Year ended 31 March			Four months ended 31 July	
		2014	2015	2016	2015	2016
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Cash flows from financing activities						
Repayment of finance lease obligations		—	—	(1,295)	(47)	(1,556)
Proceeds from borrowings		15,430	20,000	23,754	20,000	10,452
Repayment of borrowings		(15,356)	(19,175)	(16,892)	(5,008)	(3,618)
Listing expenses paid		—	—	(646)	—	(1,149)
(Decrease)/increase in amounts due to/from directors		(3,952)	14,294	(956)	(434)	(17,992)
Increase/(decrease) in amounts due to related companies		347	2,352	(6,692)	—	75
Net cash (used in)/generated from financing activities		(3,531)	17,471	(2,727)	14,511	(13,788)
Net (decrease)/increase in cash and cash equivalents		(1,114)	24,051	11,129	(7,054)	6,900
Cash and cash equivalents at beginning of the year		3,354	2,240	26,291	26,291	37,420
Cash and cash equivalents at end of the year	17	2,240	26,291	37,420	19,237	44,320

II NOTES TO THE FINANCIAL INFORMATION

1 General information, reorganisation and basis of presentation

1.1 *General information*

The Company was incorporated in the Cayman Islands on 25 July 2016 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in trading of machinery and spare parts, leasing of machinery and the provision of related services, and the provision of transportation services in Hong Kong. The controlling shareholders of the Group during the Relevant Periods are Ms. Wong Fei Heung Terbe ("Mrs. Siu") and Mr. Siu Chun Yiu Jonathan ("Mr. Siu") (the "Controlling Shareholders").

The Financial Information is presented in Hong Kong dollars ("HK$") unless otherwise stated.

1.2 *Reorganisation*

In preparing for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the following reorganisation activities were carried out.

Prior to the incorporation of the Company and the completion of the reorganisation as described below (the "Reorganisation"), the business of the Group was primarily carried out by Sanroc International (Hong Kong) Limited ("Sanroc International"), Sanroc Leasing (Plant & Machinery) Limited ("Sanroc Leasing") and Santech Transportation Limited ("Santech Transportation") (previously known as Sanetech Limited) (collectively the "Operating Companies").

Pursuant to the Reorganisation, Sanroc International, Sanroc Leasing and Santech Transportation were transferred to the Company through the following steps:

(i) On 12 September 2016, Mrs. Siu entered into a share sale and purchase agreement, pursuant to the terms of which Mrs. Siu transferred 401,000 shares in Santech Transportation to Liloy Holdings Limited ("Liloy Holdings"), a company beneficially owned by Mrs. Siu and Mr. Siu. In consideration, Liloy Holdings allotted and issued 2 shares, credited as fully paid at par, to Mrs. Siu. As a result, Santech Transportation became a wholly-owned subsidiary of Liloy Holdings since 7 October 2016.

(ii) On 12 May 2016, 6 June 2016 and 11 April 2016, Jubilee Land Holdings Limited ("Jubilee Land"), Red Day Global Limited ("Red Day") and Jovial Lead Global Limited ("Jovial Lead") were incorporated in the British Virgin Islands (the "BVI") respectively. Upon incorporation, Jubilee Land was held by Mrs. Siu while Red Day and Jovial Lead were held by Liloy Holdings.

(iii) On 26 August 2016, Mrs. Siu and Jubilee Land entered into a share sale and purchase agreement pursuant to the terms of which Mrs. Siu transferred 500,000 shares, representing the entire issued capital in Sanroc Leasing, to Jubilee Land. In consideration, Jubilee Land allotted and issued 1 share, credited as fully paid, to Mrs. Siu. As a result, Sanroc Leasing became a wholly-owned subsidiary of Jubilee Land since 12 September 2016.

(iv) a) On 19 September 2016, Mrs. Siu and Liloy Holdings entered into a capital contribution agreement, pursuant to the terms of which Mrs. Siu transferred all her shares in Jubilee Land to Liloy Holdings. In exchange, Liloy Holdings allotted and issued 57,617 shares, credited as fully paid, to Mrs. Siu.

b) On 1 September 2016, Liloy Holdings and Red Day entered into a capital contribution agreement, pursuant to the terms of which Liloy Holdings transferred all its shares in Sanroc International to Red Day. In exchange, Red Day allotted and issued 1 share, credited as fully paid, to Liloy Holdings.

c) On 11 October 2016, Liloy Holdings and Jovial Lead entered into a capital contribution agreement, pursuant to the terms of which Liloy Holdings transferred all its shares in Santech Transportation to Jovial Lead. In exchange, Jovial Lead allotted and issued 1 share, credited as fully paid, to Liloy Holdings.

As a result of the above reorganisation steps, Sanroc Leasing, Sanroc International and Santech Transportation became wholly-owned subsidiaries of Jubilee Land, Red Day and Jovial Lead on 22 September 2016, 22 September 2016 and 11 October 2016, respectively.

(v) The Company was incorporated in the Cayman Islands on 25 July 2016 with an authorised share capital of HK$380,000 divided into 380,000 shares with a par value of HK$1 each.

(vi) On 18 May 2016, Lion Spring Enterprises Limited ("Lion Spring") was incorporated in the BVI. On 1 August 2016, 3 shares of Lion Spring, all credited as fully paid, and representing 100% of the entire issued shares of Lion Spring, were allotted and issued, and each of Mr. Siu, Mrs. Siu and Foundton Worldwide Limited ("Foundton Worldwide"), a company beneficially owned by Mrs. Siu, held 1 share of Lion Spring. On 12 October 2016, Mr. Siu, Mrs. Siu and Foundton Worldwide transferred 107,619 shares in Liloy Holdings, representing its entire issued share capital, to Lion Spring. In exchange, Lion Spring allotted and issued 24,999, 57,618 and 24,999 shares, credited as fully paid, to Mr. Siu, Mrs. Siu and Foundton Worldwide, respectively.

(vii) On 3 November 2016, Liloy Holdings distributed all its shares in Jubilee Land, Red Day and Jovial Lead to Lion Spring. As a result, Jubilee Land, Red Day and Jovial Lead became wholly-owned subsidiaries of Lion Spring.

(viii) a) On 10 November 2016, Lion Spring transferred all its shares in Jubilee Land to the Company. In exchange, the Company allotted and issued 1 share, credited as fully paid, to Lion Spring.

b) On 10 November 2016, Lion Spring transferred all its shares in Red Day to the Company. In exchange, the Company allotted and issued 1 share, credited as fully paid, to Lion Spring.

c) On 10 November 2016, Lion Spring transferred all its shares in Jovial Lead to the Company. In exchange, the Company allotted and issued 1 share, credited as fully paid, to Lion Spring.

As a result of the above reorganisation steps, Sanroc Leasing, Sanroc International and Santech Transportation became indirect wholly-owned subsidiaries of the Company.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of company	Place and date of incorporation	Issued and paid up capital	Equity interest held by the Company					Principal activities and place of Operation	Note
			As at 31 March			As at 31 July	As at the date of this report		
		HK$	**2014**	**2015**	**2016**	**2016**			
Directly held:									
Jubilee Land	BVI, 12 May 2016	16	N/A	N/A	N/A	N/A	100%	Investment holding in Hong Kong	(i)
Red Day	BVI, 6 June 2016	16	N/A	N/A	N/A	N/A	100%	Investment holding in Hong Kong	(i)
Jovial Lead	BVI, 11 April 2016	16	N/A	N/A	N/A	N/A	100%	Investment holding in Hong Kong	(i)
Indirectly held:									
Sanroc International	Hong Kong, 26 September 1996	1,000,000	100%	100%	100%	100%	100%	Sales of machinery and spare parts, rental of machinery and the provision of related services in Hong Kong	(ii)
Sanroc Leasing	Hong Kong, 12 August 1998	500,000	100%	100%	100%	100%	100%	Sales of machinery and spare parts, rental of machinery and the provision of related services in Hong Kong	(ii)
Santech Transportation	Hong Kong, 25 July 1991	1,000,000	100%	100%	100%	100%	100%	Provision of transportation services in Hong Kong	(ii)

Notes:

(i) There are no statutory audit requirements for these companies.

(ii) The statutory financial statements of these subsidiaries for the years ended 31 March 2014 and 2015 were audited by Chang Leung Hui & Li C.P.A. Limited. The statutory financial statements of these subsidiaries for the year ended 31 March 2016 were audited by PricewaterhouseCoopers.

1.3 ***Basis of presentation***

The Controlling Shareholders managed and collectively controlled the Operating Companies immediately before and after the Reorganisation which operate the business of the Group. Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group with no change in management and the ultimate owners of the Operating Companies. The combined statements of comprehensive income, the combined statements of cash flows and the combined statements of changes in equity of the Group for each of the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016 have been prepared using the financial information of the Operating Companies which are under the same ownership of the Controlling Shareholders and now comprising the Group as if the current group structure had been in existence throughout each of the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016 or since the respective dates of establishment of the combining companies or acquisition, whichever is a shorter period. The combined balance sheets of the Group as at 31 March 2014, 2015 and 2016 and 31 July 2016 have been prepared to present the assets and liabilities of the Operating Companies and the companies now comprising the Group at these dates, as if the current group structure had been in existence as at these dates.

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

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 during the Relevant Periods, unless otherwise stated.

2.1 ***Basis of preparation***

The principal accounting policies applied in the preparation of the Financial Information which are in accordance with 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 in accordance with HKFRSs under the historical cost convention as modified by the revaluation of derivative financial instruments, which are stated at fair value.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4 below.

The following are new standards and amendments to standards that have been published but are not yet effective for the Relevant Periods and have not been early adopted by the Group.

HKFRS 9	Financial Instruments[2]
HKFRS 15[*]	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

Notes:

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

4 Effective date not yet been determined

* Including clarifications to HKFRS 15-Revenue from contracts with customers

HKFRS 9 ''Financial instruments'' replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income (''OCI'') and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

HKFRS 9 also introduces a new model for the recognition of impairment losses — the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method.

The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

During the Relevant Periods, all of the Group's financial assets and financial liabilities were carried at amortised costs without significant impairment on the former, the implementation of HKFRS 9 is not expected to result in any significant impact on the Group's financial position and results of operations.

HKFRS 16 Leases - The Group is a lessee of various machinery, offices and warehouses which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in note 2.11. The Group's operating lease commitments as at 31 March 2014, 2015 and 2016 and 31 July 2016 amounting to HK$224,000, HK$1,295,000, HK$806,000 and HK$1,275,000, respectively, which are not reflected in the combined balance sheets, are set out in note 24(b). HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the balance sheet. Instead, all long-term leases must be recognised in the balance sheet in the form of assets (for the rights of use) and lease liabilities (for the payment obligations). Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations. The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the balance sheet. In profit or loss, rental expenses will be replaced with depreciation and interest expense. The impacts on the Group's financial results and position upon the adoption of HKFRS16 as lessor of finance leases and operating leases are not expected to be material. The new standard is not expected to be applied by the Group until the financial year ended 31 March 2020.

HKFRS 15 ''Revenue from Contracts with Customers'' — This new standard replaces the previous revenue standards: HKAS 18 ''Revenue'' and HKAS 11 ''Construction Contracts'', and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an ''earnings processes'' to an ''asset-liability'' approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Group has three major revenue streams, namely (i) sales of machinery and spare parts and provision of related services and (ii) provision of transportation services, the performance obligations of which are substantially completed at the same point of time as the respective revenue is recognised in accordance with Note 2.22(a) and Note 2.22(c), and (iii) short-term leasing of machinery, the performance obligations of which are substantially completed over the lease period as the respective revenue is recognised in accordance with Note 2.22(b). Management has performed a preliminary assessment and expects that the implementation of the HKFRS 15 would not result in any significant impacts on the Group's financial position and results of operations. Meanwhile, there will be additional disclosure requirement under HKFRS 15 upon its adoption.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

Other than HKFRS 9, HKFRS 16 and HKFRS 15, the Group is in the process of assessing potential impact of the above new standards and amendments to standards upon initial application. According to the preliminary assessment made by the Directors of the Company, management does not anticipate any significant impact on the Group's financial positions and results of operations upon adopting the above other amendments to existing standards.

2.2 ***Subsidiaries***

2.2.1 *Consolidation*

A subsidiary is an entity (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies merger accounting to account for business combinations under common control, including the Reorganisation described in note 1.2, where all assets and liabilities are recorded at predecessor carrying amounts, as if the combining entities have been consolidated from the date when they first came under the control of the controlling party, and differences between consideration payable and the net assets value are taken to the merger reserve.

Except for the Reorganisation, the Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a charge to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to confirm with the Group's accounting policies.

2.2.2 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the combined financial information of the investee's net assets including goodwill.

2.3 ***Segment reporting***

Operating segments are reported in a manner consistent with the internal reporting provided 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 executive directors who make strategic decisions.

2.4 ***Foreign currency translation***

(a) *Functional and presentation currency*

Items included in the Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information are presented in HK$ which is the Company's functional and the Group's presentation currency.

(b) *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 that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other income and gains/(losses), net'.

2.5 ***Machinery and equipment***

Machinery and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of machinery and equipment is calculated using the straight-line method to allocate their costs to their residual values over the estimated useful lives, as follows:

Machinery	5-10 years
Equipment and tools	3 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 (note 2.6).

Gains or losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within "other income and gains/(losses), net".

2.6 *Impairment of non-financial assets*

Assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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.

2.7 *Financial assets*

2.7.1 *Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) 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 the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "finance lease receivables", "trade and bills receivables", "deposits and other receivables", "amount due from a director", "amounts due from related companies", "restricted cash" and "cash and cash equivalents" in the combined balance sheet.

2.7.2 *Recognition and measurement*

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs. They are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Finance lease receivables are recognised as loans and receivables for the purpose of derecognition and impairment.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within 'other income and gains/(losses), net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of other income when the Group's right to receive payments is established.

2.8 ***Offsetting financial instruments***

Financial assets and liabilities are offset and the net amount reported in the combined balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.9 ***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 assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, 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 a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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.

For finance lease receivables, the amount of loss impairment is measured as the difference between the carrying amount of the receivable and the present value of the estimated future cash flows, discounted at the implicit effective interest rate used on initial recognition.

2.10 ***Derivative financial instruments***

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss. Assets and liabilities in this category are classified as current assets if they are expected to be settled within twelve months; otherwise, they are classified as non-current.

