



**SFK Construction Holdings Limited**

**新福港建設集團有限公司**

(Incorporated in Bermuda with limited liability)

(Stock code : 1447)



**GLOBAL  
OFFERING**  
**全球發售**

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



## IMPORTANT

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



## SFK CONSTRUCTION HOLDINGS LIMITED

新福港建設集團有限公司

*(Incorporated in Bermuda with limited liability)*

### GLOBAL OFFERING

**Number of Offer Shares under the Global Offering** : 100,000,000 Shares (subject to the Over-allotment Option)  
**Number of International Placing Shares** : 90,000,000 Shares (subject to adjustment and the Over-allotment Option)  
**Number of Public Offer Shares** : 10,000,000 Shares (subject to adjustment)  
**Offer Price** : Not more than HK\$1.50 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 on final pricing)  
**Nominal Value** : HK\$0.10 per Share  
**Stock Code** : 1447

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

Please refer to the section headed "Risk factors" for a discussion of certain risks that you should consider in connection with an investment in the Offer Shares.

The Offer Price is expected to be fixed by agreement among the Joint Global Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 3 December 2015 and, in any event, not later than Tuesday, 8 December 2015. The Offer Price will be not more than HK\$1.50 per Offer Share and is currently expected to be not less than HK\$1.10 per Offer Share unless otherwise announced. Investors applying for Public Offer Shares must pay, on application, the maximum Offer Price of HK\$1.50 per Offer Share together with a brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

The Joint Global Coordinators (on behalf of the Underwriters) may, with the consent of our Company, reduce the number of Offer Shares being offered pursuant to the Global Offering and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$1.10 to HK\$1.50 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in The Standard (in English) and Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Public Offer. If applications for Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the number of Offer Shares and/or the indicative Offer Price range is so reduced such applications cannot be subsequently withdrawn. If, for any reason, the Offer Price is not agreed among our Company and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Public Offer Shares, are subject to termination by the Joint Global Coordinators, on behalf of the Public Offer Underwriters, if certain circumstances arise prior to 8:00 a.m. on the Listing Date. Such circumstances are set out in the section headed "Underwriting — Grounds for termination" in this prospectus. It is important that you carefully read that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S.

30 November 2015

## EXPECTED TIMETABLE<sup>(1)</sup>

*If there is any change in the following expected timetable, our Company will issue an announcement in Hong Kong to be published in English in The Standard and in Chinese in Hong Kong Economic Times and on the websites of our company at [www.sfkchl.com.hk](http://www.sfkchl.com.hk) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).*

**2015**

Latest time for lodging **PINK** Application Forms at our  
Company's headquarters, Rooms 3207-10, 32/F, Great  
Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong ..... 4:00 p.m. on Wednesday,  
2 December 2015

Latest time to complete electronic applications under  
the **HK eIPO White Form** service through  
the designated website at [www.hkeipo.hk](http://www.hkeipo.hk)<sup>(2)</sup> ..... 11:30 a.m. on Thursday,  
3 December 2015

Application lists open<sup>(3)</sup> ..... 11:45 a.m. on Thursday,  
3 December 2015

Latest time to lodge **WHITE** and **YELLOW**  
Application Forms and to give **electronic**  
**application instructions** to HKSCC<sup>(4)</sup> ..... 12:00 noon on Thursday,  
3 December 2015

Latest time to complete payment for **HK eIPO White Form**  
applications by effecting internet banking transfer(s)  
or PPS payment transfer(s) ..... 12:00 noon on Thursday,  
3 December 2015

Application lists close<sup>(3)</sup> ..... 12:00 noon on Thursday,  
3 December 2015

Expected Price Determination Date<sup>(5)</sup> ..... Thursday,  
3 December 2015

Announcement of the final Offer Price, the level of indication  
of interest in the International Placing, the results of  
allocations in the Public Offer and the Employee  
Preferential Offering and the basis of allotment of the  
Public Offer Shares and the Employee Reserved Shares  
to be published (a) in The Standard (in English)  
and Hong Kong Economic Times (in Chinese);  
(b) on the website of our Company at [www.sfkchl.com.hk](http://www.sfkchl.com.hk);  
and (c) on the website of the Stock Exchange  
at [www.hkexnews.hk](http://www.hkexnews.hk) on or before ..... Wednesday, 9 December 2015

## EXPECTED TIMETABLE<sup>(1)</sup>

Results of applications and Hong Kong identity card/passport/  
 Hong Kong business registration numbers of successful  
 applicants under the Public Offer to be available  
 under a variety of channels as described in the section headed  
 “How to apply for Public Offer Shares — Publication of results”  
 in this prospectus including the website  
 of our Company at **www.sfkchl.com.hk** and the website  
 of the Stock Exchange at **www.hkex.com.hk** from . . . . . Wednesday, 9 December 2015

Despatch/collection of share certificates of the Offer Shares  
 or deposit of share certificates of the Offer Shares  
 into CCASS in respect of wholly or partially successful  
 applications pursuant to the Public Offer and  
 the Employee Preferential Offering on or before<sup>(6)</sup> . . . . . Wednesday, 9 December 2015

Despatch of e-Auto Refund payment instructions and  
 refund cheques in respect of wholly or partially unsuccessful  
 applications pursuant to the Public Offer on or before<sup>(7)</sup> . . . . . Wednesday, 9 December 2015

Dealings in Shares on the Stock Exchange expected  
 to commence at . . . . . 9:00 a.m. on Thursday, 10 December 2015

*Notes:*

1. All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure and conditions of the Global Offering” in this prospectus.
2. You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application 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 money) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on Thursday, 3 December 2015, the application lists will not open and close on that day. Further information is set out in the section headed “How to apply for Public Offer Shares — Effect of bad weather on the opening of the application lists” in this prospectus.
4. Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for Public Offer Shares — Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is expected to be on or about Thursday, 3 December 2015, and in any event not later than Tuesday, 8 December 2015. If, for any reason, the Offer Price is not agreed by our Company and the Joint Global Coordinators (on behalf of the Underwriters), at or before 12:00 noon on Tuesday, 8 December 2015, the Global Offering will not proceed and will lapse.



## EXPECTED TIMETABLE<sup>(1)</sup>

6. Applicants who apply on **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 Public Offer Shares or more under the Public Offer and have provided all information required may collect refund cheques and (where applicable) share certificates in person from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 9 December 2015. Identification and (where applicable) authorisation documents acceptable to the Hong Kong Share Registrar must be produced at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Public Offer and have provided all information required may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participant stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Shares is the same as that for applicants who apply on **WHITE** Application Forms.

Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to apply for Public Offer Shares" in this prospectus for details.

If an applicant has applied for less than 1,000,000 Public Offer Shares, the share certificate (if applicable) and/or refund cheque will be despatched by ordinary post (at the applicant's own risk) to the address specified on the Application Form. Uncollected share certificates and refund cheques will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to apply for Public Offer Shares — Despatch/collection of share certificates and refund monies" in this prospectus.

7. e-Auto Refund payment instructions and refund cheques will be made/issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price as finally determined is less than the initial Offer Price per Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque, if any.

**Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Global Offering has become unconditional; and (ii) the Underwriters' right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination" in this prospectus has not been exercised and has lapsed.**

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## IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Global Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus. This prospectus may not be used for the purpose of and does not constitute an offer to sell or a solicitation of an offer in any jurisdiction other than Hong Kong or in any other circumstances.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Underwriters, any of their respective directors, employees, agents or professional advisers or any other person or party involved in the Global Offering.*

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## SUMMARY

*This summary aims at giving you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We are a long established and one of the leading general building main contractors in Hong Kong according to the Ipsos Report. We are principally engaged in construction and maintenance projects in Hong Kong and construction projects in Macau under our brand “SFK (新福港)”. We are an approved contractor of the Hong Kong Government and we believe our proven construction track record and our good reputation in the general building and civil engineering main contracting industries position us well to maintain a sustainable business development. Apart from the business mentioned above, we also provide other services, which comprise housing management services, such as provision of cleaning services and security management services in Hong Kong. During the Track Record Period, there had not been any material change in the business focus of our Group. Please refer to the section headed “Business — Our principal business” in this prospectus for details of our revenue breakdown by segments during the Track Record Period.

We have been operating as a general building contractor in Hong Kong since the 1960s and have expanded to civil engineering in 1989 by acquiring SFK Civil. In 2005, we further expanded our general building business to Macau primarily through our Joint Venture SFK Kun Fai. During the Track Record Period and up to the Latest Practicable Date, we have taken the role of main contractor for our general building and civil engineering works in Hong Kong and Macau, which includes the provision of overall project management and supervision of works conducted by our subcontractors to ensure that we conform to the contract requirements including quality, safety, environmental protection in carrying out the projects and that projects are completed on time and within budget. For certain Macau projects, which are usually large in scale, we have acted as the subcontractor through our Joint Ventures in Macau. Please refer to the section headed “Business — General building and civil engineering” in this prospectus for details of projects completed/undertaken by us before and during the Track Record Period.