2.11 ***Lease***

The Group as lessor

(a) Finance lease

A finance lease is a lease that the Group as the lessor uses to transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. At the commencement of the lease term, the Group recognises the minimum lease amounts receivable by the Group as a finance lease receivable. The difference between (a) the aggregate of the minimum lease amounts and (b) their present value (presented in the combined balance sheet as finance lease receivables) is recognised as unearned finance income. Minimum lease amounts are the payments over the lease term that the lessee is or can be required to make.

Unearned finance income is allocated to each period during the lease term using the effective interest method that allocates each rental between finance income and repayment of capital in each accounting period in such a way that finance income is recognised as a constant periodic rate of return (implicit effective interest rate) on the lessor's net investment in the lease.

Initial direct costs, such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

See notes 2.7.2 and 2.9 for accounting policies for derecognition and impairment of finance lease receivables.

(b) Operating lease

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Amounts received from lessees under operating leases (net of any incentives grant to the lessee) are recognised in profit or loss on a straight-line basis over the period of the lease.

The Group as lessee

(c) Finance lease

The Group leases certain machinery and equipment. Leases of machinery and equipment where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased machinery and equipment and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The machinery and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(d) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.12 *Trade and bills receivables, deposits and other receivables, amount due from a director and amounts due from related companies*

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and bills receivables, deposits and other receivables, amount due from a director and amounts due from related companies are 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 bills receivables, deposits and other receivables, amount due from a director and amounts due from related companies are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 ***Inventories***

Inventories comprise machinery and equipment, construction work materials and consumables and are stated at the lower of cost and net realisable value. Cost is determined using first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 ***Cash and cash equivalents and restricted cash***

In the combined statements of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks with original maturity of three months or less. In the combined balance sheets, bank overdrafts are shown within borrowings in current liabilities.

Bank deposits which are restricted to use are included in "restricted cash". Restricted cash is excluded from cash and cash equivalents in the combined statements of cash flows.

2.15 ***Share capital***

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 ***Trade and bills payables, other payables, amounts due to directors and amounts due to related companies***

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and bills payables, other payables, amounts due to directors and amounts due to related companies 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 bills payables, other payables, amounts due to directors and amounts due to related companies are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 ***Borrowings***

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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

2.18 ***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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.19 ***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 amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 ***Current and deferred income tax***

The tax expense for the period comprises current and deferred income tax. Tax is recognised in 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.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 ***Employee benefits***

(a) *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 balance sheet date.

Employee entitlements to sick leave and maternity or paternity leaves are not recognised until the time of leave.

(b) *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.

(c) *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 twelve months after balance sheet date are discounted to present value.

2.22 ***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services rendered in the normal course of business, net of discounts and sales related taxes.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customers, type of transactions and the specifics of each arrangement.

(a) *Sales of goods*

Sales of goods are recognised when products are delivered to customers and the customers accept the products. Collectability of the related receivables is reasonably assured.

(b) *Rental income*

Rental income from rental of machinery is recognised based on the straight-line basis over the lease terms.

(c) *Service income*

Service income of the provision of transportation, repairing and maintenance services for machinery and equipment is recognised when services are provided.

2.23 ***Interest income***

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.24 ***Dividend distribution***

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's and the Company's Financial Information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 **Financial risk management**

3.1 ***Financial risk factors***

The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the board of directors. The Directors provide principles for an overall risk management, as well as policies covering specific areas.

(a) *Market risk*

(i) Foreign exchange risk

The Group operates mainly in Hong Kong, and is exposed to foreign currency risks arising from various currency exposures, mainly with respect to Japanese Yen ("Yen"), European dollar ("Euros") and US dollar ("USD"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the Company's functional currency. Since HK is pegged with US$, management is of the opinion that the foreign exchange risk arising from US$ is insignificant.

As at 31 March 2015, the Group also had certain outstanding forward foreign currency contracts to sell HK$ and purchase Yen, details of which are further presented in note 21. If HK$ has weakened/strengthened against Yen at the date of settlement by 5% compared with that at the balance sheet date, with all other variables constant, the profit before tax for the year would have been approximately HK$685,000 higher/lower. There were no outstanding forward foreign currency contracts as at 31 March 2014, 31 March 2016 and 31 July 2016. The Group has not accounted for such forward contracts using hedge accounting and they are treated as derivative financial instruments.

To ensure that all hedging activities are properly conducted, the directors have recently adopted a hedging policy in order to minimise the foreign currency risk exposure arising from the settlement of purchase in Yen and Euros. The directors consider that there will not be any hedging policy in relation to USD as the foreign exchange risk is not significant.

For settlement of the purchase to suppliers in Yen or Euros, once the purchase order is placed, provided that there is time difference (at least over one week) for the payments to suppliers, management may consider to enter into foreign exchange forward contract with its principal bank on a case-by-case basis. Several factors are considered by management before entering into any hedging contracts, such as (i) the extent of the exchange rate fluctuations in the market; (ii) the exposure period before settlement of the purchase; and (iii) the contract amount of the purchase agreement.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Yen	80	805	55	38
USD	741	2,375	5,054	1,055
Euros	15	1,436	1,767	1,415
Total	836	4,616	6,876	2,508
Liabilities				
Yen	—	16,422	16,834	25,346
USD	14,647	10,722	2,056	5,580
Euros	—	11	1,352	2,822
Total	14,647	27,155	20,242	33,748

If HK$ had strengthened/weakened by 5% against the relevant foreign currencies, with all other variables held constant, the profit before income tax would increase/decrease as follows:

	Year ended 31 March						Four months ended 31 July	
	2014		2015		2016		2016	
	Increase/(decrease) in profit before income tax if exchanges rates change by		Increase/(decrease) in profit before income tax if exchanges rates change by		Increase/(decrease) in profit before income tax if exchanges rates change by		Increase/(decrease) in profit before income tax if exchanges rates change by	
	+5%	-5%	+5%	-5%	+5%	-5%	+5%	-5%
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Yen	(4)	4	781	(781)	839	(839)	1,265	(1,265)
Euros	(1)	1	(71)	71	(21)	21	70	(70)

(ii) Interest rate risk

The Group has no significant interests-bearing assets except for cash at bank, details of which are disclosed in note 17. The Group is exposed to interest rate risk as borrowings are carried at floating rates. It is the Group's policy to maintain its borrowings subject to floating rates, and accordingly, the Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

If the interest rates on borrowings had been 100 basis-points higher/lower with all other variables held constant, the profit before tax for the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016 would be HK$110,000, HK$164,000, HK$200,000 and HK$168,000 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) *Credit risk*

The Group is exposed to credit risk in relation to its cash and cash equivalents, finance lease receivables, trade and bills receivables, deposits and other receivables, amount due from a director and amounts due from related companies. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

For the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016, 60%, 55%, 59% and 54% respectively, of the Group's revenue was derived from its five largest customers. As at 31 March 2014, 2015 and 2016 and 31 July 2016, the Group had concentration of credit risk as 61%, 43%, 55% and 51% of the total trade receivables were due from the Group's five, three, five and five customers, respectively.

To manage this risk, management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment provision is made for the irrecoverable amounts.

The credit risk on deposits with bank and amounts due from related companies are limited because deposits are in banks with sound credit ratings and management does not expect any loss from non-performance by related parties.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been for additions of machinery and equipment, and payment for purchases and operating expenses. The Group mainly finances its working capital requirements through internal resources and bank borrowings.

The Group monitors and maintains a level of cash and cash equivalents considered adequate by the directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The directors monitor the utilisation of bank borrowings to ensure adequate unutilised banking facilities and compliance with loan covenants.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table represent the contractual undiscounted cash flows.

	On demand and less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2014					
Trade and bills payables	19,277	—	—	—	19,277
Accruals and other payables	6,377	—	—	—	6,377
Trust receipt loans	4,584	—	—	—	4,584
Long-term bank borrowings subject to a repayment on demand clause	11,033	—	—	—	11,033
Amounts due to directors	4,904	—	—	—	4,904
Amounts due to related companies	5,477	—	—	—	5,477
	51,652	—	—	—	51,652

	On demand and less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2015					
Trade and bills payables	30,334	—	—	—	30,334
Accruals and other payables	6,901	—	—	—	6,901
Short-term bank borrowings	456	—	—	—	456
Long-term bank borrowings subject to a repayment on demand clause	16,010	—	—	—	16,010
Amounts due to directors	19,539	—	—	—	19,539
Amounts due to related companies	7,352	—	—	—	7,352
Derivative financial instruments	1,979	—	—	—	1,979
	82,571	—	—	—	82,571

	On demand and less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2016					
Trade and bills payables	28,520	—	—	—	28,520
Accruals and other payables	4,747	—	—	—	4,747
Short-term bank borrowings	857	—	—	—	857
Long-term bank borrowings subject to a repayment on demand clause	22,443	—	—	—	22,443
Amounts due to directors	18,583	—	—	—	18,583
Amounts due to related companies	216	—	—	—	216
Obligations under finance leases	5,127	5,127	6,128	—	16,382
	80,493	5,127	6,128	—	91,748

	On demand and less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 July 2016					
Trade and bills payables	40,246	—	—	—	40,246
Accruals and other payables	8,989	—	—	—	8,989
Short-term bank borrowings	3,054	—	—	—	3,054
Long-term bank borrowings subject to a repayment on demand clause	27,143	—	—	—	27,143
Amounts due to related companies	75	—	—	—	75
Obligations under finance leases	5,577	5,577	5,694	—	16,848
	85,084	5,577	5,694	—	96,355

Without taking into account the repayment on demand clause, long-term bank borrowings subject to a repayment on demand clause are analysed as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2014	5,818	1,131	2,023	3,095	12,067
31 March 2015	10,947	1,531	2,023	2,421	16,922
31 March 2016	8,929	8,929	4,060	1,746	23,664
31 July 2016	11,892	10,848	4,438	1,522	28,700

3.2 ***Capital risk management***

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of equity, amounts due to directors and related companies and borrowings. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to shareholders, return capital to shareholders, issue new shares or sell assets to reduce borrowings.

The Group monitors capital on the basis of gearing ratio. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including amounts due to directors and related companies with non-trade in nature) less cash and cash equivalents and restricted cash. The gearing ratios as at 31 March 2014, 2015 and 2016 and 31 July 2016 were as follows:

	As at 31 March			**As at 31 July**
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Borrowings	15,613	16,438	23,300	30,134
Obligations under finance leases	—	—	15,122	15,566
Amounts due to directors	4,904	19,539	18,583	—
Amounts due to related companies with non-trade in nature	4,340	6,692	—	75
Less: cash and cash equivalents and restricted cash	(2,240)	(27,042)	(47,420)	(54,320)
Net debt/(asset)	22,617	15,627	9,585	(8,545)
Total equity	56,010	85,457	118,442	124,025
Gearing ratio	40%	18%	8%	N/A

The decrease in gearing ratios from 40% as at 31 March 2014 to 18% as at 31 March 2015, 8% as at 31 March 2016 was primarily due to the decrease in net debt and increase in total equity. As at 31 July 2016, the gearing ratio was not applicable due to the change from net debt to net asset.

3.3 ***Fair value estimation***

The carrying value of financial instruments measured at fair value at the balance sheet date are categorised among the three levels of the fair value hierarchy defined in HKFRS 13, "Fair Value Measurement", with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 — Quoted prices unadjusted in active markets for identical assets or liabilities.
- Level 2 — Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly that is, as prices or indirectly that is, derived from prices.
- Level 3 — Inputs for the asset or liability that are not based on observable market data that is, unobservable inputs.

At 31 March 2015, the Group's liabilities in respect of derivative financial instruments of approximately HK$1,979,000 were measured using Level 2 method.

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no transfers between levels of fair value hierarchy during the Relevant Periods.

The carrying amount of the Group's other financial assets and liabilities, including cash and cash equivalents, restricted cash, finance lease receivables, trade and bills receivables, deposits and other receivables, amount due from a director and related companies, trade and bills payables, other payables, amounts due to directors and related companies, obligations under finance leases and borrowings approximate their fair values, which either due to their short-term maturities, or that they are subject to floating rates.

The carrying amount of the non-current portion of bank borrowings was a reasonable approximation of its fair value after considering the discounting effect.

4 **Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) ***Estimated useful lives and residual values of machinery and equipment***

Management estimates useful lives of the machinery and equipment by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the assets, expected repair and maintenance, the technical or commercial obsolescence arising from changes or improvements in the market. Residual values of the machinery and equipment are determined based on prevailing market values for equivalent aged assets taking into account the condition of the relevant assets and other economic considerations. Depreciation expense would be significantly affected by the useful lives and residual values of the machinery and equipment as estimated by management.

The Group's major operating assets represent machinery and equipment. Management performs review for impairment of the machinery and equipment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable.

Management considered there was no impairment indicator of machinery and equipment during the Relevant Periods as these assets were used for profitable projects, and there is a strong demand of these machinery and equipment in the second hand market.

(b) ***Impairment of trade and bills receivables***

Management determines the provision for impairment of trade and bills receivables based on the credit history of customers and the current market condition by business segment. 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. The final outcome of the recoverability of these receivables will impact the amount of impairment required.

(c) ***Income taxes and deferred taxation***

The Group is subject to income taxes in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax expense in the periods in which such estimate is changed.

(d) ***Allowance for inventories***

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying amount of inventories to their respective net realisable value. A considerable amount of judgment is required in determining such allowances. If conditions which have impact on the net realisable value of inventories deteriorate, additional allowances may be required.

(e) ***Fair value of derivative and other financial instruments***

The fair value of financial instruments that are not traded in an active market is determined by using valuation technique. The Group uses its judgement to select a variety of valuation methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The valuation models require the input of subjective assumption including forward foreign exchange rates, risk free rates and market volatility, changes in subjective input assumptions can materially affect the fair value estimate.

(f) ***Impairment loss of finance lease receivables***

The Group reviews the finance lease receivables portfolio on a regular basis, evaluates any indications of impairment, and assesses impairment loss in the case of impairment under specific circumstances. The directors of the Company are of the views that there is no need to make any allowance for impairment loss of finance lease receivables based on their assessment.

5 **Revenue and segment information**

Revenue represents gross receipts on sales of machinery and spare parts, leasing of machinery, the provision of transportation services and the provision of related services in the ordinary course of business. Revenue recognised during the Relevant Periods is as follows:

	Year ended 31 March			**Four months ended 31 July**	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue					
Sales of machinery and spare parts and provision of related services	81,347	154,731	137,128	61,140	32,594
Leasing of machinery and provision of related services	31,487	52,803	66,993	20,170	23,405
Transportation services	—	—	1,318	16	2,485
	112,834	207,534	205,439	81,326	58,484

The chief operating decision-maker has been identified as the executive directors of the Company. Information is reported to the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable segments are as follows:

1. Trading — Sales of machinery and spare parts and provision of related services

2. Leasing — Leasing of machinery and provision of related services

3. Transportation — Provision of transportation services

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 March 2014

	Trading	Leasing	Transportation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
Segment revenue from external customers	81,347	31,487	—	112,834
Results				
Segment profit	12,153	7,567	—	19,720
Unallocated corporate income				672
Unallocated corporate expenses				(5,268)
Profit before tax				15,124

For the year ended 31 March 2015

	Trading	Leasing	Transportation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
Segment revenue from external customers	154,731	52,803	—	207,534
Results				
Segment profit	24,590	17,886	—	42,476
Unallocated corporate income				115
Unallocated corporate expenses				(7,291)
Profit before tax				35,300

For the year ended 31 March 2016

	Trading	**Leasing**	**Transportation**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
Segment revenue from external customers	137,128	66,993	1,318	205,439
Results				
Segment profit/(loss)	26,081	26,873	(1,517)	51,437
Unallocated corporate income				229
Unallocated corporate expenses				(11,745)
Profit before tax				39,921

For four months ended 31 July 2015 (unaudited)

	Trading	**Leasing**	**Transportation**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
Segment revenue from external customers	61,140	20,170	16	81,326
Results				
Segment profit/(loss)	9,808	5,185	(142)	14,851
Unallocated corporate income				2
Unallocated corporate expenses				(2,791)
Profit before tax				12,062

For four months ended 31 July 2016

	Trading	**Leasing**	**Transportation**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue				
Segment revenue from external customers	32,594	23,405	2,485	58,484
Results				
Segment profit/(loss)	6,890	8,828	(159)	15,559
Unallocated corporate income				90
Unallocated corporate expenses				(7,952)
Profit before tax				7,697

Segment profit represents the profit before tax earned by each segment without allocation of central administration costs, finance income and finance cost. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

No segment assets and liabilities are presented as the information is not regularly reported to the chief operating decision maker for the purpose of resource allocation and assessment of performance.

Other segment information

For the year ended 31 March 2014

	Trading	**Leasing**	**Transportation**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment results:					
Depreciation	—	(12,407)	—	(790)	(13,197)
Loss on disposal of machinery and equipment	—	(575)	—	—	(575)

For the year ended 31 March 2015

	Trading	Leasing	Transportation	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment results:					
Depreciation	—	(17,906)	—	(1,373)	(19,279)
Loss on disposal of machinery and equipment	—	(2,845)	—	—	(2,845)

For the year ended 31 March 2016

	Trading	Leasing	Transportation	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment results:					
Depreciation	—	(18,781)	(851)	(1,095)	(20,727)
Gain on disposal of machinery and equipment	—	328	—	—	328

For four months ended 31 July 2015 (unaudited)

	Trading	Leasing	Transportation	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment results:					
Depreciation	—	(6,412)	(59)	(423)	(6,894)
(Loss)/gain on disposal of machinery and equipment	—	(2,352)	—	61	(2,291)

For four months ended 31 July 2016

	Trading	Leasing	Transportation	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment results:					
Depreciation	—	(7,009)	(609)	(303)	(7,921)
Loss on disposal of machinery and equipment	—	(238)	—	—	(238)

Geographical information

No geographical information is presented as all revenue from external customers of the Group are derived and all non-current assets of the Group are located in Hong Kong.

Major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 March			Four months ended 31 July	
	2014	2015	2016	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Customer A	30,943	48,646	43,229	9,420	10,625
Customer B	12,945	28,826	N/A*	N/A*	7,917
Customer C	N/A*	N/A*	31,525	9,453	N/A*
Customer D	N/A*	N/A*	N/A*	N/A*	6,712
Customer E	N/A*	N/A*	N/A*	10,936	N/A*

*Note**:* The corresponding revenue did not exceed 10% of the total revenue of the Group for the Relevant Periods.

6 Other income and gains/(losses), net

	Year ended 31 March			Four months ended 31 July	
	2014	2015	2016	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*Unaudited*)	*HK$'000*
Management fee income (note 26(b))	444	444	—	—	—
Gain/(loss) on derivative financial instruments	2	(2,703)	(407)	(267)	—
Net foreign exchange gain/(loss)	123	1,793	(47)	571	(736)
(Loss)/gain on disposal of machinery and equipment (note 25(b))	(575)	(2,845)	328	(2,291)	(238)
Others	77	127	64	7	101
	71	(3,184)	(62)	(1,980)	(873)

7 Expenses by nature

Expenses included in cost of sales and services, selling and administrative expenses are analysed as follows:

	Year ended 31 March			Four months ended 31 July	
	2014	2015	2016	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*Unaudited*)	*HK$'000*
Costs of machinery and equipment and spare parts	66,418	125,711	110,820	50,595	24,844
Staff costs, including directors' emoluments (note 8)	7,640	9,604	10,311	2,973	4,965
Leasing expense of machinery and equipment	43	692	7,875	2,027	1,906
Operating lease rental in respect of					
- office and storage premises	457	692	923	306	312
Commission	1,729	1,952	—	—	—
Auditor's remuneration	218	263	1,000	333	333
Listing expenses	—	—	2,108	—	5,023
Depreciation					
- owned machinery and equipment	13,197	19,279	18,699	6,835	6,579
- machinery and equipment held under finance leases	—	—	2,028	59	1,342
Others	7,612	10,332	10,994	3,918	4,240
Total cost of sales and services, selling and administrative expenses	97,314	168,525	164,758	67,046	49,544

8 Employee benefit expenses (including directors' emoluments)

	Year ended 31 March			Four months ended 31 July	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Salaries and other benefits	5,249	6,338	7,342	2,372	3,613
Performance related incentive payments	2,212	3,023	2,660	509	1,199
Employer's contributions to retirement benefits scheme (note a)	179	243	309	92	153
	7,640	9,604	10,311	2,973	4,965

(a) ***Retirement benefits scheme***

The Group participates in a Mandatory Provident Fund scheme (the "MPF Scheme") in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. Under the rules of the MPF Scheme, the employer and its employees in Hong Kong are each required to contribute 5% of the employees' gross earnings to the MPF Scheme with HK$1,250 per month commencing on 1 April 2013 until 31 May 2014, and HK$1,500 per month commencing on or after 1 June 2014.

The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future years.

(b) ***Directors' and chief executive's emoluments***

The remuneration shown below represents remuneration received from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the companies now comprising the Group during the Relevant Periods.

	Year ended 31 March 2014				
	Director fees	**Salaries and other benefits***	**Performance related incentive payments**	**Employer's contribution to retirement benefits scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Ms. Yip Kam Ling	—	243	90	13	346
Mrs. Siu	—	1,578	50	15	1,643
Mr. Siu (Chief Executive Officer)	—	—	—	—	—
Mr. Ho King Chiu	—	270	602	15	887
	—	2,091	742	43	2,876

	Year ended 31 March 2015				
	Director fees	**Salaries and other benefits***	**Performance related incentive payments**	**Employer's contribution to retirement benefits scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Ms. Yip Kam Ling	—	242	240	13	495
Mrs. Siu	—	1,578	—	15	1,593
Mr. Siu (Chief Executive Officer)	—	—	—	—	—
Mr. Ho King Chiu	—	270	760	18	1,048
	—	2,090	1,000	46	3,136

Year ended 31 March 2016

	Director fees	Salaries and other benefits*	Performance related incentive payments	Employer's contribution to retirement benefits scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Ms. Yip Kam Ling	—	250	20	13	283
Mrs. Siu	—	1,578	—	18	1,596
Mr. Siu (Chief Executive Officer)	—	—	—	—	—
Mr. Ho King Chiu	—	223	952	18	1,193
	—	2,051	972	49	3,072

Four months ended 31 July 2015

	Director fees	Salaries and other benefits*	Performance related incentive payments	Employer's contribution to retirement benefits scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Executive directors					
Ms. Yip Kam Ling	—	80	—	4	84
Mrs. Siu	—	526	—	6	532
Mr. Siu (Chief Executive Officer)	—	—	—	—	—
Mr. Ho King Chiu	—	90	255	6	351
	—	696	255	16	967

	Four months ended 31 July 2016				
	Director fees	**Salaries and other benefits**	**Performance related incentive payments**	**Employer's contribution to retirement benefits scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Ms. Yip Kam Ling	—	100	100	5	205
Mrs. Siu	—	226	—	6	232
Mr. Siu (Chief Executive Officer)	—	—	—	—	—
Mr. Ho King Chiu	—	75	360	6	441
	—	401	460	17	878

The remuneration shown above represents remuneration received from the Group by these directors in their capacity of management of the affairs of the Company or its subsidiary undertaking during the Relevant Periods.

During the Relevant Periods, none of the directors of the Company (i) received or were paid any remuneration in respect of accepting office; and (ii) waived or has agreed to waive any emolument.

During the Relevant Periods, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors.

Mr. Chui Kwong Fun, Mr. Leung Siu Hong and Professor Mr. Li Ching Wing were appointed as the Company's independent non-executive directors on 20 January 2017. During the Relevant Periods, the independent non-executive directors were not yet appointed and did not receive any remuneration.

*Note *:* Other benefits include non-cash benefits: rental expenses of a director's quarter.

(c) ***Five highest paid individuals***

For the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2015 and 2016, the five individuals whose emoluments without taking into account sales commission were the highest in the Group include 1, 2, 1, 1 and 2 directors, respectively, whose emoluments were reflected in the analysis presented above. The emoluments paid to the remaining 4, 3, 4, 4 and 3 individuals are as follows:

	Year ended 31 March			Four months ended 31 July	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Salaries and other benefits	1,788	1,540	1,428	1,162	893
Performance related incentive payments	406	748	453	—	200
Employer's contributions to retirement benefits scheme	60	53	61	30	29
	2,254	2,341	1,942	1,192	1,122

The emoluments of the remaining individuals fell within the following bands:

	Number of individuals				
	Year ended 31 March			Four months ended 31 July	
	2014	**2015**	**2016**	**2015**	**2016**
				(unaudited)	
Nil - HK$1,000,000	4	2	4	4	3
HK$1,000,001 - HK$1,500,000	—	1	—	—	—
	4	3	4	4	3

During the Relevant Periods, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for the loss of office.

9 **Finance costs, net**

	Year ended 31 March			Four months ended 31 July	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Finance income					
- Finance income on finance lease receivables	26	85	208	1	89
- Interest income on bank deposits	—	30	21	1	1
	26	115	229	2	90
Finance costs					
- Interest expense on bank loans	(493)	(640)	(708)	(227)	(205)
- Interest expense on obligations under finance leases	—	—	(219)	(13)	(255)
	(493)	(640)	(927)	(240)	(460)
Finance costs, net	(467)	(525)	(698)	(238)	(370)

10 **Income tax expenses**

The amount of income tax charged to profit or loss represents:

	Year ended 31 March			Four months ended 31 July	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Hong Kong profits tax					
Current income tax	591	1,318	5,329	1,732	1,944
Overprovision in prior year	(10)	—	—	—	—
Deferred income tax (note 19)	1,980	4,535	1,607	259	170
	2,561	5,853	6,936	1,991	2,114

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2015 and 2016.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	Year ended 31 March			Four months ended 31 July	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profit before income tax	15,124	35,300	39,921	12,062	7,697
Calculated at the domestic tax rate applicable to respective jurisdictions	2,495	5,825	6,587	1,991	1,283
Tax effects of:					
Income not subject to tax	—	(5)	(4)	—	—
Expenses not deductible for tax purposes	76	33	353	—	831
Overprovision in prior year	(10)	—	—	—	—
Income tax expenses	2,561	5,853	6,936	1,991	2,114

11 Dividends

No dividend has been paid or declared by the Company since its incorporation.

On 15 July 2016, the directors of Sanroc Leasing declared to its shareholders a final dividend in relation to the year ended 31 March 2016 of HK$12,000,000 and a special dividend of HK$3,000,000, which had been approved on 15 August 2016 and fully paid on 23 August 2016. The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report. The dividend was not reflected as dividend payable in the Financial Information , but will be reflected as an appropriation of retained earnings for the year ending 31 March 2017 after receiving its shareholders' approval at the forthcoming annual general meeting.

12 Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful due to the Group's reorganisation and the presentation of the results for the Relevant Periods on a combined basis as disclosed in note 1.3 above.

13 **Machinery and equipment**

	Machinery	Equipment and tools	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2013					
Cost	100,254	48	1,900	4,759	106,961
Accumulated depreciation	(36,528)	(48)	(1,342)	(2,562)	(40,480)
Net book amount	63,726	—	558	2,197	66,481
Year ended 31 March 2014					
Opening net book amount	63,726	—	558	2,197	66,481
Additions	24,448	—	12	2,280	26,740
Disposals	(3,467)	—	—	—	(3,467)
Depreciation	(12,407)	—	(114)	(676)	(13,197)
Closing net book amount	72,300	—	456	3,801	76,557
At 31 March 2014					
Cost	119,616	48	1,912	5,755	127,331
Accumulated depreciation	(47,316)	(48)	(1,456)	(1,954)	(50,774)
Net book amount	72,300	—	456	3,801	76,557
Year ended 31 March 2015					
Opening net book amount	72,300	—	456	3,801	76,557
Additions	61,393	—	723	675	62,791
Disposals	(6,855)	—	(81)	(75)	(7,011)
Depreciation	(17,906)	—	(175)	(1,198)	(19,279)
Closing net book amount	108,932	—	923	3,203	113,058
At 31 March 2015					
Cost	171,385	48	2,467	6,020	179,920
Accumulated depreciation	(62,453)	(48)	(1,544)	(2,817)	(66,862)
Net book amount	108,932	—	923	3,203	113,058

	Machinery	Equipment and tools	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2016					
Opening net book amount	108,932	—	923	3,203	113,058
Additions	39,093	—	9	9,929	49,031
Disposals	(20,121)	—	—	(100)	(20,221)
Depreciation	(18,781)	—	(169)	(1,777)	(20,727)
Closing net book amount	109,123	—	763	11,255	121,141
At 31 March 2016					
Cost	177,057	48	2,476	15,321	194,902
Accumulated depreciation	(67,934)	(48)	(1,713)	(4,066)	(73,761)
Net book amount	109,123	—	763	11,255	121,141
Four months ended 31 July 2016					
Opening net book amount	109,123	—	763	11,255	121,141
Additions	19,735	—	56	2,075	21,866
Disposals	(783)	—	—	—	(783)
Depreciation	(6,905)	—	(56)	(960)	(7,921)
Closing net book amount	121,170	—	763	12,370	134,303
At 31 July 2016					
Cost	195,116	48	2,532	17,396	215,092
Accumulated depreciation	(73,946)	(48)	(1,769)	(5,026)	(80,789)
Net book amount	121,170	—	763	12,370	134,303

	Year ended 31 March			Four months ended 31 July	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Depreciation charged to profit or loss:					
- Cost of sales and services	12,407	17,906	19,632	6,471	7,618
- Administrative expense	790	1,373	1,095	423	303
	13,197	19,279	20,727	6,894	7,921

The net book values of machinery and equipment which held under finance lease obligations comprise:

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost — Capitalised finance leases	—	—	18,574	20,648
Accumulated depreciation	—	—	(2,028)	(3,370)
Net book amount	—	—	16,546	17,278

As at 31 March 2014, 2015 and 2016 and 31 July 2016, machinery and equipment amounting to nil, nil, HK$3,408,000 and HK$13,700,000 was pledged for the Group's bank borrowings (note 22), respectively.