During the Track Record Period, we have completed a total of 48 projects for general building works and 12 projects for civil engineering works, and the revenue attributable to our general building and civil engineering business amounted to approximately HK\$2,718.50 million, HK\$2,784.48 million, HK\$2,692.11 million and HK\$1,107.36 million, respectively, representing approximately 96.90%, 98.07%, 97.82% and 97.12% of our total revenue, respectively. Our general building and civil engineering business is and has been focused on both the public and private sectors in Hong Kong. For each of the three years ended 31 December 2014 and the six months ended 30 June 2015, we derived the majority of our revenue from Hong Kong, where we generated approximately 83.76%, 90.24%, 83.23% and 80.17%, respectively, from the public sector and approximately 16.24%, 9.76%,



## SUMMARY

16.77% and 19.83%, respectively, from the private sector. As at the Latest Practicable Date, we had a total of 21 projects for general building works and seven projects for civil engineering works on hand and the total original contract sum amounted to approximately HK\$10,507.84 million. It is estimated that the revenue to be recognised by our Group in relation to these 21 projects for general building works and seven projects for civil engineering works for the year ending 31 December 2015 amounts to approximately HK\$1,249.10 million and HK\$789.56 million, respectively, and thereafter amounts to approximately HK\$3,509.06 million and HK\$1,497.92 million, respectively.

Our revenue by business segments during the Track Record Period was as follows:

	Year ended 31 December						Six months ended 30 June	
	2012		2013		2014		2015	
	<i>HK\$' million</i>	%	<i>HK\$' million</i>	%	<i>HK\$' million</i>	%	<i>HK\$' million</i>	%
General building .....	1,556.24	55.47	1,429.39	50.34	1,691.66	61.47	738.25	64.75
Civil engineering .....	1,162.26	41.43	1,355.09	47.73	1,000.45	36.35	369.11	32.37
Other services <sup>(1)</sup> .....	86.96	3.10	54.73	1.93	60.05	2.18	32.81	2.88
<b>Total.....</b>	<b><u>2,805.46</u></b>	<b><u>100.00</u></b>	<b><u>2,839.21</u></b>	<b><u>100.00</u></b>	<b><u>2,752.16</u></b>	<b><u>100.00</u></b>	<b><u>1,140.17</u></b>	<b><u>100.00</u></b>

Our revenue by geographic locations during the Track Record Period was as follows:

	Year ended 31 December						Six months ended 30 June	
	2012		2013		2014		2015	
	<i>HK\$' million</i>	%	<i>HK\$' million</i>	%	<i>HK\$' million</i>	%	<i>HK\$' million</i>	%
Hong Kong .....	2,751.46	98.08	2,826.48	99.55	2,734.61	99.36	1,140.17	100.00
Macau <sup>(2)</sup> .....	—	—	—	—	—	—	—	—
PRC <sup>(3)</sup> .....	54.00	1.92	12.73	0.45	17.55	0.64	—	—
<b>Total.....</b>	<b><u>2,805.46</u></b>	<b><u>100.00</u></b>	<b><u>2,839.21</u></b>	<b><u>100.00</u></b>	<b><u>2,752.16</u></b>	<b><u>100.00</u></b>	<b><u>1,140.17</u></b>	<b><u>100.00</u></b>

Notes:

- During the Track Record Period, other services comprised housing management and consultancy services. For further information about our other services, please refer to the section headed “Business — Our principal business — Other services” on page 125 of this prospectus.

## SUMMARY

2. Our 50 percent shares to the revenue attributable to our Macau Joint Ventures, namely, SFK Kun Fai, Tak Wa and Kong Sing amounted to approximately HK\$219.01 million, HK\$303.71 million, HK\$129.75 million and HK\$68.67 million for each of the three years ended 31 December 2014 and the six months ended 30 June 2015, respectively. We recognised this portion of operation results in Macau in the accounts captions as “share of profits less losses of joint ventures”, but not as “revenue recognised”. During the Track Record Period, majority of our customers in Macau came from the private sector and we through our Joint Ventures, had undertaken five, four, four and five projects for each of the three years ended 31 December 2014 and the six months ended 30 June 2015, respectively.
3. During the Track Record Period, our PRC operating subsidiary, namely, Jiaping Enterprise, was mainly engaged in the provision of consultancy services related to market positioning and concept design of construction projects in the Guangdong Province of the PRC before it has completed the deregistration process on 14 May 2015.

Other than Hong Kong, we have been conducting our business in Macau through our Joint Ventures, which generally had a relatively high GDP growth when comparing with Hong Kong. Our Directors are confident in achieving satisfactory results by means of collective expertise and knowledge possessed by our management and technical teams, our proven construction track record and our good reputation in the construction industry in Hong Kong.

## COMPETITIVE STRENGTHS

Our Directors believe that we have the following major strengths to compete in the construction industry:

- Established reputation with a proven track record
- Integrated business and economies of scale
- Commitment to safety, quality and environment through well-established management system and monitoring procedures for subcontractors
- Effective cost control and savings measures
- Experienced, loyal and efficient management team

For details, please refer to the section headed “Business — Competitive strengths” on pages 108 to 110 of this prospectus.

## BUSINESS STRATEGIES

To create long-term shareholder value, our principal business strategies are to:

- Solidify our geographic position in the construction markets which we currently operate
- Selectively pursue merger and acquisition opportunities within the construction industry

## SUMMARY

- Continue to emphasise and maintain high standards of project planning, management and implementation
- Adhere to prudent financial management to ensure sustainable growth and capital sufficiency

For details, please refer to the section headed “Business — Business strategies” on pages 110 to 112 of this prospectus.

## CUSTOMERS

During the Track Record Period, the Hong Kong Government collectively was our largest customer and accounted for approximately 42.52%, 49.71%, 47.22% and 52.80% respectively of our total revenue. We source our customers through tender, where private sector customers and institutional bodies customers usually invite potential tenderers to express their interest to tender. For Hong Kong Government construction projects, tender notices are published in the Gazette. During the Track Record Period, our five largest customers, where various departments of the Hong Kong Government were considered individually, accounted for approximately 60.82%, 63.27%, 66.99% and 68.17%, respectively of our total revenue.

## SUPPLIERS

The major purchases for our business are concrete and steel, which are sourced mainly in Hong Kong from Independent Third Parties. During the Track Record Period, purchases from our largest supplier accounted for approximately 16.5%, 20.6%, 20.4% and 10.9% of our total purchase costs, respectively, and purchases from our five largest suppliers accounted for approximately 46.2%, 52.9%, 53.8% and 33.4%, respectively, of our total purchase costs.

## SUBCONTRACTORS

During the Track Record Period, subcontracting payment attributable to our five largest subcontractors, all of which are Independent Third Parties, collectively accounted for approximately 24.9%, 25.2%, 23.9% and 26.5%, respectively of our total subcontracting fee and payment made to the largest of which accounted for approximately 7.7%, 7.4%, 6.8% and 7.8%, respectively of our total subcontracting fees.

## COMPETITION

In construction and maintenance projects, our competitors include those companies that have been approved by the Housing Authority as building contractors under Group M2 (maintenance) or Group NW2 (new works) or the Works Branch as Group C contractors under the buildings, port works, roads and drainage, site formation and waterworks categories. We ranked tenth among all general building main contractors in Hong Kong in terms of revenue in 2014.

## SUMMARY

As at the Latest Practicable Date, there were 30 and 23 companies as Group M2 and NW2 category respectively and there were 58, 23, 57, 34 and 37 companies as Group C contractors under the buildings, port works, roads and drainage, site formation and waterworks categories, respectively.

For details, please refer to the section headed “Business — Competition” on page 161 of this prospectus.

### SHAREHOLDER INFORMATION

Our Controlling Shareholders are SFK Group, Good Target and Mr. Lo. Immediately upon completion of the Global Offering and the Capitalisation Issue, Mr. Lo will, via Good Target, Ocean Asset and SFK Group, be deemed to be interested in 75% of the issued share capital of our Company taking no account Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme.

Apart from our business relating to construction and maintenance projects for general buildings and civil engineering in Hong Kong and Macau, our Controlling Shareholders and their associates are currently operating other businesses via Great Eagle Group, which is principally engaged in property development, hotels and properties leasing and SFK Group Companies, which are principally engaged in property development and equities investment. Such businesses will not form part of our Group after Listing. As at the Latest Practicable Date, Mr. Lo, who is deputy managing director and executive director of Great Eagle, was deemed to be interested in approximately 33.75% of the issued share capital of Great Eagle. In addition, as at the Latest Practicable Date, Mr. Lo, who is director of SFK Group, was interested in approximately 90.33% of the issued share capital of SFK Group.

None of our Controlling Shareholders is interested in any business which is, whether directly or indirectly, in competition with our business.

For details, please refer to the section headed “Relationship with our Controlling Shareholders” on pages 189 to 196 of this prospectus.

### SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

The following tables present a summary of our financial information during the Track Record Period and should be read in conjunction with our financial information included in the Accountants’ Report set forth in Appendix I to this prospectus, including the notes thereto.

## SUMMARY

### Highlight of our consolidated income statements

The table below sets out an extract of our consolidated income statements during the Track Record Period, which is extracted from the Accountants' Report as set out in Appendix I to this prospectus:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
<b>Revenue</b> .....	2,805,456	2,839,206	2,752,162	1,235,396	1,140,172
Direct costs.....	(2,676,322)	(2,700,495)	(2,580,517)	(1,154,253)	(1,069,494)
<b>Gross profit</b> .....	129,134	138,711	171,645	81,143	70,678
Other revenue .....	2,210	3,341	5,035	3,015	284
Other net (loss)/income.....	(248)	63,784	(829)	(1,141)	(650)
Administrative expenses.....	(69,976)	(74,849)	(86,631)	(39,452)	(33,493)
<b>Profit from operations</b> .....	61,120	130,987	89,220	43,565	36,819
Finance costs .....	(1,358)	(3,865)	(2,476)	(2,351)	(328)
Share of profits less losses of joint ventures .....	719	2,905	772	1,538	(850)
<b>Profit before taxation</b> .....	60,481	130,027	87,516	42,752	35,641
Income tax.....	(9,880)	(10,578)	(15,410)	(7,225)	(6,813)
<b>Profit for the year/period</b> .....	<u>50,601</u>	<u>119,449</u>	<u>72,106</u>	<u>35,527</u>	<u>28,828</u>
<b>Attributable to:</b>					
Equity shareholder of the Company .....	50,601	119,632	72,480	35,781	28,936
Non-controlling interests.....	—	(183)	(374)	(254)	(108)
<b>Profit for the year/period</b> .....	<u>50,601</u>	<u>119,449</u>	<u>72,106</u>	<u>35,527</u>	<u>28,828</u>

#### Revenue

We generated revenue of approximately HK\$2,805.46 million, HK\$2,839.21 million, HK\$2,752.16 million and HK\$1,140.17 million for the years ended 31 December 2012, 31 December 2013 and 31 December 2014 and the six months ended 30 June 2015, respectively. During the Track Record Period, the Hong Kong Government was our largest customer and accounted for approximately 42.52%, 49.71%, 47.22% and 52.80%, respectively of our revenue and we derive our revenue mainly from our general building and civil engineering businesses and other services business.