14 **Trade and bills receivables, deposits, prepayments and other receivables**

	As at 31 March			**As at 31 July**
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills receivables	30,575	27,524	37,643	31,921
Provision for impairment	(1,022)	(1,022)	(1,022)	(1,022)
	29,553	26,502	36,621	30,899
Deposits, prepayments and other receivables	1,706	2,549	4,180	4,786
Less: non-current portion	(1,445)	(965)	(1,640)	(1,440)
Current portion	261	1,584	2,540	3,346

The credit period granted to trade customers was generally between 30 to 60 days. The Group does not hold any collateral as security.

As at 31 March 2014, 2015, 2016 and 31 July 2016, the ageing analysis of the trade and bills receivables based on invoice date was as follows:

	As at 31 March			**As at 31 July**
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
1 to 30 days	17,064	9,842	13,034	13,864
31 to 60 days	7,708	9,162	16,353	8,717
61 to 90 days	3,962	5,933	3,124	3,910
More than 90 days	819	1,565	4,110	4,408
	29,553	26,502	36,621	30,899

As at 31 March 2014, 2015, 2016 and 31 July 2016, trade and bills receivables of HK$10,592,000, HK$11,109,000, HK$21,649,000 and HK$16,165,000 were past due but not considered to be impaired because these mainly relate to customers from whom there is no recent history of default. Based on past experience, the directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The ageing analysis of these trade and bills receivables is as follows:

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Past due by:				
1 to 30 days	6,962	5,113	12,242	7,964
31 to 60 days	2,751	4,444	6,193	1,977
61 to 90 days	422	1,012	1,242	2,780
More than 90 days	457	540	1,972	3,444
	10,592	11,109	21,649	16,165

Movements of provision for impairment of trade and bills receivables were as follows:

	Year ended 31 March			Four months ended 31 July	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
At beginning of the year	1,022	1,022	1,022	1,022	1,022
Receivables written off as uncollectible	—	—	—	—	—
At end of the year/period	1,022	1,022	1,022	1,022	1,022

Trade and bills receivables are all denominated in HK$.

15 Financial lease receivables

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 March			As at 31 July	As at 31 March			As at 31 July
	2014	2015	2016	2016	2014	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Not later than one year	1,472	764	3,390	3,390	1,439	763	3,309	3,309
Later than one year and not later than five years	214	—	3,340	2,210	203	—	3,098	2,058
Less: Unearned finance income	(44)	(1)	(323)	(233)	—	—	—	—
Present value of minimum lease payment receivable	1,642	763	6,407	5,367	1,642	763	6,407	5,367
Less: amount due within one year shown under current assets					(1,439)	(763)	(3,309)	(3,309)
Amount shown under non-current assets					203	—	3,098	2,058

Effective interest rates of the above finance leases approximates to 4.5% per annum during the Relevant Periods.

Finance lease receivables are all denominated in HK$.

16 Inventories

	As at 31 March			As at 31 July
	2014	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Machinery	5,646	13,366	12,813	8,570

The cost of inventories recognised as expense and included in cost of sales and services in profit or loss amounted to HK$66,418,000, HK$125,711,000, HK$110,820,000, HK$50,595,000 and HK$24,844,000 for the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2015 and 2016, respectively.

17 **Restricted cash, cash and cash equivalents**

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Restricted cash (note i)	—	751	10,000	10,000
Less: non-current portion	—	—	(10,000)	(10,000)
Current portion	—	751	—	—
Cash on hand	21	21	21	21
Cash at bank (note ii)	2,219	26,270	37,399	44,299
Cash and cash equivalents	2,240	26,291	37,420	44,320

Note i: As at 31 March 2015 and 2016 and 31 July 2016, restricted cash of HK$751,000, HK$10,000,000 and HK$10,000,000 which earned interest at 0.01%, 0.75% and 0.75% per annum and had maturity of 5 months, 21 months and 17 months, respectively, were used to settle the obligations with respect to the letters of credit issued for purchase of machinery and equipment.

Note ii: The weighted average effective interest rate on other bank balances was 0.01%, 0.01%, 0.01% and 0.01% as at 31 March 2014, 2015 and 2016 and 31 July 2016, respectively.

Cash and cash equivalents and restricted cash were denominated in the following currencies:

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	1,404	23,858	41,625	51,812
USD	741	2,375	5,054	1,055
JPY	80	805	55	38
EUR	15	4	686	1,415
	2,240	27,042	47,420	54,320

18 Combined share capital

The Reorganisation was not completed as at 31 July 2016. For the purpose of preparing this Financial Information, the combined share capital in the combined balance sheets as at 31 March 2014, 2015 and 2016 and 31 July 2016 represents the combined share capital of the companies now comprising the Group.

19 Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities were as follows:

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred income tax asset:				
Recoverable after more than 12 months	8	15	163	240
Deferred income tax liabilities:				
Payable or to be settled more than 12 months	(10,333)	(14,875)	(16,630)	(16,877)
	(10,325)	(14,860)	(16,467)	(16,637)

The movement on the deferred income tax liabilities was as follows:

	Year ended 31 March			Four months ended 31 July	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
At beginning of the year	(8,345)	(10,325)	(14,860)	(14,860)	(16,467)
Recognised in profit or loss (note 10)	(1,980)	(4,535)	(1,607)	(259)	(170)
At end of the year/period	(10,325)	(14,860)	(16,467)	(15,119)	(16,637)

The movements in deferred income tax liabilities and assets during the Relevant Periods, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax liabilities — Accelerated tax depreciation

	Year ended 31 March			Four months ended 31 July	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*Unaudited*)	*HK$'000*
At beginning of the year	(9,841)	(11,019)	(15,610)	(15,610)	(17,014)
Recognised in profit or loss	(1,178)	(4,591)	(1,404)	383	(1,270)
At end of the year/period	(11,019)	(15,610)	(17,014)	(15,227)	(18,284)

Deferred income tax assets — tax losses

	Year ended 31 March			Four months ended 31 July	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*Unaudited*)	*HK$'000*
At beginning of the year	1,496	694	750	750	547
Recognised in profit or loss	(802)	56	(203)	(642)	1,100
At end of the year/period	694	750	547	108	1,647

20 **Trade and bills payables, accruals and other payables**

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	19,277	30,334	28,520	40,246
Accruals and other payables (note i)	6,377	6,901	4,747	8,989
	25,654	37,235	33,267	49,235

Note i: The amounts mainly represent advance from customers, accruals and other payables for wages, legal and professional fees and transportation costs.

The ageing analysis of the trade and bills payables based on invoice date were as follows:

	As at 31 March			As at 31 July
	2014	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 30 days	7,504	6,158	5,353	3,202
31 to 60 days	6,152	7,496	10,100	3,495
61 to 90 days	970	7,155	10,205	2,636
More than 90 days	4,651	9,525	2,862	30,913
	19,277	30,334	28,520	40,246

The carrying amounts of trade and bills payables approximated their fair value and were denominated in the following currencies:

	As at 31 March			As at 31 July
	2014	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	4,630	5,158	8,278	6,498
Yen	—	14,443	16,834	25,346
Euro	—	11	1,352	2,822
USD	14,647	10,722	2,056	5,580
	19,277	30,334	28,520	40,246

21 **Derivative financial instruments**

	As at 31 March						As at 31 July	
	2014		2015		2016		2016	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Forward foreign exchange contracts	—	—	—	1,979	—	—	—	—

As at 31 March 2015, the Group had outstanding forward foreign exchange contracts to purchase JPY and sell HK$. The notional principal amounts of the outstanding forward foreign exchange contracts were HK$13,647,000. Gain or loss on the fair value remeasurement of the forward exchange contracts were recognised immediately in profit or loss.

22 **Borrowings**

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings — secured	15,613	16,438	23,300	30,134
Analysed into:				
Trust receipt loans	4,580	—	—	—
Short-term bank borrowings	—	428	857	2,991
Portion of long-term bank borrowings due for repayment within one year	5,704	10,791	8,787	11,688
Portion of long-term bank borrowings due for repayment after one year which contain a repayment on demand clause (note i)	5,329	5,219	13,656	15,455
	15,613	16,438	23,300	30,134

Note i: These amounts represent balances that are repayable at any time at the discretion of the lender in accordance with the respective banking facility agreements and are therefore classified as current liabilities.

The repayment dates of bank borrowings based on the repayment schedules set out in the relevant bank loan agreements and ignoring the effect of any repayment on demand clause are analysed as follows:

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	10,284	11,219	9,644	14,679
Between one year and two years	1,083	1,475	8,540	10,220
Between two years and five years	1,804	1,804	3,694	3,991
Beyond five years	2,442	1,940	1,422	1,244
	15,613	16,438	23,300	30,134

Bank borrowings are denominated in HK$ and their carrying amounts approximate their fair values as they bear market interest rates.

The borrowings consist of several banking facilities. The fixed-rate and variable-rate borrowings as at 31 March 2014, 2015 and 2016 and 31 July 2016 carried interest at rates ranging from 3% to 3.25% per annum, 2.6% to 3.25% per annum, 2.6% to 4.24% per annum and 2.6% to 4.55% per annum respectively.

The Group's banking facilities are subject to annual review and are secured or guaranteed by:

(i) an unlimited corporate guarantee granted by a subsidiary of the Group as at 31 March 2014, 2015 and 2016 and 31 July 2016;

(ii) an unlimited personal guarantee provided by a director as at 31 March 2014 and 2015 and unlimited personal guarantees provided by two directors as at 31 March 2016 and 31 July 2016;

(iii) a property held by a related company as at 31 March 2014, 2015 and 2016 and 31 July 2016;

(iv) certain machinery and equipment of the Group as detailed in note 13.

The Group did not breach any financial bank covenants during the Relevant Periods. The said guarantees given by directors and the subsidiary of the Group, and the property held by the related company are to be released upon the listing of the Company's shares on the Stock Exchange of Hong Kong.

As at 31 March 2014, 2015 and 2016 and 31 July 2016, the total banking facilities including those for issuance of letter of credits utilised by the Company and other relevant companies amounted to approximately HK$24,606,000, HK$36,400,000, HK$53,302,000 and HK$58,266,000, respectively.

23 **Obligations under finance leases**

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Analysed for reporting purposes as:				
Current liabilities	—	—	5,008	5,445
Non-current liabilities	—	—	10,114	10,121
	—	—	15,122	15,566

The Group leased certain machinery and equipment under finance leases as at 31 March 2016 and 31 July 2016. The average lease term was 46 months. Interest rates underlying the obligations under finance leases were fixed at respective contract dates which ranged from 4.24% to 4.73% per annum and 4.24% to 4.73% per annum for the year ended 31 March 2016 and the four months ended 31 July 2016 respectively.

	Minimum lease payments As at 31 March			As at 31 July	Present value of minimum lease payments As at 31 March			As at 31 July
	2014	2015	2016	2016	2014	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Not later than one year	—	—	5,127	5,577	—	—	5,008	5,445
Later than one year and not later than five years	—	—	11,255	11,271	—	—	10,114	10,121
Less: future finance charges	—	—	(1,260)	(1,282)	—	—	—	—
Present value of minimum lease obligations	—	—	15,122	15,566	—	—	15,122	15,566
Less: amount due within one year shown under current liabilities					—	—	(5,008)	(5,445)
Amount shown under non-current liabilities					—	—	10,114	10,121

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets and personal guarantee provided by a director. The said guarantee given by the director is to be released upon listing of the Company on the Stock Exchange of Hong Kong.

Obligations under finance leases are all denominated in HK$.

24 Commitments

(a) *Capital commitments*

Capital expenditure committed at the balance sheet date but not yet incurred is as follows:

	As at 31 March			As at 31 July
	2014	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted but not provided for machinery and equipment	—	—	30,755	25,346

(b) ***Operating lease commitments — as lessee***

The Group leases machinery, offices and warehouse, and quarter for a director under non-cancellable operating lease agreements. The lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
No later than 1 year	224	840	806	1,275
Later than 1 year and no later than 5 years	—	455	—	—
	224	1,295	806	1,275

(c) ***Operating lease commitments — as lessor***

The Group had contracted with lessees for leasing machinery under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
No later than 1 year	6	127	165	219
Later than 1 year and no later than 5 years	—	—	—	—
	6	127	165	219

25 **Notes to the combined statements of cash flows**

(a) Reconciliations of profit for the Relevant Periods to net cash generated from operations:

	Year ended 31 March			Four months ended 31 July	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Profit before income tax	15,124	35,300	39,921	12,062	7,697
Adjustments for:					
- Depreciation of machinery and equipment	13,197	19,279	20,727	6,894	7,921
- Loss/(gain) on disposal of machinery and equipment	575	2,845	(328)	2,291	238
- Finance income	(26)	(115)	(229)	(2)	(90)
- Finance costs	493	640	927	240	460
	29,363	57,949	61,018	21,485	16,226
Changes in working capital:					
(Increase)/decrease in inventories	(2,614)	(7,720)	553	(7,401)	4,243
(Increase)/decrease in trade and bills receivables	(6,668)	3,051	(10,119)	(19,364)	5,722
(Increase)/decrease in deposits, prepayments and other receivables	(1,170)	(843)	(985)	(6,219)	543
Decrease/(increase) in amounts due from/to related companies	410	(395)	444	(1)	(228)
Increase in restricted cash	—	(751)	(9,249)	(16,946)	—
Increase/(decrease) in derivative financial instruments	—	1,979	(1,979)	(959)	—
Increase/(decrease) in trade and bills payables	3,998	11,057	(1,814)	1,216	11,726
Increase/(decrease) in accruals and other payables	4,439	524	(2,154)	1,890	4,242
Net cash generated from/(used in) operations	27,758	64,851	35,715	(26,299)	42,474

(b) In the combined statements of cash flows, proceeds from disposal of machinery and equipment comprise:

	Year ended 31 March			Four months ended 31 July	
	2014	2015	2016	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*Unaudited*)	*HK$'000*
Net book amount (note 13)	3,467	7,011	20,221	13,973	783
(Loss)/gain on disposal of machinery and equipment (note 6)	(575)	(2,845)	328	(2,291)	(238)
Proceeds from sales of machinery and equipment	2,892	4,166	20,549	11,682	545

(c) ***Non-cash transactions***

During the years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2015 and 2016, machinery and equipment amounting to nil, nil, HK$16,417,000 HK$3,200,000 and HK$2,000,000 were purchased under finance leases respectively.

26 Related party transactions

(a) ***Name and relationship***

The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the Relevant Periods:

Name of the related party	Relationship with the Group
Sanroc Heavy Equipment Limited ("Sanroc Equipment") (previously known as Duramax Limited)	An entity controlled by the Controlling Shareholders
Mansion Engineering Limited ("Mansion")	An entity controlled by the Controlling Shareholders
Skyway International Investment Enterprise Limited ("Skyway")	An entity controlled by the Controlling Shareholders
SanRoc International (Macau) Limited ("Sanroc Macau")	An entity controlled by the Controlling Shareholders
Sanhor Limited	An entity controlled by the Controlling Shareholders and was deregistered on 3 October 2014
Lion Spring Enterprises Limited ("Lion Spring")	An entity controlled by the Controlling Shareholders
Mr. Siu	Director of the Company
Mrs. Siu	Director of the Company

(b) ***Transactions with related parties***

Save as disclosed elsewhere in the Financial Information, during the Relevant Periods, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	Year ended 31 March			**Four months ended 31 July**	
	2014	**2015**	**2016**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Sales of machinery and equipment					
- Sanroc Equipment (note i)	13	—	—	—	—
Purchases of machinery and equipment					
- Mansion (note i)	2,346	1,760	656	440	—
- Sanroc Equipment (note i)	—	22	—	—	—
	2,346	1,782	656	440	—
Sales commission expenses					
- Mansion (note ii)	335	409	—	—	—
- Skyway (note ii)	1,394	1,543	—	—	—
	1,729	1,952	—	—	—
Rental expenses for machinery and equipment paid and payable to					
Sanroc Equipment (note ii)	43	18	—	—	—
Management fee income received and receivable from					
- Mansion (note ii)	444	444	—	—	—
Rental expenses for a director's quarter paid or payable to					
- Skyway (note ii)	900	900	900	300	—

Note i: Sales and purchase are made at prices mutually agreed by the relevant parties.

Note ii: Terms of services are mutually agreed between the relevant parties.

Note iii: An unlimited personal guarantee was provided by Mr. Siu as at 31 March 2014 and 2015 and unlimited personal guarantees were provided by Mr. Siu and Mrs. Siu as at 31 March 2016 and 31 July 2016 for securing banking facilities of the Group (note 22).

Note iv: A property held by a related company as at 31 March 2014, 2015 and 2016 and 31 July 2016 was pledged for securing banking facilities of the Group (note 22).

(c) ***Balances with related parties***

Due from related parties

					Maximum amount outstanding			
	As at 31 March			As at 31 July	Year ended 31 March			Four months ended 31 July
	2014	**2015**	**2016**	**2016**	**2014**	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due from related companies								
Trade in nature (note ii)								
Sanroc Equipment	82	—	—	—	82	82	—	—
Non-trade in nature (note i)								
Mansion	888	888	—	—	888	888	888	—
Lion Spring	—	—	—	12	—	—	—	12
	970	888	—	12				
Amount due from a director								
Non-trade in nature (note i)								
Mr. Siu	250	591	591	—	250	591	591	591

Note i: The amounts due from related parties of non-trade in nature are unsecured, interest free and repayable on demand.

Note ii: The amounts due from related parties of trade in nature are unsecured, interest-free and with credit term of 30 days.

Due to related parties

	As at 31 March			As at 31 July
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due to directors				
Non-trade in nature (note i)				
- Mr. Siu	4,904	19,539	15,583	—
- Mrs. Siu	—	—	3,000	—
	4,904	19,539	18,583	—
Amounts due to related companies				
Trade in nature (note ii)				
- Mansion	1,108	660	216	—
- Sanroc Equipment	29	—	—	—
	1,137	660	216	—
Non-trade in nature (note i)				
- Skyway	1,037	2,281	—	75
- Mansion	2,803	3,911	—	—
- Sanroc Macau	500	500	—	—
	4,340	6,692	—	75
	5,477	7,352	216	75

Note i: The amounts due to related parties of non-trade in nature are unsecured, interest free and repayable on demand.

Note ii: The amounts due to related parties of trade in nature are unsecured, interest-free and with cash on delivery term or credit term of 30 days.

(d) ***Key management compensation***

Key management includes directors (executive and non-executive) of the Group. The compensation paid or payable to key management for employee services is disclosed in note 8(b).

27 **Subsequent events**

Save as disclosed in the report, the following significant events took place subsequent to 31 July 2016:

(i) On 10 November 2016, the Group completed the Reorganisation (Note 1.2).

(ii) On 15 July 2016, the directors of Sanroc Leasing declared to its shareholders a final dividend in relation to the year ended 31 March 2016 of HK$12,000,000 and a special dividend of HK$3,000,000, which had been approved on 15 August 2016 and fully paid on 23 August 2016.

(iii) By a shareholders' resolution dated 23 January 2017, the Company conditionally adopted a share option scheme under which the Group may grant options to selected participants. No options have been granted up to the date of this report.

(iv) By a shareholders' resolution dated 23 January 2017 and conditional on the share premium account of the Company being credited as a result of issue of new shares pursuant to the proposed offering of the Company's shares, the Company will issue additional 899,999,996 shares, credited as fully paid, to the existing shareholders of the Company.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 July 2016 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 July 2016.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of our Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Share Offer on the net tangible assets of our Group attributable to the equity holders of the Company as of 31 July 2016 as if the Share Offer had taken place on 31 July 2016.

The unaudited pro forma statement of 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 combined net tangible assets of our Group as at 31 July 2016 or at any future dates following the Share Offer. The unaudited pro forma statement of adjusted net tangible assets of our Group is based on the audited combined net tangible assets of our Group attributable to the equity holders of the Company as at 31 July 2016 as set out in the Accountant's Report of the 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 the equity holders of the Company as at 31 July 2016	**Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted net tangible assets of our Group attributable to the equity holders of the Company as at 31 July 2016**	**Unaudited pro forma adjusted net tangible assets per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on an Offer Price of HK$0.35 per Share	124,025	87,896	211,921	0.18
Based on an Offer Price of HK$0.40 per Share	124,025	102,371	226,396	0.19

Notes:

(1) The audited combined net tangible assets of our Group attributable to the equity holders of the Company as at 31 July 2016 is extracted from the Accountant's Report of the Company as set out in Appendix I to this prospectus, which is based on the audited combined net assets of our Group attributable to the equity holders of the Company as at 31 July 2016 of HK$124,025,000.

(2) The estimated net proceeds from the Share Offer are based on the indicative Offer Price of HK$0.35 and HK$0.40 per Share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately HK$7,131,000 which have been accounted for prior to 31 July 2016) payable by the Company, and takes no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, or any Shares which may be 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.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in note 2 above and on the basis that 1,200,000,000 Shares were in issue assuming that the Share Offer and the Capitalisation Issue had been completed on 31 July 2016, but takes no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, or any Shares which may be 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.

(4) The unaudited pro forma adjusted net tangible assets does not take into account a final dividend in relation to the year ended 31 March 2016 of HK$12,000,000 and a special dividend of HK$3,000,000. Such dividends have been paid in full in August 2016. Had such dividends been taken into account, the unaudited combined pro forma adjusted net tangible assets per Share would be approximately HK$0.16 (assuming an Offer Price of HK$0.35 per Share) and approximately HK$0.18 (assuming an Offer Price of HK$0.40 per Share) respectively.

(5) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 July 2016.

B. ACCOUNTANT'S REPORT ON THE 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.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Sanroc International Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sanroc International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 July 2016, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 27 January 2017, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 July 2016 as if the proposed initial public offering had taken place at 31 July 2016. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the period ended 31 July 2016, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 July 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 27 January 2017

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on 23 January 2017 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and Available for Inspection".

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on 23 January 2017 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The authorised share capital of the Company at the date of adoption of the Articles is HK$20,000,000 divided into 2,000,000,000 shares of HK$0.01 each.

2.2 Directors

(a) *Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed 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 contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity 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;

(ii) 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 any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates 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.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, 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 less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. 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.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is 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 Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) 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) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 **Alteration to constitutional documents**

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 **Variation of rights of existing shares or classes of shares**

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied 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 meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any 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 subject to the provisions of the Companies Law; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 **Voting rights**

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been 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 may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 **Notice of meetings and business to be conducted thereat**

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 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 shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) 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 shares giving that right.

2.11 **Transfer of shares**

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, 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. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 **Power of the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 **Power of any subsidiary of the Company to own shares**

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 **Dividends and other methods of distribution**

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company 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 Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. 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.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 **Calls on shares and forfeiture of shares**

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, 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 Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 **Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 **Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 **Procedure on liquidation**

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company 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 of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any 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 of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 **Untraceable members**

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange 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 for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 July 2016 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, 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 of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a 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:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company.

The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 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 in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands 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.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

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 without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 **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 shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 **Liquidation**

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 **Stamp Duty on Transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking is for a period of twenty years from 23 August 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal adviser on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she 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 25 July 2016. It has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 14 September 2016. Our principal place of business in Hong Kong is at Rooms 6-7, 18/F, Laws Commercial Plaza, 788 Cheung Sha Wan Road, Kowloon, Hong Kong. Mr. Siu and Ms. Cheng Shing Yan have been appointed as the authorised representatives of the Company for acceptance of service of processes and notices in Hong Kong. The address for service of process on our company is the same as its registered place of business in Hong Kong.

As our Company was incorporated in the Cayman Islands, our operation is subject to the relevant laws and regulations of the Cayman Islands, and its Memorandum of Association and the Articles of Association. A summary of the relevant laws and regulations of the Cayman Islands, and of our constitution, is set out in "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix III to this prospectus.

2. Changes in share capital of our Company

Share Capital after the Share Offer and the Capitalisation Issue

On 23 January 2017, the authorised share capital of the Company was changed from HK$380,000 divided into 380,000 Shares of a par value of HK$1.00 each, to HK$20,000,000 divided into 2,000,000,000 Shares of a par value of HK$0.0l each, by: (i) the subdivision of each issued and unissued share of a par value of HK$1.00 each into 100 Shares of a par value of HK$0.0l each, and (ii) the creation of an additional 1,962,000,000 Shares of a par value of HK$0.01 each.

Immediately following completion of the Share Offer and the Capitalisation Issue, on the assumption that the Over-allotment Option is not exercised, the authorised share capital of our Company shall be HK$20,000,000 divided into 2,000,000,000 Shares, of which 1,200,000,000 Shares shall be issued fully paid or credited as fully paid, and 800,000,000 Shares shall remain unissued. Other than under the general mandate to issue Shares (referred to in the section headed "Written resolutions of our sole Shareholder passed on 23 January 2017" in this Appendix), the Share Option Scheme and the Over-allotment Option, we have no 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 Shares shall be issued 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. Our Corporate Reorganisation

The companies comprising our Group underwent Reorganisation in preparation for the Listing, whereby our Company became the holding company of our Group. Please see the section headed "History, Development and Reorganisation" in this prospectus for further details.

4. **Changes in the share capital of our subsidiaries**

The subsidiaries of our Company are listed in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

Save as disclosed herein, and in the section headed "History, Development and Reorganisation" in this prospectus, no other alteration in the share capital took place within the two (2) years immediately preceding the date of this prospectus.

5. **Written resolutions of our sole Shareholder passed on 23 January 2017**

By written resolutions of our sole Shareholder passed on 23 January 2017:

(a) the authorised share capital of the Company was changed from HK$380,000 divided into 380,000 Shares of a par value of HK$1.00 each, to HK$20,000,000 divided into 2,000,000,000 Shares of a par value of HK$0.01 each, by: (i) the subdivision of each issued and unissued share of a par value of HK$l.00 each into 100 Shares of a par value of HK$0.01 each, and (ii) the creation of an additional 1,962,000,000 Shares of a par value of HK$0.01 each;

(b) our Company approved and adopted the Memorandum and the Articles to be effective upon the Listing Date;

(c) conditional on the Listing Committee granting the listing of, and permission to deal in, our Shares in issue, and Shares to be issued, as mentioned in this prospectus, including any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and the Over-allotment Option, and on 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, in each case on or before the date falling thirty (30) days after the date of this prospectus:

    (i) the Share Offer and the Over-allotment Option were approved, and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer, and any Shares which may be required to be allotted and issued upon the exercise of the Over-allotment Option; and

    (ii) the Share Option Scheme was 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 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) conditional 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$8,999,999.96 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 899,999,996 Shares for allotment and issue to the persons whose names appear on the principal register of members of our Company at the close of business on such date as the Directors may direct, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation;

(d) a general unconditional mandate was given to our Directors to allot, issue and deal with 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 Over-allotment 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 repurchase on the Stock Exchange such number of Shares as shall represent up to 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 Over-allotment 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 and issued or agreed conditionally or unconditionally to be allotted and issued 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 allotted and issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme.