## SUMMARY

### *Gross Profit and Gross Profit Margin*

Our gross profit was approximately HK\$129.13 million, HK\$138.71 million, HK\$171.64 million and HK\$70.68 million for the years ended 31 December 2012, 31 December 2013 and 31 December 2014 and the six months ended 30 June 2015, respectively. Our gross profit margin was approximately 4.6%, 4.9%, 6.2% and 6.2% for the years ended 31 December 2012, 31 December 2013 and 31 December 2014 and the six months ended 30 June 2015, respectively.

### **Highlight of certain items of our consolidated statements of financial position**

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets .....	73,540	37,273	35,480	31,936
Current assets .....	1,389,539	1,365,453	1,323,951	1,108,180
Current liabilities .....	1,165,750	1,186,031	1,070,113	821,741
Net current assets .....	223,789	179,422	253,838	286,439
Total assets less current liabilities.....	297,329	216,695	289,318	318,375
Non-current liabilities .....	1,961	1,837	2,338	2,979
Net assets .....	<u>295,368</u>	<u>214,858</u>	<u>286,980</u>	<u>315,396</u>

### **Highlight of our consolidated cash flow statements**

	Year ended 31 December			Six months ended
	2012	2013	2014	30 June
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net cash generated from / (used in) operating activities.....	174,887	217,987	(162,317)	(279,675)
Net cash generated from / (used in) investing activities.	48,277	60,193	(255)	(1,434)
Net cash generated from / (used in) financing activities.....	14,831	(263,491)	(56,186)	114,672
Cash and cash equivalents at end of the year/ period .....	448,442	465,783	246,146	79,735

For further details about our cash position, please refer to the section headed “Financial information — Net current assets and selected items of consolidated statements of financial position — Cash and cash equivalent” on pages 262 to 263 of this prospectus.

## SUMMARY

### Key financial ratios

The following table sets forth a summary of our key financial ratios for the years/ periods ended 31 December 2012, 31 December 2013, 31 December 2014, 30 June 2014 and 30 June 2015:

	As at/For the year ended 31 December			As at/For the six months ended 30 June	
	2012	2013	2014	2014	2015
Current ratio <sup>(1)</sup> .....	1.19 times	1.15 times	1.24 times	1.19 times	1.35 times
Gearing ratio <sup>(2)</sup> .....	30.76%	20.87%	N/A	N/A	36.46%
Debt to equity ratio <sup>(3)</sup> .....	Net cash position	Net cash position	Net cash position	Net cash position	11.18%
Interest coverage <sup>(4)</sup> .....	45.54 times	34.64 times	36.35 times	19.19 times	109.66 times
Return on assets <sup>(5)</sup> .....	3.46%	8.53%	5.33%	2.61%	2.54%
Return on equity <sup>(6)</sup> .....	17.13%	55.68%	25.26%	14.29%	9.17%
Net profit margin <sup>(7)</sup> .....	1.80%	4.21%	2.63%	2.90%	2.54%

#### Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year/ period end.
2. Gearing ratio is calculated based on the interest-bearing liabilities divided by the total equity as at the respective year/ period end.
3. Debt to equity ratio is calculated by the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the respective year/ period end and multiplied by 100%. A net cash position is noted when cash and cash equivalents are larger than borrowings.
4. Interest coverage is calculated by the profit before interest and tax divided by the interest expenses of the respective year/ period.
5. Return on assets is calculated by the net profit attributable to equity shareholder of our Company for the year/ period divided by the total assets as at the respective year/ period end and multiplied by 100%.
6. Return on equity is calculated by the net profit attributable to equity shareholder of our Company for the year/ period divided by the total equity as at the respective year/ period end and multiplied by 100%.
7. Net profit margin is calculated by the net profit for the year/ period attributable to equity shareholder of our Company divided by the revenue for the respective year/ period and multiplied by 100%.

The further analysis, please refer to the section headed “Financial information — Summary of key financial ratios” on pages 266 to 269 of this prospectus.

## SUMMARY

### RECENT DEVELOPMENT

Our business model, revenue and gross profit structure have remained unchanged since 30 June 2015.

Since 30 June 2015 and up to the Latest Practicable Date, we entered into (i) six contracts with a total contract sum of approximately HK\$594.89 million for general building works in Hong Kong; and (ii) one contract with a total contract sum of approximately HK\$87.09 million for civil engineering works in Hong Kong. Consistent with the Track Record Period where the majority of our contracts were for Hong Kong projects, since 30 June 2015 and up to the Latest Practicable Date, all of the new contracts represented projects in Hong Kong.

As at 30 June 2015, we had aggregated multi-purpose bank facilities of approximately HK\$1,077.38 million, of which (i) HK\$432.38 million was specifically for our Company's and subsidiaries' performance bonds for construction contracts, (ii) HK\$415.00 million was specifically for our Company's and subsidiaries' loans and invoice financing, and (iii) the remaining HK\$230.00 million could be drawn for either performance bonds or loans and invoice financing. Our Company and subsidiaries had utilised HK\$139.62 million of the performance bonds and HK\$115.00 million of the loans and invoice financing portions of such multi-purpose bank facilities. The unutilised balance of the loans and invoice financing portions of the multi-purpose bank facilities available for drawdown amounted to HK\$521.00 million. The loan balance increased to approximately HK\$115.00 million as at 30 June 2015 and further increased to approximately HK\$165.00 million as at the Latest Practicable Date primarily to supplement our working capital needs. The needs were mainly driven by (i) the increase in gross amount due from customers for contract work (i.e. the amount of work done pending customers' certification) from approximately HK\$583.81 million as at 31 December 2014 to approximately HK\$694.47 million as at 30 September 2015 and (ii) the decrease in gross amount due to customers for contract works (i.e. amount of work done certified by customers exceeding actual work performed) from approximately HK\$332.32 million as at 31 December 2014 to approximately HK\$175.75 million as at 30 September 2015.

Since 30 June 2015 and up to the Latest Practicable Date, save as disclosed above and in the paragraph headed "Listing expenses" in this section, we did not have any significant non-recurrent items in our consolidated statement of comprehensive income.

### FATAL ACCIDENTS

We recorded one fatal accident occurred prior to the Track Record Period and another fatal accident occurred during the Track Record Period resulting in prosecutions which remained outstanding as at the Latest Practicable Date. Two workers of two different subcontractors were respectively involved in these two accidents. Our Directors consider that these two accidents were independent and isolated incidents. For details relating to these two fatal accidents, please refer to the section headed "Business — Occupational safety" on pages 163 to 170 of this prospectus.

## SUMMARY

### NON-COMPLIANCES

During the Track Record Period and up to the Latest Practicable Date, there were 41 convicted charges against us arising out of 19 incidents where we had been in breach of safety and health-related laws and regulations and we were fined an aggregated sum of HK\$346,600. Meanwhile, there were three incidents where we had been in breach of environment-related laws and regulations and we were fined an aggregated sum of HK\$120,000. As at the Latest Practicable Date, we had duly paid all the fines and as such no provision had been made for these non-compliances. For details, please refer to the section headed “Business — Legal proceedings and non-compliance — Non-compliance matters of our Group during the Track Record Period and up to the Latest Practicable Date” on pages 180 to 187 of this prospectus.

### LISTING EXPENSES

Our estimated expenses in relation to the Global Offering, including underwriting commissions, are approximately HK\$30.0 million, of which approximately HK\$9.9 million is directly attributable to the issue of new Shares to the public and will be accounted for as a deduction from equity upon completion of the Global Offering. The remaining estimated listing expenses of approximately HK\$20.1 million, which cannot be so deducted, was or will be charged to profit or loss, of which approximately HK\$9.3 million and HK\$2.3 million were charged for the year ended 31 December 2014 and the six months ended 30 June 2015 respectively, and approximately HK\$8.5 million is expected to be incurred before or upon completion of the Global Offering. This calculation is based on the mid-point of the indicative Offer Price range of HK\$1.10 to HK\$1.50 per Offer Share and the assumption that 100,000,000 Shares are to be issued under the Global Offering and 400,000,000 Shares are to be in issue and outstanding immediately following the Global Offering (assuming the Over-allotment Option is not exercised) and is subject to the adjustment based on the actual amount incurred or to be incurred.