6. **Repurchase of our Shares by our Company**

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of the Shares.

(a) ***Provisions of the Listing Rules***

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) *Shareholders' approval*

The Listing Rules provide that all share repurchases by a company with its primary listing on must be approved in advance by an ordinary resolution, which may be by way of general mandate, or by special resolution in relation to specific transactions. As mentioned in "A. Further information about our Company—5. Written resolutions of our sole Shareholder passed on 23 January 2017" in this prospectus, the Directors were granted the repurchase mandate on 23 January 2017.

Note: Pursuant to the written resolutions of our sole Shareholder passed on 23 January 2017, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors authorising our Directors to exercise all powers of our Company to re-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 Over-allotment 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) *Sources of funds*

Repurchases shall be funded out of funds legally available for the purpose in accordance with the applicable laws, rules and regulations in the Cayman Islands, the Memorandum and the Articles and the Listing Rules. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits, share premium, or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman 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, subject to the Cayman Companies Law, out of capital.

(iii) *Trading restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of thirty (30) days immediately following a repurchase (other than an issue of securities pursuant to exercise of warrants, share options or similar instruments requiring the issuer to issue securities, which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange.

In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five (5) preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if that repurchase would result in the number of securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) *Status of repurchased shares*

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge, or development which may constitute inside information has occurred or has been the subject of a decision until such time as the inside information has been made publicly available. In particular, during the period of one (1) month immediately preceding the earlier of: (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(v) *Reporting requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than thirty (30) minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(vi) *Connected parties*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person, which includes a Director, chief executive or substantial Shareholder or any of its subsidiaries or an associate of any of them and a core connected person shall not knowingly sell his securities to the listed company on the Stock Exchange.

(b) ***Reasons for repurchase***

The Directors believe that it is in the best interests of our Company and the Shareholders to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or the earnings per Share and shall only be made when the Directors believe that such repurchases shall benefit our Company and the Shareholders.

(c) ***Funding of repurchases***

In repurchasing securities, we 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 an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of the Directors are from time to time appropriate for us.

(d) ***General***

Exercise in full of the repurchase mandate, on the basis of 1,200,000,000 Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue and assuming the Over-allotment Option is not exercised, could accordingly result in up to approximately 120,000,000 Shares being repurchased by our Company.

None of the Directors nor, to the best of their knowledge and having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or its subsidiaries if the Repurchase Mandate is exercised. The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they shall exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum and the Articles, the applicable laws, rules and regulations in the Cayman Islands.

If, as a result of a repurchase of securities, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase shall be treated as an acquisition for the purpose of the Codes on Takeovers and Mergers and Share Buy-backs (the "**Codes on Takeovers and Mergers and Share Buy-backs**"). Accordingly, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), 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. Save as aforesaid, the Directors are not aware of any consequence which would arise under the Takeovers Code as a consequence of any repurchase made pursuant to the Repurchase Mandate immediately after the Listing.

Our Directors shall 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 (on such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules.

No core connected person of our Company has notified our Company that he/she has a present intention to sell the Shares to our Company, or has undertaken not to do so, in the event the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of our Group within the two (2) years preceding the date of this prospectus and are or may be material:

(a) the Deed of Indemnity;

(b) the Deed of Non-competition; and

(c) the Public Offer Underwriting Agreement.

2. Our material intellectual property rights

(a) *Trademarks*

As at the Latest Practicable Date, we have applied for registration of the following trademark which we believe are material to our business, the registrations of which have not yet been granted:

Trademark	Intended Place of Registration	Classes Intended to be Registered	Application Number	Application Date	Applicant
	Hong Kong	7, 35, 37, 39 and 40 (1), (2), (3), (4), (5)	303876887	19 August 2016	Sanroc International
	Hong Kong	7, 35, 37, 39 and 40 (1), (2), (3), (4), (5)	303876887	19 August 2016	Sanroc International

Notes:

1. Class 7: Machines and machine tools; motors and engines (except for land vehicles); machine coupling and transmission components (except for land vehicles); agricultural implements other than hand-operated; incubators for eggs; automatic vending machines; construction machinery; generators of electricity; diesel engines for generation of electricity; home electricity generation apparatus; thermal storage apparatus for electricity generation; turbines for generation of electricity; drills (electric hand -); electric pumps; emergency power generators; electric power operated tools; electrical power supply apparatus being generators; mobile electrical power generators; power transmissions for machines; electric motors and generators for materials handling equipment; emergency power supply generators; engine driven generators; generators; steam generators [parts of machines]; cranes including pick-n-carry cranes, slew cranes, crawler cranes, tower cranes, hydraulic mobile cranes, articulated boom cranes, vibratory compactors, frontend loaders, soil and tandem vibratory rollers; construction apparatus; machinery for use in the construction of roads; apparatus for use in drilling; drill stands for drilling machines; automatic drilling machines; drilling and boring machines; drilling angle controllers; drilling hammers; drilling rigs, floating or non-floating; electric drilling rigs; impact drilling machines; power-operated drilling tools; drill bits for machines; electric drill bits; air compression pumps; air compressors; air pressure regulating valves (parts of machines); air suction machines; compressed air machines; electric air compressors; electric motor driven air compressors; screw air compressors; pile drivers [machines]; machines for use in civil engineering; terrain cranes, RCD (Reverse Circulation Drilling System) machines, grout station, casing oscillators, hammer grabs, hydraulic vibrators, generators drilling accessories, and all kinds of construction machinery, foundation equipment, power and energy equipment; parts of fillings thereof, and used construction machinery; parts and fittings for all the aforesaid goods, all included in Class 7;

2. Class 35: Advertising; business management; business administration; office functions; business investigation; business information services; customer relationship management; marketing services; marketing and promotional services; marketing analysis; marketing research; marketing studies; display services for merchandise; modelling for advertising and/or sales promotion; production of advertising films; organization of exhibitions for commercial or advertising purposes; rental of exhibiting websites for advertising purposes; import and/or export agency services; procurement services for others (purchasing goods and services for other businesses); publicity services; publication of publicity texts; sales promotion (for others); internet and computerised on-line ordering, wholesaling, retailing and/or distributorship services of machines and machine tools, motors and engines (except for land vehicles), machine coupling and transmission components (except for land vehicles), agricultural implements other than hand-operated, incubators for eggs, automatic vending machines, construction machinery, generators of electricity, diesel engines for generation of

electricity, home electricity generation apparatus, thermal storage apparatus for electricity generation, turbines for generation of electricity, drills (electric hand -), electric pumps, emergency power generators, electric power operated tools, electrical power supply apparatus being generators, mobile electrical power generators, power transmissions for machines, electric motors and generators for materials handling equipment, emergency power supply generators, engine driven generators, generators, steam generators [parts of machines], cranes including pick-n-carry cranes, slew cranes, crawler cranes, tower cranes, hydraulic mobile cranes, articulated boom cranes, vibratory compactors, frontend loaders, soil and tandem vibratory rollers, terrain cranes, RCD (Reverse Circulation Drilling System) machines, grout station, casing oscillators, hammer grabs, hydraulic vibrators, generators drilling accessories, and all kinds of construction machinery, foundation equipment, power and energy equipment, parts of fillings thereof, and used construction machinery construction apparatus, machinery for use in the construction of roads, apparatus for use in drilling, drill stands for drilling machines, automatic drilling machines, drilling and boring machines, drilling angle controllers, drilling hammers, drilling rigs, floating or non-floating, electric drilling rigs, impact drilling machines, power-operated drilling tools, drill bits for machines, electric drill bits, air compression pumps, air compressors, air pressure regulating valves (parts of machines), air suction machines, compressed air machines, electric air compressors, electric motor driven air compressors, screw air compressors, pile drivers [machines], machines for use in civil engineering; telephone, internet and computerised online ordering services; commercial trading services (import and export trading services) provided via a computer network platform; business and commercial information services provided on-line from a computer database, computer network, global computer network or the internet; on-line data processing services; provision of interactive information in the field of business on-line from computer database of the internet; on-line shopping services; compilation of information into computer databases; data search in computer files (for others); the bringing together, for the benefit of others, of a variety of goods, enabling customers to conveniently view and purchase those goods from a general merchandise internet website, wholesale outlets, retail outlets, a general merchandise catalogue by means of telecommunications; organization of trade fairs for commercial or advertising purposes; provision of business information, import and export trading services of machines and machine tools, motors and engines (except for land vehicles), machine coupling and transmission components (except for land vehicles), agricultural implements other than hand-operated, incubators for eggs, automatic vending machines, construction machinery, generators of electricity, diesel engines for generation of electricity, home electricity generation apparatus, thermal storage apparatus for electricity generation, turbines for generation of electricity, drills (electric hand -), electric pumps, emergency power generators, electric power operated tools, electrical power supply apparatus being generators, mobile electrical power generators, power transmissions for machines, electric motors and generators for materials handling equipment, emergency power supply generators, engine driven generators, generators, steam generators [parts of machines], cranes including pick-n-carry cranes, slew cranes, crawler cranes, tower cranes, hydraulic mobile cranes, articulated boom cranes, vibratory compactors, frontend loaders, soil and tandem vibratory rollers, terrain cranes, RCD (Reverse Circulation Drilling System) machines, grout station, casing oscillators, hammer grabs, hydraulic vibrators, generators drilling accessories, and all kinds of construction machinery, foundation equipment, power and energy equipment, parts of fillings thereof, and used construction machinery, construction apparatus, machinery for use in the construction of roads, apparatus for use in drilling, drill stands for drilling machines, automatic drilling machines, drilling and boring machines, drilling angle controllers, drilling hammers, drilling rigs, floating or non-floating, electric drilling rigs, impact drilling machines, power-operated drilling tools, drill bits for machines, electric drill bits, air compression pumps, air compressors, air pressure regulating valves (parts of machines), air suction machines, compressed air machines, electric air compressors, electric motor driven air compressors, screw air compressors, pile drivers [machines], machines for use in civil engineering; rental of terrain cranes, RCD (Reverse Circulation Drilling System) machines, grout station, casing oscillators, hammer grabs, hydraulic vibrators, generators drilling accessories, and all kinds of construction machinery, foundation equipment, power and energy equipment, parts of fillings thereof, and used construction machinery; providing after sale services such as selling spare machinery parts, drilling accessories, repairing and maintenance services; consultancy, information, management and advisory services relating to all the aforesaid services; all included in Class 35;

3. Class 37: Building construction; repair; installation services; maintenance, repair and leasing of terrain cranes, RCD (Reverse Circulation Drilling System) machines, grout station, casing oscillators, hammer grabs, hydraulic vibrators, generators and all kinds of construction machinery, foundation equipment, power and energy equipment, parts of fillings thereof, and used construction machinery; construction consultancy services; installation services; construction of electricity distribution nets; construction, maintenance, restoration and demolition of power generators, building

structures, paving, and drainage, lighting, electricity and water installations; installation of electricity generators; maintenance of electric motors; maintenance services relating to electric and electronic apparatus; underwater construction and repair; providing information in the field of construction, construction consultancy, construction management, repair or maintenance of construction machines and apparatus; construction, maintenance, restoration, demolition, management and cleaning of constructions and infrastructures, roads, bridges, power stations and systems, thermal systems, water supply, treatment and purification stations and systems; installation of power generating and transmission apparatus and equipment; maintenance and repair of buildings, factories, harbours, power plants; site formation, excavation, dredging, ground investigation and improvement; civil engineering services; conducting construction of foundation works; selection for construction purposes of sites; advisory services relating to methods and costs of construction; management of construction projects; professional consultancy relating to construction, maintenance, restoration or demolition of buildings, structures or civil engineering works; advisory services relating to building construction, repair and installation; installation of utilities in buildings; machinery installation, maintenance and repair services; provision of information relating to building construction, repair and installation services; consultancy, information, management and advisory services relating to all the aforesaid services; all included in Class 37;

4. Class 39: Transport; packaging and storage of goods; travel arrangement; storage and transportation of construction machinery; electricity distribution services; electricity storage; electricity supply; transmission of electricity; transportation, storage and distribution of electricity; providing information in the field of power distribution; distribution of generators; car rental services; rental of storage space; rental of transportation vehicles for goods; rental of trucks; rental of vehicles for heavy goods; consultancy, information, management and advisory services relating to all the aforesaid services; all included in Class 39;

5. Class 40: Treatment of materials; rental of generators; generation of energy; material treatment information; recycling of materials; recycling of waste and trash; treatment of fuels and waste processing; destruction of waste and trash; waste treatment transformation; air deodorising; air freshening; custom assembling of materials for others; production, generation and conversion of energy; refining services; operation of cogeneration and other non-regulated electric generation facilities for others; operation of power generation equipment and facilities for others; energy production by means of fuel cell energy, electricity generations; rental of electricity generators; water treatment for energy generating operations; consultancy, information, management and advisory services relating to all the aforesaid services; all included in Class 40.

(b) ***Domain names***

As at the Latest Practicable Date, we were the registered owner of the following domain name which we believe is material to our business:

Domain name	Registration Date	Expiry date	Registrant
sanrochk.com	25 August 2014	25 August 2017	Sanroc International
sanroc-intl.com	14 February 2001	14 February 2017	Sanroc International

Save as aforesaid, as at the Latest Practicable Date, there were no other trademarks, domain names, intellectual or industrial property rights which are material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) ***Interests of Directors and chief executive in Shares and its associated corporations***

Immediately following the completion of the Capitalisation Issue and the Share Offer, but taking no account of any Shares which may be issued under any of the Over-allotment Option or upon the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in our Shares, or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, shall 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 interest or short positions which they are taken or deemed to have under such provisions of the SFO) or shall be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or shall be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issues of the Listing Rules (the "**Model Code**"), to be notified to our Company and the Stock Exchange, shall be as follows:

Long Position in the Shares

Name of Director/ Chief executive	Nature of interest	Number of Shares held	% of shareholding
Mr. Siu Chun Yiu Jonathan(1)	Interest in spouse	840,000,000	70%
Ms. Wong Fei Heung Terbe(2)	Beneficiary and founder of a discretionary trust, interest in a controlled corporation	840,000,000	70%

Notes:

1. Mr. Siu is the spouse of Mrs. Siu. Accordingly, to the best of our Directors' knowledge, information and belief, and having made all reasonable enquiries, immediately upon completion of the Capitalisation Issue and the Share Offer, Mr. Siu is deemed to be interested in the Shares which Mrs. Siu is interested in for the purpose of the SFO.