### NO MATERIAL ADVERSE CHANGE

Save as disclosed in the paragraphs headed “Recent development” and “Listing expenses” in this section, our Directors confirm that, since 30 June 2015 and up to the Latest Practicable Date, (i) there has been no material adverse change in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there has been no material adverse change in the trading, operating and financial position or prospects of our Group; and (iii) no event had occurred in all material respects since 30 June 2015 and up to the Latest Practicable Date that would adversely affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

## SUMMARY

### GLOBAL OFFERING STATISTICS<sup>(1)</sup> AND USE OF PROCEED

Number of Offer Shares	:	100,000,000 Shares (subject to the Over-allotment Option)
Over-allotment Option	:	Up to an aggregate of 15,000,000 additional Offer Shares, representing 15% of the initial number of Offer Shares
Offering structure	:	Public Offer: 10,000,000 Shares, representing 10% of the Offer Shares (subject to reallocation). Of the 10,000,000 Public Offer Shares, 1,000,000 Offer Shares are available for subscription by Eligible Employees on a preferential basis under the Employee Preferential Offering  International Placing: 90,000,000 Shares, representing 90% of the initial number of Offer Shares (subject to reallocation)
Employee Preferential Offering	:	1,000,000 Employee Reserved Shares initially, representing 10% of the total number of Public Offer Shares
Offer Price range	:	HK\$1.10 to HK\$1.50 per Offer Share
Board lot	:	2,000 Shares

	Based on the minimum indicative Offer Price of HK\$1.10 per Offer Share	Based on the maximum indicative Offer Price of HK\$1.50 per Offer Share
Market capitalisation.....	HK\$440 million	HK\$600 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share <sup>(2)</sup> .....	HK\$1.02	HK\$1.12



## SUMMARY

Use of proceeds (assuming an Offer Price of HK\$1.30 per Offer Share (being the mid-point of the indicative Offer Price range) and the Over-allotment Option is not exercised)<sup>(3)</sup> .....

We expect to receive net proceeds of approximately HK\$100.0 million from the Global Offering,

- approximately HK\$60.0 million, representing approximately 60% of the net proceeds will be used for financing the capital input to newly awarded projects, ongoing projects and future projects;
- approximately HK\$30.0 million, representing approximately 30% of the net proceeds will be used for suitable merger and acquisition opportunities in enhancing our capabilities to undertake different types of construction works; and
- the remaining balance of approximately HK\$10.0 million, representing 10% of the net proceeds will be used for additional working capital and other general corporate purposes.

Our Directors expect to apply the net proceeds with the above purposes one year upon Listing. For details, please refer to the section headed “Future plans and use of proceeds” on page 284 of this prospectus.

### *Notes:*

1. The offering statistics are based on an Offer Share of HK\$1.30 per Offer Share (being the mid-point of the indicative Offer Price range) and do not take into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme.
2. For the assumptions and calculation method, please refer to the section headed “Unaudited pro forma financial information” set out in Appendix II to this prospectus.
3. For details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

## **DIVIDENDS AND DIVIDEND POLICY**

Our Group declared a dividend of HK\$200.00 million in respect of the year ended 31 December 2013. No dividend was declared in respect of each of the years ended 31 December 2012 and 31 December 2014 and the six months ended 30 June 2015. Our Directors have absolute discretion as to whether to declare any dividend for any year end and if any, the amount of dividend and the means of payment, subject to the applicable laws and regulations and the approval by our Shareholders. Considering our financial position, our Directors currently intend, subject to certain limitations, and in the absence of any circumstances which might reduce the amount available for distribution whether by losses or otherwise, to distribute to the Shareholders no less than 40% of our profits available for distribution in respect of the year ending 31 December 2015. For subsequent years, the amount of any dividend to be declared and paid in the future will depend on, among other things, our dividend policy, results of operations, cashflows and financial conditions, operating and capital requirements and other relevant factors.

## SUMMARY

### RISK FACTORS

There are certain risks involved in our business operations and in connection with the Global Offering, many of which are beyond our control. Any of the factors set forth under the section headed “Risks factors” in this prospectus may limit our ability to execute our business strategy successfully. For example, (i) we are a Hong Kong Government contractor. Our qualifications/licences from the Hong Kong Government are important to us and our participation in Hong Kong Government projects may, more likely than in the case of projects for private sector customers, draw public attention which may or may not associate with adverse publicity, (ii) our customers pay us by way of progress payment and require retention money, and there is no guarantee that progress payment is paid to us on time and in full, or that retention money is fully released to us upon completion of a project, (iii) in addition to being a main contractor, we, during the Track Record Period have acted as and, at present act as subcontractor in some of our past and existing projects. We may not be able to fully recover our subcontracting fees as originally contracted or estimated due to some unexpected events, which if happened, our financial performance in future will be adversely affected; (iv) we rely on certain key personnel and recruit professionals from a limited pool of qualified candidates who have experience in our business, and loss of these key personnel or failure to recruit and retain qualified professionals could have a material and adverse effect on our results of operations, and (v) we are subject to risks associated with tendering process. Our contracts are normally awarded through competitive tendering process.

As different investors may have different interpretations and standards for determining the materiality of a risk, you should read the entire section headed “Risk factors” from pages 31 to 46 of this prospectus carefully before you decide to invest in the Offer Shares. You should not place any reliance on any information contained in press articles, research analysts’ reports or other media regarding us and the Global Offering, certain of which may not be consistent with the information contained in this prospectus.

## DEFINITIONS

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

“Application Form(s)”	<b>WHITE</b> application form(s), <b>YELLOW</b> application form(s), <b>GREEN</b> application form(s) or <b>PINK</b> application form(s), or where the context so requires, any of them which is used in relation to the Public Offer
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board” or “Board of Directors”	the board of Directors
“Build.it”	Build.it Limited, a company incorporated in Hong Kong with limited liability on 5 June 2013, which is owned as to 80% by SFK E&M and 20% by Mr. Ng Chun Keung, a director of Build.it
“business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, a Sunday or public holiday
“BVI”	the British Virgin Islands
“Bye-laws”	the bye-laws of our Company conditionally adopted on 19 November 2015 to take effect upon Listing and as amended, supplemented or otherwise notified from time to time, a summary of which is set out in Appendix III to this prospectus
“Capitalisation Issue”	the issue of the 299,999,900 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed “Further information about our Group — Resolutions in writing of our sole Shareholder passed on 19 November 2015” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

## DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Champion REIT”	Champion Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under Section 104 of the SFO subject to applicable conditions from time to time, the units of which are listed on the Stock Exchange (Stock code: 2778). As at the Latest Practicable Date, Great Eagle Group was interested in approximately 62.61% of the total issued units in Champion REIT
“China Everbright Securities”	China Everbright Securities (HK) Limited, a licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, acting as one of the joint global coordinators, joint bookrunners and joint lead managers of the Global Offering
“China” or “PRC”	the People’s Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to “China” and the “PRC” do not include Hong Kong, Macau and Taiwan
“Chit Cheung”	Chit Cheung Construction Company Limited, a company incorporated in Hong Kong with limited liability on 7 December 1990 and an indirect wholly-owned subsidiary of our Company
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Act”	the Companies Act 1981 of Bermuda, 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”	SFK Construction Holdings Limited, an exempted company incorporated in Bermuda with limited liability on 17 October 2007

## DEFINITIONS

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consent Consultants”	Consent Consultants Limited, a company incorporated in Hong Kong with limited liability on 10 August 2009 and an indirect wholly-owned subsidiary of our Company
“Controlling Shareholder(s)” or “our Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and, unless the context otherwise requires, refers to SFK Group, Good Target and Mr. Lo
“Deed of Indemnity”	the deed of indemnity dated 19 November 2015 and entered into between our Controlling Shareholders and our Company, pursuant to which our Controlling Shareholders agree to provide with us certain indemnities, a summary of which is set out in the section headed “Other information — Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 19 November 2015 given by each of our Controlling Shareholders in favour of our Company, particulars of which are set out in the section headed “Relationship with our Controlling Shareholders — Non-Competition undertakings” in this prospectus
“Director(s)” or “our Director(s)”	the director(s) of our Company
“Eligible Employee(s)”	an employee of our Group who: (a) is at least 18 years of age; (b) has a Hong Kong address and is a holder of Hong Kong Identity Card; (c) remains as a full-time employee of our Group and is not on probation, as at the Latest Practicable Date; (d) has not tendered his/her resignation or been given notice of termination of employment for any reason other than redundancy or retirement on or before the Latest Practicable Date; (e) not a director or chief executive of our Company and/or any of its subsidiaries; (f) not an existing beneficial owner of Shares or of shares of any of the subsidiaries of our Company; and (g) is not an associate or close associate, where applicable, of the persons listed in (e) and/or (f) above
“Employee Preferential Offering”	the preferential offer of the Employee Reserved Shares to the Eligible Employees for subscription at the Offer Price on a preferential basis as to allocation only, as further described in the section headed “Structure and conditions of the Global Offering — The Employee Preferential Offering” in this prospectus



<b>DEFINITIONS</b>
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“Employee Reserved Shares”	the 1,000,000 Offer Shares (representing 10% of the total number of Offer Shares initially being offered under the Public Offer and 1% of the total number of Offers Shares initially being offered under the Global Offering (assuming that the Over-allotment Option is not exercised)), being offered pursuant to the Employee Preferential Offering and which are to be allocated out of the Public Offer Shares
“Everfirst”	Everfirst Profits Limited, a company incorporated in the BVI with limited liability on 2 November 2000 and an indirect wholly-owned subsidiary of our Company
“FSFKJV”	Fujita — Sun Fook Kong Joint Venture, a Joint Operation formed by SFK Civil and Fujita Corporation pursuant to an agreement dated 31 August 2011 which is interested as to 50% by SFK Civil and 50% by Fujita Corporation, an Independent Third Party
“Fujitac”	Fujitac Construction & Engineering Consultants Limited, a company incorporated in Hong Kong with limited liability on 18 February 2010 and an indirect wholly-owned subsidiary of SFK Group
“GEPM”	Great Eagle Properties Management Company, Limited, a company incorporated in Hong Kong with limited liability on 30 January 1973 and an indirect wholly-owned subsidiary of Great Eagle
“Global Offering”	the Public Offer and the International Placing
“Good Target”	Good Target Limited, a company incorporated in the BVI with limited liability on 8 May 1997 and wholly owned by Mr. Lo
“Grand Win”	Grand Win Design Consultants Limited, a company incorporated in Hong Kong with limited liability on 7 December 2009 and an indirect wholly-owned subsidiary of our Company
“Great Eagle”	Great Eagle Holdings Limited, a company incorporated in Bermuda with limited liability on 28 July 1989 whose shares are listed on the Stock Exchange (Stock code: 41) and its principal activity is investment holding. As at the Latest Practicable Date, Mr. Lo was deemed to be interested in approximately 33.75% of the total issued shares in Great Eagle
“Great Eagle Group”	Great Eagle and its subsidiaries

## DEFINITIONS

“ <b>GREEN</b> Application Form(s)”	the application form(s) to be completed by the <b>HK eIPO White Form</b> Service Provider
“Group” or “our Group” or “we” or “us”	our Company and our subsidiaries or Joint Operations, or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries or Joint Operations of our Company and the businesses operated by such subsidiaries or Joint Operations
“Growth Asset”	Growth Asset Holdings Limited, a company incorporated in the BVI with limited liability on 18 September 2001 and wholly owned by Mr. Chan
“Guangzhou Jiajing”	Guangzhou City Jiajing Construction Engineering Company Limited (廣州市佳境建築工程有限公司), a company established in the PRC with limited liability on 14 July 2011 and an indirect wholly-owned subsidiary of our Company before it has completed the deregistration process on 26 March 2015
“High Regard”	High Regard Holdings Limited, a company incorporated in the BVI with limited liability on 11 February 2010 and an indirect wholly-owned subsidiary of our Company
“ <b>HK eIPO White Form</b> ”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting an application online through the designed website at <b>www.hkeipo.hk</b>
“ <b>HK eIPO White Form</b> Service Provider”	the <b>HK eIPO White Form</b> service provider designated by our Company as specified on the website at <b>www.hkeipo.hk</b>
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Government”	the Government of Hong Kong
“Hong Kong Legal Counsel”	Mr. Conrad Wan, barrister-at-law in Hong Kong
“Hong Kong Share Registrar”	Tricor Investor Services Limited

## DEFINITIONS

“Independent Third Party(ies)”	individual(s) or company(ies) which is/are independent of and not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders of our Company or any of its subsidiaries or any of their respective associates
“Intercede”	Intercede International Limited, a company incorporated in the BVI with limited liability on 30 March 1993 and an indirect wholly-owned subsidiary of our Company
“International Placing”	the conditional placing of the International Placing Shares by the International Placing Underwriters on behalf of our Company at the Offer Price with professional, institutional and other investors, details of which are set out in the section headed “Structure and conditions of the Global Offering” in this prospectus
“International Placing Shares”	initially the 90,000,000 Shares offered at the Offer Price under the International Placing together with, where relevant, any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option, but subject to adjustment as described in the section headed “Structure and conditions of the Global Offering” in this prospectus
“International Placing Underwriters”	the underwriters of the International Placing
“International Placing Underwriting Agreement”	the underwriting agreement relating to the International Placing expected to be entered into on or about the Price Determination Date between our Company, our executive Directors, our Controlling Shareholders, Ocean Asset, the Joint Global Coordinators and the International Placing Underwriters
“Ipsos”	Ipsos Limited, an Independent Third Party
“Ipsos Report”	the market research report prepared by Ipsos
“Jiajing Enterprise”	Jiajing Enterprise Management Consultancy (Shenzhen) Company Limited (佳境企業管理諮詢(深圳)有限公司) (formerly known as Sun Fook Kong Enterprise Management Consultancy (Shenzhen) Company Limited (新福港企業管理諮詢(深圳)有限公司)), a company established in the PRC with limited liability on 6 June 2008 and an indirect wholly-owned subsidiary of our Company before it has completed the deregistration process on 14 May 2015

## DEFINITIONS

“Joint Global Coordinators”, “Joint Bookrunners” and “Joint Lead Managers”	Innovax Capital and China Everbright Securities
“Joint Operation(s)”	an unincorporated joint arrangement
“Joint Venture(s)”	an incorporated joint arrangement
“Knight Frank”	Knight Frank Petty Limited, an independent professional surveyor and property valuer
“Kong Sing”	Kong Sing Real Estate and Development Company Limited, a company incorporated in Macau with limited liability on 17 August 2007 which was owned as to 50% by SFK Macau and 50% by Sky Rise Investment Company Limited, an Independent Third Party before it was disposed of by SFK Macau on 10 October 2013
“Latest Practicable Date”	23 November 2015, being the latest practicable date for the inclusion of information in this prospectus prior to the printing in this prospectus
“Linktech”	Linktech Engineering & Landscape Consultants Limited, a company incorporated in Hong Kong with limited liability on 7 December 2009 and an indirect wholly-owned subsidiary of our Company
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings of the Shares on the Main Board of Stock Exchange first commence
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Longworth”	Longworth Management Limited, a company incorporated in Hong Kong with limited liability on 13 August 1991 and an indirect wholly-owned subsidiary of Great Eagle
“Macau”	the Macau Special Administrative Region of the PRC
“Macau Government”	the Government of Macau

## DEFINITIONS

“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“Moon Yik”	Moon Yik Company, Limited, a company incorporated in Hong Kong with limited liability on 15 August 1978 and an indirect wholly-owned subsidiary of Great Eagle
“Mr. Chan”	Mr. Chan Ki Chun (formerly known as Chan Kin Chung), one of our executive Directors
“Mr. Lo”	Mr. Lo Kai Shui, one of our Controlling Shareholders
“Ocean Asset”	Ocean Asset Holdings Limited, a company incorporated in the BVI with limited liability on 28 July 2004 and wholly owned by Mr. Lo
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at which the Offer Shares are to be subscribed for and issued, pursuant to the Global Offering, to be determined as further described in the section headed “Structure and conditions of the Global Offering — Offer Price determination” in this prospectus
“Offer Shares”	the Public Offer Shares and the International Placing Shares, together with, where relevant, any additional Shares issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Placing Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Placing Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 15,000,000 additional Offer Shares representing 15% of the initial number of Offer Shares, at the Offer Price to cover over-allocations in the International Placing, if any
“ <b>PINK</b> Application Form(s)”	the application form(s) to be sent to Eligible Employees to subscribe for Employee Reserved Shares pursuant to the Employee Preferential Offering

## DEFINITIONS

“PRC Government”	the Government of the PRC
“predecessor Companies Ordinance”	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong), which was in operation before the implementation of the Companies Ordinance
“Price Determination Date”	the date, expected to be on or around Thursday, 3 December 2015 but no later than Tuesday, 8 December 2015, on which the Offer Price is fixed for the purposes of the Global Offering
“Public Offer”	the conditional offering by the Company of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	the 10,000,000 Shares initially being offered for subscription at the Offer Price under the Public Offer, subject to adjustment as described in the section headed “Structure and conditions of the Global Offering” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer listed in the section headed “Underwriting — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the underwriting agreement relating to the Public Offer entered into on 27 November 2015 between our Company, our Controlling Shareholders, Ocean Asset, our executive Directors, the Joint Global Coordinators and the Public Offer Underwriters
“Regulation S”	Regulation S under the U.S. Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFKBJV”	Sun Fook Kong — Biwater Joint Venture, a Joint Operation formed by SFK Civil and Biwater Man Lee Limited pursuant to an agreement dated 10 December 2010 which is interested as to 66.16% by SFK Civil and 33.84% by Biwater Man Lee Limited, an Independent Third Party
“SFKCCJV”	Sun Fook Kong — Chit Cheung Joint Venture, a Joint Operation formed by SFK Civil and Chit Cheung pursuant to an agreement dated 10 June 2011 which is interested as to 51% by SFK Civil and 49% by Chit Cheung

## DEFINITIONS

“SFK Civil”	Sun Fook Kong (Civil) Limited, a company incorporated in Hong Kong with limited liability on 5 May 1978 and an indirect wholly-owned subsidiary of our Company
“SFK Construction”	Sun Fook Kong Construction Limited, a company incorporated in Hong Kong with limited liability on 7 April 1961 and an indirect wholly-owned subsidiary of our Company
“SFK E&M”	Sun Fook Kong E & M Management Limited, a company incorporated in Hong Kong with limited liability on 30 May 1989 and an indirect wholly-owned subsidiary of our Company
“SFK Engineering”	Sun Fook Kong Engineering Limited, a company incorporated in Hong Kong with limited liability on 10 March 1989 and an indirect wholly-owned subsidiary of our Company
“SFK Group”	Sun Fook Kong Group Limited (formerly known as Springtime Int’l Limited), a company incorporated in the BVI with limited liability on 8 June 1999, which is owned as to approximately 71.39% by Good Target, 18.94% by Ocean Asset, 3.54% by Growth Asset and 6.13% by companies controlled by family members of Mr. Lo
“SFK Group Companies”	SFK Group and its subsidiaries, but for the purposes of this prospectus, excluding our Group
“SFK HK Themeworks”	Sun Fook Kong Themeworks (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability on 14 May 2012 and an indirect wholly-owned subsidiary of our Company
“SFK Holdings”	Sun Fook Kong Holdings Limited (新福港控股有限公司) (formerly known as Lead Ocean Limited and Sun Fook Kong Holdings Limited (新福港集團有限公司)), a company incorporated in the BVI with limited liability on 29 April 1997 and a direct wholly-owned subsidiary of our Company
“SFK Housing”	Sun Fook Kong Housing Services Limited, a company incorporated in Hong Kong with limited liability on 5 January 1990 and an indirect wholly-owned subsidiary of our Company