2. To the best of our Directors' knowledge, information and belief, and having made all reasonable enquiries, immediately upon completion of the Capitalisation Issue and the Share Offer. Mrs. Siu is deemed to be interested in 840,000,000 Shares of our Company's total issued share capital for the purposes of the SFO, as founder and one of the beneficiaries of The JANTS Trust.

(b) ***Substantial Shareholders and other interests discloseable under the SFO***

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 any Shares to be issued under any of the Over-allotment Option or pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company), shall, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Nature of interest	Number of Shares held	% of shareholding
Lion Spring Enterprises Limited(1)	Beneficial owner	840,000,000	70%
Diamond Vista Holdings Limited	Interest in a controlled corporation	840,000,000	70%
BNP Paribas Singapore Trust Corporation Limited(2)	Interest in a controlled corporation	840,000,000	70%

Note:

(1) Lion Spring Enterprises Limited, which owns 70% of the issued share capital of our Company, is owned as to 23.23% by Mr. Siu Chun Yiu Jonathan, the trustee of AMSC GRAT of 2017 and 76.77% by Diamond Vista Holdings Limited, which in turn is wholly-owned by BNP Paribas Singapore Trust Corporation Limited as the trustee of The JANTS Trust.

(2) BNP Paribas Singapore Trust Corporation Limited, as trustee of The JANTS Trust, holds 100% of the issued share capital of Diamond Vista Holdings Limited. The JANTS Trust is a discretionary trust established by Mrs. Siu as settlor and BNP Paribas Singapore Trust Corporation Limited as trustee. The beneficiaries of The JANTS Trust are Mrs. Siu and the children born to Mr. Siu and Mrs. Siu. By virtue of the SFO, the trustee is deemed to be interested in the Shares in which Diamond Vista Holdings Limited is interested.

(c) ***Particulars of Directors' service contracts and letter of appointment***

Each of our executive Directors has entered into a service contract with our Company which is initially for a fixed term of three (3) years, commencing from the Listing Date, and shall continue thereafter until terminated by not less than three (3) months' written notice to the other party. Each of these executive Directors is entitled to the respective basic annual remuneration set out below.

Name	Amount (HK$)
Mr. Siu Chun Yiu Jonathan	500,000
Ms. Wong Fei Heung Terbe	500,000
Ms. Yip Kam Ling	500,000
Mr. Ho King Chiu	500,000

Each of our independent non-executive Directors has entered into a letter of appointment with our Company which is initially for a fixed term of two (2) years, commencing from the Listing Date. The appointment is subject to termination under certain circumstances as stipulated in the said letter of appointment, and the provisions of the Articles with regard to vacation of office of Directors, removal and retirement by rotation of Directors. The annual fee payable to each of our independent non-executive Directors shall be:

Name	**Amount (HK$)**
Mr. Chui Kwong Fun	120,000
Mr. Leung Siu Hong	120,000
Mr. Li Ching Wing	120,000

Save as disclosed above, none of our Directors has or is proposed to have a service contract or a letter of appointment with any member of our Group (excluding agreements expiring or determinable by any member of our Group within one (1) year without payment of compensation other than statutory compensation).

(d) ***Remuneration of Directors***

The aggregate amount of remuneration (including salaries, discretionary bonuses, other benefits and contributions to pension schemes) which were paid to our Directors for the three years ended 31 March 2016 were approximately HK$2.9 million, HK$3.1 million and HK$3.1 million, respectively.

It is estimated that remuneration equivalent to approximately HK$317,000 in aggregate shall be paid and granted to our Directors by us in respect of the year ending 31 March 2017 under arrangements in force at the date of this prospectus.

Our policy concerning the remuneration of the Directors is that the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, performance and the time devoted to our business.

Save as disclosed in this prospectus, no Directors has been paid in cash or shares or otherwise by any person either to include him to become, or to qualify him as a Director, or otherwise for service rendered by him in connection with the promotion or formation of us.

(e) ***Agency fees or commission***

Save as disclosed in this prospectus, within the two (2) years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of any member of our Group .

(f) ***Related party transactions***

Please see note 26 of Section II to the Accountant's Report in Appendix I to this prospectus for details of the related party transactions. Our Directors confirm that all related party transactions are conducted on normal commercial terms, and that their terms are fair and reasonable.

2. **Disclaimers**

Save as disclosed in this prospectus:

(a) none of our Directors or chief executive of our Company has any interests and short positions in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which shall have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which shall be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which shall be required to be notified to us and the Stock Exchange pursuant to the Model Code;

(b) taking no account of any Shares which may be issued pursuant to options which may be granted under the Share Option Scheme, or pursuant to the exercise of the Over-allotment Option, none of the Directors knows of any person (not being a Director or chief executive of our Company) who shall, immediately following completion of the Share Offer and the Capitalisation Issue, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Division 2 and 3 of Part XV of the SFO or 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 member of our Group;

(c) no remuneration or other benefits in kind have been paid by our Company to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by our Company to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date;

(d) none of the Directors or experts referred to in "E. Other information—7. Qualifications and consents of experts" in this prospectus has any direct or indirect interest in the promotion of, or in any assets which have been, within the two (2) 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 by or leased to any member of our Group;

(e) none of the Directors or experts referred to in "E. Other information—7. Qualifications and consents of experts" in this prospectus 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;

(f) none of the experts referred to in "E. Other information—7. Qualifications and consents of experts" in this prospectus has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(g) so far as is known to the Directors, none of the Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of our share capital have any interests in the five (5) largest clients or the five (5) largest suppliers of our Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by written resolutions of our sole Shareholder on 23 January 2017. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The following summary does not form, nor is intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

For the purpose of this section, unless the context otherwise requires, the following expressions have the meanings set out below:

"Board"	the board of Directors or a committee thereof appointed for the purpose of administering the Share Option Scheme;
"Participant"	any director(s) (including executive directors, and independent non-executive directors) and full-time employee(s) of any member of our Group and any advisers, consultants, contractors, subcontractors, suppliers, agents, customers, business partners, joint venture business partners, service providers of any member of our Group who the Board considers, in its absolute discretion and on such terms as it deems fit, grants options pursuant to the Share Option Scheme to; and
"Grantee"	any Participant who accepts an offer of the grant of an option in accordance with the terms of the Share Option Scheme or (where the context so permits) any person who is entitled to any such option in consequence of the death of the original Grantee, or the legal representative of such Participant.

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide Participants with the opportunity to acquire proprietary interests in our Company and to encourage Participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and its Shareholders as a whole. The Share Option Scheme shall provide our Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Participants.

(ii) Participants of the Share Option Scheme and the Basis of Determining the Eligibility of the Participants

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the Board may offer to grant an option to any Participants as the Board may in its absolute discretion select.

(iii) **Administration**

The Share Option Scheme shall be subject to the administration of the Board. The Board shall have the right to:

(a) interpret and construe the provisions of the Share Option Scheme;

(b) determine the persons who shall be offered options under the Share Option Scheme, the number of Shares and the subscription price, subject to paragraph (vi) below, in relation to such options;

(c) subject to sections (xiv) and (xv) below, make such appropriate and equitable adjustments to the terms of the options granted under the Share Option Scheme as it deems necessary; and

(d) make such other decisions or determinations as it shall deem appropriate in the administration of the Share Option Scheme.

(iv) **Grant of options**

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules (in particular as to grant of options to directors, chief executives and substantial shareholders of our Company or their respective associates), the Board shall be entitled at any time within ten (10) years after the date of adoption of the Share Option Scheme to make an offer for the grant of an option to any Participant as the Board may in its absolute discretion select. The offer shall specify the terms on which the option is granted. Such terms may include any minimum periods for which an option must be held and/or any minimum performance targets that must be reached, before the options can be exercised in whole or in part, and may include at the discretion of the Board other terms imposed (or not imposed) either on a case by case basis or generally.

No offer shall be made and no option shall be granted to any Participant after inside information has come to our Company's knowledge until it has announced the information. In particular, our Company shall not grant any option during the period commencing one (1) month immediately preceding the earlier of:

(a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of our Company's results for any year, half year, quarter or any other interim period (whether or not required under the Listing Rules); and

(b) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarter or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement. For the avoidance of doubt, the period during which no options shall be granted mentioned above shall include any period of delay in the publication of a results announcement.

(v) **Payment on acceptance of option offer**

An offer shall remain open for acceptance by the Participant concerned for a period of fourteen (14) days from the date of the offer. HK$1.00 is payable by the Grantee to our Company on acceptance of the offer of the option.

(vi) **Subscription price**

The subscription price shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall not be less than the highest of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant;

(b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the date of grant (provided that in the event that any option is proposed to be granted within a period of less than five (5) business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the offer of new Shares shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and

(c) the nominal value of a Share on the date of grant.

(vii) **Option period**

The period within which the Shares must be taken up under an option shall be the period of time to be notified by the Board to each Grantee at the time of making an offer, which shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed ten (10) years from the date of grant of the relevant option.

(viii) **Rights are personal to grantee**

An option shall be personal to the Grantee and shall not be assignable or transferable.

(ix) **Rights attaching to Shares allotted**

The Shares to be allotted and issued upon the exercise of an option shall be subject to all the provisions of the Memorandum and Articles of Association of our Company for the time being in force and shall rank *pari passu* with the fully paid Shares in issue on the date the name of the Grantee is registered on the register of members of our Company. Prior to the Grantee being registered on the register of members of our Company, the Grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of our Company), in respect of the Shares to be issued upon the exercise of the option.

(x) **Exercise of option**

Subject to the terms and conditions upon which an option is granted, an option may be exercised by the Grantee at any time during the option period, provided that:

(a) in the event the Grantee (being an employee or a director of any member of our Group) ceases to be a Participant for any reason other than :

(1) his or her death; or

(2) on one or more of the grounds of termination of employment or engagement specified in paragraph (xi)(f) below,

the option shall lapse on the date of cessation of such employment or engagement, and not be exercisable unless the Board otherwise determines, in which event the option shall be exercisable to the extent and within such period as the Board may determine. The date of cessation of employment of a Grantee (being an employee and who may or may not be a director of any member of our Group) shall be the last actual working day on which the Grantee was physically at work with our Company or the relevant subsidiary, whether salary is paid in lieu of notice or not;

(b) in the event the Grantee dies before exercising the option in full and none of the events for termination of employment or engagement under paragraph (xi)(f) below then exists with respect to such Grantee, the personal representative(s) of the Grantee shall be entitled within a period of twelve (12) months from the date of death to exercise the option up to the entitlement of such Grantee as at the date of death;

(c) if a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph (x)(d) below) is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, our Company shall forthwith give notice thereof to the Grantee, and the Grantee shall be entitled to exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company at any time within such period as shall be notified by our Company;

(d) if a general offer for Shares by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, our Company shall forthwith give notice thereof to the Grantee, and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company);

(e) in the event a notice is given by our Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three (3) days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such option; and

(f) in the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph (x)(d) above, between our Company and its members and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Grantees on the same day as it first gives notice of the meeting to its members and/or creditors to consider such a scheme or arrangement and the Grantee may at any time thereafter but before such time as shall be notified by our Company exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three (3) days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such option.

(xi) **Lapse of option**

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(a) the expiry of the option period (subject to the provisions of the Share Option Scheme);

(b) the date or the expiry of the periods for exercising the option as referred to in paragraph (x) above;

(c) subject to the scheme of arrangement (referred to in paragraph (x)(d) above) becoming effective, the expiry of the period for exercising the option as referred to in paragraph (x)(d) above;

(d) subject to paragraph (x)(e) above, the date of the commencement of the winding-up of our Company;

(e) the date on which the Grantee commits a breach of paragraph (viii) above;

(f) the date on which the Grantee (being an employee or a director of any member of our Group) ceases to be a Participant by reason of the termination of his or her employment or engagement on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty, or on any other ground on which an employer would be entitled to terminate his or her employment summarily;

(g) the date on which the Grantee (being a corporation) appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts or has become insolvent or has made any arrangement or composition with its creditors generally;

(h) where the Grantee is an employee, director, officer or contract consultant of a member of our Group (other than our Company), the date on which such member ceases to be a subsidiary; and

(i) unless the Board otherwise determines, and other than in the circumstances referred to in paragraph (x)(a) or (b) above, the date the Grantee ceases to be a Participant (as determined by a Board resolution) for any reason.

Transfer of employment or engagement or relationship from one member of our Group to another member of our Group shall not be considered as a cessation of employment, engagement or relationship.

(xii) **Cancellation of option**

Any options granted but not exercised may be cancelled if the Grantee so agrees, and new options may be granted to the said Grantee provided such new options are granted within the limits prescribed by paragraph (xiii) below and otherwise comply with the terms of the Share Option Scheme.

(xiii) **Maximum number of Shares subject to options**

(a) 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 other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time ("**Scheme Limit**");

(b) The Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 120,000,000 Shares, representing 10% of the aggregate of the Shares in issue on the date the Shares commence trading on the Stock Exchange without taking into account the shares which may be alloted and issued pursuant to the exercise of the Over-allotment Option (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit;

(c) Our Company may refresh the Scheme Mandate Limit at any time subject to prior Shareholders' approval. However, the Scheme Mandate Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the aforesaid Shareholders' approval. Options previously granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled, lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the limit as refreshed;

(d) Our Company may also seek separate Shareholders' approval for granting options beyond the Scheme Mandate Limit to Participants specifically identified by our Company before the aforesaid Shareholders' meeting where such approval is sought;

(e) The total number of Shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised, cancelled and outstanding options) in any twelve (12) month period shall not exceed 1% of the Shares in issue (the "Individual Limit"). Any further grant of options to a Participant which would result in the Shares issued, and to be issued, upon exercise of all options granted, and to be granted to such Participant (including exercised, cancelled and outstanding options) in the twelve (12) month period up to and including the date of grant of such further options exceeding the Individual Limit shall be subject to Shareholders' approval in advance, with such Participant and his close associates (or his associates if such participant is a connected person) abstaining from voting; and

(f) The maximum number of Shares referred to in this paragraph (xiii) shall be adjusted in such manner as the auditors or the financial adviser of our Company retained for such purpose shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (xiv) below by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares, reduction of the share capital of our Company.