## DEFINITIONS

“SFKJV”	Sun Fook Kong Joint Venture, a Joint Operation formed by SFK Construction and SFK Civil pursuant to an agreement dated 10 December 1997 and is interested as to 50% by SFK Construction and 50% by SFK Civil
“SFK Kun Fai”	Sun Fook Kong — Kun Fai Engineering and Construction Co. Ltd., a company incorporated in Macau with limited liability on 16 December 2004, which is owned as to 50% by SFK Engineering and 50% by Mr. Chum Pak Tak, a director of SFK Kun Fai, Tak Wa and SFK Macau Themeworks
“SFK Macau”	Sun Fook Kong (Macao) Limited, a company incorporated in Macau with limited liability on 27 April 2005 and an indirect wholly-owned subsidiary of our Company before it was disposed of on 10 October 2013
“SFK Macau Themeworks”	Sun Fook Kong Themeworks Production (Macao) Limited, a company incorporated in Macau with limited liability on 28 February 2013, which is owned as to 50% by SFK HK Themeworks and 50% by SFK Kun Fai
“SFK Management”	Sun Fook Kong Construction Management Limited, a company incorporated in Hong Kong with limited liability on 31 January 1989 and an indirect wholly-owned subsidiary of our Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of our Shares
“Share Option Scheme”	the share option scheme conditionally adopted by the written resolutions of our sole Shareholder on 19 November 2015, the principal terms of which are summarised in the section headed “Other information — Share Option Scheme” in Appendix IV to this prospectus
“Shares”	ordinary shares of our Company with nominal value of HK\$0.10 each
“Sole Sponsor” or “Innovax Capital”	Innovax Capital Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, acting as the sole sponsor to the Listing and one of the joint global coordinators, joint bookrunners and joint lead managers of the Global Offering

## DEFINITIONS

“Stabilising Manager”	China Everbright Securities
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Stabilising Manager and SFK Group on or about the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed thereto under Section 15 of the Companies Ordinance
“substantial shareholders”	has the meaning ascribed thereto under the Listing Rules
“Sure Benefit”	Sure Benefit Trading Limited, a company incorporated in Hong Kong with limited liability on 20 April 1993 and a direct wholly-owned subsidiary of SFK Group
“Tak Wa”	Tak Wa Engineering Company Limited, a company incorporated in Macau with limited liability on 1 December 2003, which is owned as to 50% by SFK Engineering and 50% by Mr. Chum Pak Tak, a director of Tak Wa, SFK Kun Fai and SFK Macau Themeworks
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong, as amended supplemented or otherwise modified from time to time
“Track Record Period”	the three financial years ended 31 December 2014 and the six months ended 30 June 2015
“Underwriters”	the Public Offer Underwriters and the International Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the International Placing Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“ <b>WHITE</b> Application Form(s)”	the form(s) of application for the Public Offer Shares for use by members of the public who require such Public Offer Shares to be issued in an applicant’s own name

## DEFINITIONS

“YELLOW Application Form(s)”	the form(s) of application for the Public Offer Shares for use by members of the public who require such Public Offer Shares to be deposited directly into CCASS
“Hong Kong dollars” or “HK\$” or “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“MOP\$” or “Pataca”	Macau Pataca, the lawful currency of Macau
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“sq.m.”	square metres
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“%”	per cent.

*The English names of the PRC established companies or entities and the English titles of the PRC laws and regulations mentioned in this prospectus are translations from their Chinese names or titles. If there is any inconsistency, the Chinese names or titles shall prevail.*

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

## GLOSSARY OF TECHNICAL TERMS

*This glossary contains explanations of certain terms used in this prospectus in connection with us and our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.*

“ACIS”	Associate of the Institute of Chartered Secretaries and Administrators
“ACS”	Associate of The Hong Kong Institute of Chartered Secretaries
“Air Pollution Control Ordinance”	Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Airport Authority”	Airport Authority Hong Kong
“Airport Railway Central Subway”	the underground subway linking the Central Station and the Hong Kong Station of the Mass Transit Railway of Hong Kong
“Architectural Services Department”	Architectural Services Department of the Hong Kong Government
“building” or “general building”	construction works that has the provision of shelter for its occupants or contents as one of its main purposes, usually partially or totally enclosed and designed to stand permanently in one place
“Buildings Department”	Buildings Department of the Hong Kong Government
“Buildings Ordinance”	Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“CAGR”	compound annual growth rate
“civil engineering”	construction works comprising a structure, such as a dam, bridge, road, railway, runway, utilities, pipeline or sewerage system, or the result of operation such as dredging, earthwork, geotechnical processes, but excluding building and its associated site works
“Civil Engineering and Development Department”	Civil Engineering and Development Department of the Hong Kong Government
“Construction Sites (Safety) Regulations”	Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

## GLOSSARY OF TECHNICAL TERMS

“Construction Workers Registration Ordinance”	Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Development Bureau”	Development Bureau of the Hong Kong Government
“Drainage Services Department”	Drainage Services Department of the Hong Kong Government
“Electrical and Mechanical Services Department”	Electrical and Mechanical Services Department of the Hong Kong Government
“Employees’ Compensation Ordinance”	Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Environmental Protection Department”	Environmental Protection Department of the Hong Kong Government
“Factories and Industrial Undertakings Ordinance”	Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Factories and Industrial Undertakings (Confined Spaces) Regulation”	Factories and Industrial Undertakings (Confined Spaces) Regulation (Chapter 59AE of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations”	Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Chapter 59J of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Gazette”	the gazette published by the Hong Kong Government
“GDP”	gross domestic product
“GFA”	gross floor area
“Government Property Agency”	Government Property Agency of the Hong Kong Government
“Highways Department”	Highways Department of the Hong Kong Government
“Housing Authority”	Hong Kong Housing Authority
“Housing Society”	Hong Kong Housing Society
“ISO”	the International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations

## GLOSSARY OF TECHNICAL TERMS

“ISO14000”	a family of environmental management standards set by ISO for assisting an organisation to continually improve its ability to efficiently identify, minimise, prevent and manage environmental impacts. ISO14001 is a member of that family and ISO14001:2004 is the current version of ISO14001
“ISO50001”	a set of standards set by ISO for energy management system based on ISO9001 or ISO14001 to facilitate the integration of an organisation’s energy management of efficient energy use into its overall efforts to improve quality and environmental management. ISO50001:2011 is the current version of ISO50001
“ISO9000”	a family of standards set by ISO for quality management system where an organisation needs to demonstrate its ability to provide products that fulfil customers and applicable regulatory requirements and aim to enhance customer satisfaction. ISO9001 is a member of that family and ISO9001:2008 is the current version of ISO9001
“Kai Tak Development”	the property redevelopment of Kai Tak Airport of Hong Kong
“Labour Department”	Labour Department of the Hong Kong Government
“Leisure and Cultural Services Department”	Leisure and Cultural Services Department of the Hong Kong Government
“List of Approved Contractors”	the List of Approved Contractors for Public Works maintained by the Works Branch which comprises those contractors who are approved for carrying out public works in Hong Kong in one or more of the five major categories of building and civil engineering works, that is, buildings, port works, roads & drainage, site formation and waterworks
“main contractor”	a contractor who enters the contract directly with the employer of the project and assumes full responsibility for the satisfactory completion of the construction works. A main contractor operating at construction sites must be registered under the Buildings Ordinance for the capability and responsibility of undertaking new construction works, and in case of Hong Kong Government works, approved by the Works Branch
“MTRC”	MTR Corporation Limited, the operator of the Mass Transit Railway, East Rail, West Rail and Light Rail in Hong Kong after the merger with Kowloon-Canton Railway Corporation in December 2007

## GLOSSARY OF TECHNICAL TERMS

“Noise Control Ordinance”	Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“OHSAS18001”	OHSAS18001 is an occupation health and safety assessment series for health and safety management systems. It is intended to help organisations to control occupational health and safety risks. It was developed in response to widespread demand for a recognised standard against which to be certified and assessed
“Security and Guarding Services Ordinance”	Security and Guarding Services Ordinance (Chapter 460 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Security Company Licence”	security company licence granted under the Security and Guarding Services Ordinance
“Security Bureau”	Security Bureau of the Hong Kong Government
“Specialist List”	the List of Approved Suppliers of Materials and Specialist Contractors for Public Works maintained by the Works Branch
“Ten Major Infrastructure Projects”	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-Macau Bridge, North East New Territories New Development Areas and Hong Kong-Shenzhen Western Express Line
“Urban Renewal Authority”	Urban Renewal Authority of Hong Kong
“Works Branch”	Works Branch of the Development Bureau



## RISK FACTORS

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

### RISKS RELATING TO OUR GROUP

**Our business operates under various registrations, licences and certifications and the loss of or failure to obtain or renew any or all of these registrations, licences and/or certifications could materially and adversely affect our business**

Our business is subject to various government regulations. In accordance with the laws of Hong Kong and Macau, our Group is required to obtain or maintain certain registrations, licences and/or certifications to operate our business.

In Hong Kong, a contractor must register with the Buildings Department either as a general building contractor or as specialist contractor. In order to tender for Hong Kong Government contracts, a contractor must also be accepted on the List of Approved Contractors maintained by the Works Branch. Although approvals granted by the Works Branch are not required to be renewed annually, government authorities in Hong Kong may, in certain circumstances, remove a contractor from their lists or take other disciplinary actions against a contractor, such as suspension from further tendering within a certain period of time, downgrading to probationary status, or demotion to a lower group in respect of all or any category of works, if the performance including safety performance or tendering record of the contractor is found to be unsatisfactory.

All registrations, licences and/or certificates are granted/renewed and maintained upon our satisfactory compliance with, among others, the applicable criteria set by the relevant government departments or organisations. Such criteria may include the maintenance of certain financial criteria including our working capital level. These registrations, licences and/or certificates may only be valid for a limited period of time and may be subject to periodic reviews and renewal by government authorities and relevant organisations. In addition, the standards of compliance required in relation thereto may from time to time be subject to changes without substantial advance notice.

We cannot provide any assurance that all these required registrations and/or certificates can be maintained or obtained/renewed in a timely manner or at all. Any changes in the existing policies by the government authorities in relation to the construction industry may result in our failure to obtain or maintain such relevant registration, licences and/or certificates. In such circumstances, we may be required to suspend our operations, which would have a material adverse effect on our business and results of operations.

## RISK FACTORS

### **We rely on the contracts granted by the Hong Kong Government during the Track Record Period**

The Hong Kong Government collectively was our largest customer during the Track Record Period. Revenue derived from the Hong Kong Government accounted for approximately 42.52%, 49.71%, 47.22% and 52.80%, respectively, of our revenue for each of the three years ended 31 December 2014 and the six months ended 30 June 2015. The Hong Kong Government is expected to continue to be our largest customer. If there is any decrease or delay in the spending of the Hong Kong Government in the construction industry or any revocation or suspension of our licences, our business, results of operations and financial positions may be adversely affected. There is no assurance that we can continue to diversify the composition of our customer base and include more private sector customers.

### **Our business is non-recurring in nature and we are subject to the risks associated with competitive tendering process**

Our business operates on a non-recurring and project-by-project basis. We do not have long-term commitments with our customers, and hence our major customers may vary from year to year. Furthermore, the majority of our projects were awarded through tendering. We were awarded 15, 17, 12 and 13 contracts to which we submitted tenders in each of the three years ended 31 December 2014 and the six months ended 30 June 2015, respectively. Our success rate in tendering contracts was approximately 11%, 12%, 11% and 23% for each of the three years ended 31 December 2014 and the six months ended 30 June 2015, respectively, details of which are set out in the section headed “Business — Operating procedures — Tendering” in this prospectus. Our Directors believe that there has been considerable competition in tendering for construction works in the market. Our ability to secure contracts out of our tenders is critical to our success. There is no guarantee that we will be able to achieve our past or any higher success rates in tendering contracts after the Listing or that we will be able to secure new contracts from our existing or new customers. In the event that we are unable to succeed in our competitive tenders or maintain business relationships with our existing customers, our revenue and results of operations will be adversely affected.

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

In Hong Kong, construction contracts are normally awarded through competitive tendering process. We need to estimate the construction time and costs in order to determine the tender price. During the Track Record Period, substantially all of our revenue was derived from the certified values of works under the contracts which were determined on a fixed-price or fixed-unit-price basis. There is no assurance that the actual construction time and costs would not exceed our estimation during the actual implementation of the project, which often takes months or years to complete.

## RISK FACTORS

The time taken and the cost actually involved in completing our construction projects may be adversely affected by many factors, including shortage and cost escalation of materials and labour over the term of a contract, adverse weather conditions, additional variations (due to changes to the construction plans requested by our customers or requirements of technical construction), disputes with subcontractors, accidents and unforeseen problems and circumstances. Any of these can give rise to delays in completion of construction works, cost overruns or even unilateral termination of projects by our customers.

On the whole, if our estimates of the overall risks, revenue or costs prove inaccurate, or circumstances change, we may experience lower profitability or even make losses on our contracts, which could materially and adversely affect our business, financial condition, results of operations and prospects.

**If our customers and our Group take different views on the value of the works performed by our Group in accordance with the terms of contracts and variation orders, we may realise lower than anticipated profits or incur losses on contracts**

Disputes may arise between us and our customers as to the value of work properly done in a particular period, and the progress payment that we are entitled to in the relevant period. In some projects, we are obliged to perform works beyond the scope of works as originally set out in the contracts or perform additional works when requested by our customers since the contracts may include variation clauses granting our customers such authorisation under the contracts.

The value of such works is generally ascertained with reference to the rates and prices specified in the contract for analogous work and/or the prevailing market rate. In the event that our Group and the quantity surveyor authorised by our customer fail to reach an agreement on the rate at which the works are determined, or if we and our customers take a different view on the exact scope of work required or the valuation of the works performed, disputes may arise and the settlement of our payment applications may be prolonged and thereby affect our liquidity and financial position. Even when the customer agrees to pay for the works, we may be required to fund the cost of such works for a lengthy period of time until the payment application is approved and funded by our customer. There is no assurance that we will be able to recover the cost of the works performed under such circumstances in full or at all, and we may not be able to maintain the same or similar profit margins under such circumstances.

**If we fail to complete our works on time or at all, we may be required to pay liquidated damages or other penalties**

If we fail to complete works by the relevant dates specified in the contracts, we may be required to compensate our customers according to the mechanisms stated in the contracts unless they agree to grant us time extensions to complete the remaining works.

## RISK FACTORS

There may be delays or disruptions to our works due to unforeseen circumstances that are beyond our expectation or control, including but not limited to: (i) unexpected geological conditions in the underground of the works sites; (ii) unfavourable weather conditions; and/or (iii) other construction risks such as work injuries and disputes with customers, suppliers, subcontractors of any tiers and other project parties.

**Our Group relies on subcontractors to implement the contracts and there is no assurance that these subcontractors will be able to continue providing services to us at fees acceptable to us or our relationship with them could be maintained in the future**

For each of the three years ended 31 December 2014 and the six months ended 30 June 2015, our Group's subcontracting costs amounted to approximately HK\$1,727.94 million, HK\$1,577.23 million, HK\$1,917.49 million and HK\$929.07 million, respectively, representing approximately 68.3%, 61.6%, 66.5% and 66.8% of the total actual cost respectively. During the same period, the subcontracting fees paid to our Group's five largest subcontractors accounted for approximately 24.9%, 25.2%, 23.9% and 26.5% of our Group's total subcontracting fees, respectively. There is no assurance that these principal subcontractors will be able to continue providing services to our Group at fees acceptable to us or our relationship with them could be maintained in the future. In the event that any of our principal subcontractors are unable to provide the required services to our Group or their costs for providing the required services increase substantially, our Group's business, results of operations, profitability and liquidity may be adversely affected.

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

We delegate specific work tasks to different subcontractors from time to time. We also rely on machinery and equipment to carry out our operations, and need to purchase various construction materials including concrete and steel to complete our works. As such, we would record significant cash outflow in the event that we take up too many substantial projects during a particular period of time.

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

## RISK FACTORS

**Part of our revenue is derived from term contracts which are of long duration but are not recurrent to us**

During the Track Record Period, part of our revenue was derived from long duration projects such as term contracts in respect of the maintenance projects with certain institutional bodies or departments of the Hong Kong Government. Our Directors anticipate that such trend will continue for a while after Listing as there are certain new term contracts remaining outstanding after Listing. However, there is no guarantee that we will be able to secure new term contracts with the Hong Kong Government. In the event that we are unable to do so, our future revenue and hence our future profit will be adversely affected.

**If we fail to meet the requirements of our project contracts or quality standards of our services, we may face litigation, incur liquidated damages and additional costs and experience delays or difficulties in receiving payments, which may adversely affect our business and reputation**

We are typically required to complete each project according to a fixed schedule by an agreed date as stated in the relevant contract. If we fail to complete a project in a timely manner, resulting in a breach of our contractual obligations, we may be liable to compensate our customers for losses or damages caused by the delay. For the projects undertaken by our Group, it is common to have a clause in our construction contracts providing for payment of damages for non-completion of works. Such clause usually provides that in the case of a delay in the completion of works, a sum of liquidated damages calculated on the basis of a fixed sum of money per day (as stated in the contracts) will have to be paid by our Group to the customer for the period during which the works so remain incomplete. Any delay in the completion of a project, whether or not caused by us, could also lead to additional costs, including costs to hire additional manpower and to provide temporary storage for construction materials used. Since there is always a risk that construction projects undertaken by our Group may not be completed in accordance with the pre-set time schedule, our Group is subject to the risk of being claimed for the said liquidated damages. Such claims for liquidated damages will affect our profitability. Further, any failure on our part to complete a project in a timely manner could harm our reputation in the industry and hinder our ability to win future contracts and, as a result, our business, financial condition and results of operations could be materially and adversely affected.

In addition, our customers may instigate legal proceedings or litigations against us for any losses sustained by them if any of our subcontractors complete projects not in accordance with the terms specified in the relevant contracts. We may need to protect our interest through litigations, the outcome of which is uncertain and may divert our management's attention from our business operations and possibly result in significant legal costs. These litigation costs, together with the payment of damages, could adversely affect our profitability and financial performance.