(xiv) **Reorganisation of capital structure and special dividends**

In the event of an alteration in the capital structure of our Company whilst any option remains exercisable by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of shares, or reduction of the share capital of our Company (other than an issue of Shares as consideration in a transaction), such corresponding alterations (if any) shall be made to: (a) the number or nominal amount of Shares subject to the option so far as unexercised; or (b) the subscription price; or (c) the method of exercise of the option; or any combination thereof, as the auditors or a financial adviser engaged by our Company for such purpose shall, at the request of our Company, certify in writing, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable, provided that any such adjustments give a Grantee the same proportion of the equity capital of our Company as that to which that Grantee was previously entitled, but so that no such adjustments be made to the extent that a Share would be issued at less than its nominal value.

(xv) **Alteration of the Share Option Scheme**

(a) Subject to paragraph (xv)(b) below, the Board may amend any of the provisions of the Share Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of the Share Option Scheme, which are not found in Chapter 17 of the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any Grantee at that date);

(b) Those specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of Participants, and no changes to the authority of our Directors or administrator of the Share Option Scheme in relation to any alteration of the terms of the Share Option Scheme shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, or any change to the terms of options granted, must also, to be effective, be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The Share Option Scheme so altered shall comply with Chapter 17 of the Listing Rules; and

(c) Notwithstanding any approval obtained pursuant to paragraph (xv)(a) above, no amendment shall operate to adversely affect the terms of issue of any option granted or agreed to be granted prior to such amendment except with the consent or sanction in writing of such number of Grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to the options granted under the Share Option Scheme, except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

(xvi) **Termination of Share Option Scheme**

Our Company by ordinary 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 shall be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Options which are unexercised and unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

(xvii) **Offers made to a director, chief executive or employee who is also substantial shareholder of our Company or any of their respective associates**

Each grant of options to any Director, chief executive or substantial Shareholder of our Company (or any of their respective associates) shall be subject to the prior approval of the independent non-executive Directors of our Company (excluding any independent non-executive director who is a proposed recipient of the grant of options). Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the twelve (12) month period (or such other period as may from time to time be specified by the Stock Exchange) up to and including the date of grant:

(a) representing in aggregate over 0.1% (or such other percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and

(b) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK$5 million (or such other amount as may from time to time be specified by the Stock Exchange), such grant of options shall be subject to prior approval by the Shareholders (voting by way of poll). The Grantee, his associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting at such general meeting, except that any such person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

(xviii) **Conditions of Share Option Scheme**

The Share Option Scheme shall take effect subject to:

(a) the Listing Committee granting approval of the Share Option Scheme and the granting of options thereunder;

(b) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of options under the Share Option Scheme; and

(c) the commencement of dealings in the Shares on the Stock Exchange.

(xix) **Present status of the Share Option Scheme**

As at the Latest Practicable Date, no option has been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 120,000,000 Shares in total.

E. OTHER INFORMATION

1. Litigation

Save as disclosed in this prospectus, no member of our Group is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our Company's results of operations or financial condition.

2. Tax and other indemnity

Mr. Siu, Mrs. Siu, Lion Spring Enterprises Limited, Diamond Vista Holdings Limited and BNP Paribas Singapore Trust Corporation Limited as trustee of The JANTS Trust entered into a deed of indemnity in favour of our Group on 23 January 2017 to provide the following indemnities.

Tax indemnities

(i) *Tax on Dividends*

No tax is payable in Hong Kong in respect of dividends paid by us.

(ii) *Profits*

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business shall be chargeable to Hong Kong profit tax, which is currently imposed at the rate of 16.5% on corporations and at a rate of 15.0% on unincorporated businesses.

Gains from sales of the Shares effected on the Stock Exchange shall be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(iii) *Stamp Duty*

Hong Kong stamp duty shall be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of shares.

(iv) *Estate Duty*

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006. The estate of a person who died before 11 February 2006 is subject to the provisions of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), and the Shares are Hong Kong property for this purpose. The estate duty chargeable in respect of estates of persons dying between the transitional period from and including 15 July 2005 to 11 February 2006 with the principal value exceeding HK$7.5 million shall be a nominal amount of HK$100.

(v) *Deed of Indemnity*

Pursuant to the Deed of Indemnity given by Mr. Siu, Mrs. Siu, Lion Spring Enterprises Limited, Diamond Vista Holdings Limited and BNP Paribas Singapore Trust Corporation Limited as trustee of The JANTS Trust in favour of our Company (for itself and as trustee for our subsidiaries from time to time) and conditional on the fulfilment of the conditions stated in the section headed "Structure and Conditions of the Share Offer" in this prospectus, Mr. Siu, Mrs. Siu, Lion Spring Enterprises Limited, Diamond Vista Holdings Limited and BNP Paribas Singapore Trust Corporation Limited as trustee of The JANTS Trust have unconditionally and irrevocably agreed and undertaken to each of the members of our Group on a joint and several basis that they would indemnify and at all times keep the same indemnified on demand from and against any taxation falling on any members of our Group resulting from or by reference to any revenue (including any form of government financial assistance, subsidy or rebate), income, profits or gains granted, earned, accrued, received or made (or deemed to be so granted, earned, accrued, received or made) on or before the Listing Date or any event, transaction, act or omission occurring or deemed to occur on or before the Listing Date whether alone or in conjunction with any other event, act or omission occurring or deemed to occur on or before the Listing Date and whether or not such taxation is chargeable against or attributable to any other person, firm or company. For the avoidance of doubt, the aforesaid provision shall require Mr. Siu, Mrs. Siu, Lion Spring Enterprises Limited, Diamond Vista Holdings Limited and BNP Paribas Singapore Trust Corporation Limited as trustee of The JANTS Trust to indemnify and at all times keep each of the members of our Group indemnified, in each case, in respect of any additional taxation which may fall on our Company or any other member of our Group in respect of a taxation claim resulting from a reassessment or similar action by a taxation authority against any member of our Group of taxation due and whether or not such reassessment is effected in respect of taxation which our Company or any other members of our Group had previously reached agreement with a taxation authority.

Under the Deed of Indemnity, Mr. Siu, Mrs. Siu, Lion Spring Enterprises Limited, Diamond Vista Holdings Limited and BNP Paribas Singapore Trust Corporation Limited as trustee of The JANTS Trust have also irrevocably and unconditionally agreed and undertaken to each of members of our Group on a joint and several basis that they would indemnify and at all times keep the same indemnified on demand from and against all sums, outgoings, fees, demands, claims, damages, losses, costs, charges, liabilities, fines, penalties payments, suits, and expenses associated, incurred or suffered by our Company or any members of our Group directly or indirectly in connection with:

(a) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings whether of criminal, administrative, contractual, tortious nature or otherwise instituted by or against our Company and/or any of the member of our Group which was issued and/or accused and/or arising from any act, non-performance, omission or otherwise of our Company or any member of our Group on or before the Listing Date; and

(b) any non-compliance with the applicable laws, rules or regulations by our Company and/or any of the member of our Group on or before the Listing Date, except that specific provision, reserve or allowance has been made for such liabilities in the audited consolidated accounts of our Company for the Track Record Period.

However, the indemnities given by our Controlling Shareholders under this section do not cover, and Mr. Siu, Mrs. Siu, Lion Spring Enterprises Limited, Diamond Vista Holdings Limited and BNP Paribas Singapore Trust Corporation Limited as trustee of The JANTS Trust shall be under no liability in respect of, any liability on taxation and taxation claim:

(a) to the extent that provision has been made in the audited consolidated accounts of our Group or the audited accounts of any of our Group members for an accounting period ended on or before 31 March 2016;

(b) falling on any members of our Group in respect of any accounting period commencing on or after 31 March 2016 unless such liability would not have arisen but for some act or omission of, or transaction entered into by, our Controlling Shareholders or any members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), otherwise than:

  (i) in the ordinary course of business, on or before the Listing Date; or

  (ii) Pursuant to a legally binding commitment created on or before the date of the Deed of indemnity or pursuant to any statement of intention made in this prospectus.

(c) to the extent that such liability arises or is incurred as a consequence of any change in the law, rules or regulations, or the interpretation or practice thereof by any statutory or governmental authority (in Hong Kong or elsewhere), including without limitation the Inland Revenue Department, having retrospective effect coming into force after the Listing Date or to the extent that such liability arises or is increased by an increase in rates of taxation or other penalties after the Listing Date with retrospective effect;

(d) to the extent that such liability is discharged by another person who is not a member of our Group and that none of the member of our Group is required to reimburse such person in respect of the discharge of such liability;

(e) to the extent of any provision or reserve made for such liability in the audited accounts referred to in Clause (a) above which is finally established to be an overprovision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce our Controlling Shareholders' liability in respect of such liability shall not be available in respect of any such liability arising thereafter; or

(f) to the extent that provision, reserve or allowance has been made for such liability, Taxation or Taxation Claim in the audited accounts of our Company and the Subsidiaries for the three years ended 31 March 2016.

(vi) *Consultation with professional advisers*

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the tax implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares.

None of our Company, the Sponsor, the Underwriters, any of their respective directors, or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, or dealing in, the Shares.

3. **Preliminary Expenses**

The preliminary expenses relating to the incorporation of our Company are approximately US$5,442 and are payable by our Company.

4. **Promoter**

Our Company has no promoter for the purpose of the Listing Rules. Within the two (2) years preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the Share Offer and the related transactions described in this prospectus.

5. **The Sponsor**

The Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of any options granted under the Share Option Scheme and the exercise of the Over-allotment Option. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. The fees payable by us in respect of the Sponsor's services as sponsor for the Listing is HK$4.7 million.

6. **No Material Adverse Change**

The Directors confirm that there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since 31 July 2016, (being the date to which the latest audited combined financial statements of our Group were made up) and up to the date of this prospectus.

7. **Qualifications and consents of experts**

The following are the qualifications of the experts which have given their opinions or advice which are contained, or referred to, in this prospectus:

Expert	Qualification
Ample Capital Limited	A licensed corporation under the SFO to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) of regulated activities (as defined under the SFO)
Hui & Lam LLP	Legal advisers as to Hong Kong law
Maples and Calder (Hong Kong) LLP	Cayman Islands and BVI attorneys-at-law
Quantum Law Corporation	Legal advisers as to Singaporean law
PricewaterhouseCoopers	Certified Public Accountants
Frost & Sullivan Limited	Independent industry consultant

Each of the experts set out in the table above has given and has not withdrawn its respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

As at the Latest Practicable Date and save as disclosed in this prospectus, none of the experts named above had any shareholding interests in the Company or any of its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe in the Company or any of its subsidiaries.

8. **Particulars of the Selling Shareholder**

The particulars of the Selling Shareholder are set out as follows:

Name	:	Lion Spring Enterprises Limited
Description	:	A company incorporated in the BVI on 18 May 2016 with limited liability
Registered address	:	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands

Director	:	Mr. Siu and Mrs. Siu
Shareholder	:	Mr. Siu, holding 23.23% of its issued share capital and Diamond Vista Holdings Limited, holding 76.77% of its issued share capital
Number of Sale Shares to be sold	:	60,000,000

9. **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 penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. **Taxation and holders of Shares**

(a) *Hong Kong*

Dealings in Shares registered on our Company's Hong Kong branch register of members shall 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 that the instrument of transfer shall be stampable if they are executed in, or brought into, the Cayman Islands.

(c) *Consultation with professional advisors*

Intending holders of Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, or dealing in, Shares. It is emphasized that none of our Company, our Directors, the Selling Shareholder or other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from, their subscription for, purchase, holding or disposal of or dealing in Shares.

11. **Miscellaneous**

Save as otherwise disclosed in this prospectus, within the two (2) years immediately preceding the date of this prospectus:

(i) No share or loan capital or debentures of our Company or of any of our principal operating subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly either for cash or for a consideration other than cash;

(ii) No commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its principal subsidiaries;

(iii) No commission has been paid or is payable (except commissions to underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in our Company;

(iv) Neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(v) No share or loan capital of our Company or any of our consolidated subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(vi) None of the parties (save in connection with the Underwriting Agreements) listed in "E. Other Information—7. Qualifications and consents of experts" in this prospectus:

  (a) is interested legally or beneficially in any securities of any member of our Group; or

  (b) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

(vii) Our Group has no outstanding convertible debt securities;

(viii) No company within our Group is presently listed on any stock exchange, or traded on any trading system;

(ix) Our Directors have been advised that, under the Cayman Islands laws, 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 the Cayman Islands laws;

(x) The English test of this prospectus shall prevail over the Chinese text; and

(xi) There is no arrangement under which future dividends are waived or agreed to be waived.

12. **Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

1. Copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

2. the written consents of the experts referred to in the section headed "E. Other Information — 7. 7. Qualifications and consents of experts" of Appendix IV to this prospectus; and

3. copies of the material contracts referred to in the section headed "B. Further Information about the Business of Our Group — 1. Summary of material contracts" of Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents shall be available for inspection at the office of Hui & Lam LLP at Rooms 1505-06, 15/F, The Center, 99 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is fourteen (14) days from the date of this prospectus:

1. the Memorandum of Association and Articles of Association;

2. the accountant's report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

3. the audited combined financial statements of our Group for the three (3) financial years ended 31 March 2014, 2015 and 2016 and the four months ended 31 July 2016;

4. the report on unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;

5. the letter of advice from our legal adviser as to Cayman Islands law, summarising the constitution of our Company and certain aspects of the Companies Law of the Cayman Islands referred to in Appendix III to this prospectus;

6. the legal opinion issued by Quantum Law Corporation, the legal adviser as to Singaporean law, in relation to the JANTS Trust;

7. the legal opinion issued by our legal adviser to BVI law, in relation to the legal owners of Lion Spring Enterprises Limited;

8. the F&S Report;

9. the Companies Law;

10. the rules of the Share Option Scheme;

11. the material contracts referred to in the section headed "B. Further Information about the Business of Our Group — 1. Summary of material contracts" of Appendix IV to this prospectus;

12. the service contracts and letters of appointment entered into by the Company with each of our Directors referred to in the section headed "C. Further Information about Directors and Substantial Shareholders — 1. Disclosure of Interests — (c) Particulars of Directors' service contracts and letters of appointment" of Appendix IV to this prospectus;

13. the written consents referred to in the section headed "E. Other Information — 7. Qualifications and consents of experts" of Appendix IV to this prospectus; and

14. a list containing the particulars of the Selling Shareholder as set out in the section headed "E. Other Information — 8. Particulars of the Selling Shareholder" in Appendix IV to this prospectus.