## RISK FACTORS

### **Our business relationship with our independent Joint Venture/ Joint Operation partners may change**

As at the Latest Practicable Date, we had two ongoing projects undertaken in a form of Joint Operation in Hong Kong with an aggregate contract sum of approximately HK\$4,138 million. We also have two ongoing projects undertaken in a form of Joint Ventures in Macau with an aggregate contract sum of approximately MOP\$669.9 million. It has been our strategy to form Joint Ventures or Joint Operations with other experienced construction companies which possess different specialist skills or the requisite licences for tendering and undertaking projects with specific requirements. However, Joint Ventures or Joint Operations involve a number of risks in common, including but not limited to:

- (a) disputes with Joint Venture/ Joint Operation partners in connection with the performance of each party;
- (b) disputes as to the scope of each party's responsibilities;
- (c) financial difficulties encountered by a Joint Venture/ Joint Operation partner affecting its performance; and
- (d) conflicts between the policies or objectives adopted by the Joint Venture/ Joint Operation partners and those adopted by us.

There is no guarantee that we will be able to maintain good business relationships or work with our Joint Venture/ Joint Operation partners in existing and/or future projects. In the event that we are unable to do so, our business, financial condition and results of operations will be adversely affected.

### **Mergers and acquisitions involve significant risks and uncertainties and we may not be able to identify suitable targets or successfully integrate the acquired businesses into our Group**

We may pursue suitable merger and acquisition opportunities to strategically expand our business. Merger and acquisition activities, however, involve significant risks and uncertainties, including:

- difficulties in identifying suitable targets and competition from other potential buyers or bidders;
- difficulties in determining the appropriate purchase price of the target, which may result in potential impairment of goodwill;
- potential increases in debt, which may increase our finance costs as a result of the interest payments; and
- exposure to unanticipated contingent liabilities of the target.

## RISK FACTORS

In addition, integration of newly acquired businesses may be costly and time-consuming and could present us with significant risks and difficulties, including:

- integrating the operations and personnel of the acquired businesses and implementing uniform IT systems, controls, procedures and policies;
- retaining relationships with key employees, customers, business partners and suppliers of the acquired businesses;
- successfully entering business segments or geographic markets in which we have limited prior experience;
- achieving the anticipated synergies and strategic or financial benefits from the acquisitions; and
- addressing the economic, political, regulatory and foreign exchange risks associated with the relevant jurisdictions in which the acquired businesses are located.

In addition, we may consider acquisitions of non-controlling interests in target companies, over which we will not have control. Accordingly, it is uncertain whether we will be able to achieve the intended objectives or benefits of those investments. As a result of the foregoing, we cannot assure you that any mergers and acquisitions that we will conduct in the future will be successful. Failure in executing our merger and acquisition plans could have a material adverse impact on our business, financial condition and results of operations.

### **We engage directly or indirectly labour of different trade who may launch industrial action or strikes to have higher wages and shorter working hours**

Construction works usually split into various different trade, such as placing concrete, erecting formwork, reinforcement bar bending and fixing, fixing furniture, laying brick, laying water pipe, erecting scaffold, fixing glass panel, etc., which will be carried out one after the others until completion of a contract. Each trade requires highly skilful labour of its own and may not be substituted from labour of other trade. During the Track Record Period, the construction industry in Hong Kong and Macau had not encountered any strike action. Nevertheless, we are exposed to the risk that some trade unions may launch industrial actions or even strikes to demand for higher wages and shorter working hours. If their demand are to be met, we will incur additional labour costs, or if not, we may expose risk to paying damages to our customers for any delays in completion of our contracts. In either case, these industrial actions or strikes may have adverse impact on our profitability and operating results.



## RISK FACTORS

**We rely on certain key personnel and qualified professionals, and loss of these key personnel or failure to recruit and retain qualified professionals could have a material and adverse effect on our results of operations**

Our success and growth depends on our ability to identify, hire, train and retain suitable skilled and qualified employees, including management personnel with the requisite industry expertise. Each of Mr. Chan, Mr. Chan Chor Tung and Mr. Yung Kim Man, our executive Directors, has over 20 years of experience in the construction industry. Most of our senior management also have considerable long working experience in their respective professions and have been working with us for over 20 years. The loss of any of our executive Directors or significant number of our senior management may have a material adverse effect on our business if we are unable to find suitable replacements in a timely manner. Competition in recruitment for such personnel is intense, and any failure to recruit and retain the necessary management personnel in a timely manner could harm our business and prospects.

Our Group is particularly reliant on our professional team of estimators, quantity surveyors, engineers and technicians for the preparation of tenders for contracts submitted to our customers. Since we obtain nearly all of our contracts for construction works through a tendering process, the ability of our Group to maintain the loyalty of our management team members is vital to our Group's continual business operation and generation of income. Although we have good working relationships among our staff, there is no guarantee that such working relationships will be maintained in the future.

**Any failure to maintain effective quality control system in our Group could have a material adverse effect on our business and operations**

We believe that the reputation and brand name that we have built up over the years play a significant role in enabling us to attract customers and secure projects. The promotion and enhancement of our reputation and brand name depend largely on our ability to provide quality and timely service to our customers. If we fail to do so or our customers no longer perceive our services to be of high quality, our brand name and reputation could be adversely affected which will in turn materially and adversely affect our business, financial condition and results of operation.

In order to maintain our quality of service, we need to continue to maintain an effective quality control system for our project management service and works provided to our customers. The effectiveness of our quality control system depends significantly on a number of factors, including a timely update of our quality control system to suit the ever-changing business needs, training programme as well as our ability to ensure that our quality control policies and guidelines are adhered to. Any failure or deterioration of our quality control system could result in defects in our works, which in turn may jeopardise our reputation, reduce demands for our services or even subject us to contractual liabilities and other claims. Any such claims, regardless of whether they are ultimately valid, could cause us to incur significant costs, harm our reputation and/or result in significant disruption to our operations. Furthermore, if any of such claims were ultimately valid, we could be required to pay substantial monetary damages or penalties, which could have a material adverse impact on our business, financial condition and results of operations.

## RISK FACTORS

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

In respect of construction and maintenance projects in Hong Kong and Macau, we normally receive progress payment from our customers on a monthly basis, with reference to the value of work done.

A portion of contract value, normally between 1% to 10% of the total contract sum, is usually withheld by our customers as retention money from the progress payment to us and will generally be released after the guaranteed maintenance period. For each of the three years ended 31 December 2014 and the six months ended 30 June 2015, retention money of approximately HK\$167.3 million, HK\$170.9 million, HK\$158.9 million and HK\$161.5 million, respectively was retained by our customers.

There can be no assurance that progress payments and retention money or any future retention money will be remitted by our customers to us on a timely basis. Any failure by our customers to make timely or full remittance may have an adverse effect on our future liquidity position.

**Majority of our Group's business is project-based. Fee collection and profit margin depend on the terms of the work contract and may not be regular**

During the Track Record Period, the majority of our total revenue was derived from project-based works, respectively. Fee collection and profit margin significantly depend on various factors, such as the terms of the work contracts, the length of the contractual period and the efficiency of implementation of the contractual works. In this connection, the income flow of the business of our Group is irregular and is subject to various factors beyond the control of our Group. As such, there can be no assurance that the profitability of a project can be maintained or estimated at any particular level. Furthermore, the fee collection by our Group, and the profit margin and time for profit recognition depend on the terms of the work contracts and may also be irregular. If the fee collection pattern significantly deviates from the estimation of our Directors, our financial position could be adversely affected.

**Our cash flows may fluctuate**

As far as a single project is concerned, net cash outflows are normally recorded at the early stage of construction when we are required to pay the setting up expenditures. Progress payments will be paid after the construction commences and accordingly the cash flows for a particular project will turn into accumulative net inflows gradually as the construction progresses. Please see the section headed "Business" in this prospectus.

We undertake a number of construction projects at any given period, and the cash outflows of a particular project could be compensated by the cash inflows of other projects. If we take up too many significant projects, which require substantial initial setting up costs without cash inflow from other projects at a particular point of time, our cash flow position may be adversely affected.

## **RISK FACTORS**

### **Our insurance may not fully cover all the potential losses arising from our operations**

Our insurance plans may not fully cover all the potential losses incurred from damages or liabilities in relation to our services provided. There are certain exposures which are generally excluded from the insurance policies that we have procured or which are not commercially viable to have been procured for market reasons. Such exposures may include potential losses due to war, terrorism, pollution, fraud, professional negligence and acts of God. Our insurers may become impaired and find themselves financially unable to meet claims. For a more details of our insurance, please refer to the section headed “Business — Insurance” in this prospectus. In the event that we suffer from any losses, damages or liabilities in the course of our business operations which our insurance does not cover or which we have no insurance to cover, we may not have sufficient funds to cover such losses, damages or liabilities. Any resulting payment from our own source to cover such losses, damages or liabilities may have a material adverse effect on our business, results of operations and financial position.

### **Failure to comply with our health and safety and environmental responsibilities may adversely affect our operations and profitability**

Under the relevant laws of Hong Kong and Macau, construction works are required to fulfil certain health and safety and environmental responsibilities. Failure to comply with and satisfy such health and safety and environmental responsibilities may lead to the suspension of relevant licences to operate and, in turn, adversely affect our business operations and financial conditions.

### **Construction industry is highly labour intensive and we rely on a stable supply of labour to carry out our projects**

Construction projects involve labour intensive works. For any given project, a large number of workers from different trades with different skills may be required. In particular for our projects in Macau, there have been a large number of construction projects in recent years, the labour market in Macau has been tight and average labour costs in Macau have increased significantly.

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

## RISK FACTORS

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

We are engaged in the construction industry which is always subject to many safety regulations, codes and guidelines enacted or issued from the governments. Owing to the nature of works, the construction industry generally records relatively higher accident rate than other industries. As a main contractor, we are deemed to be an occupier of our construction sites which we have obligations to maintain a safe and healthy working environment to all lawful visitors, including any labour, staff and general public.

We have adopted a preventive approach with an emphasis on hazard management and risk assessment and have maintained a safety management system to manage safety and health at all of our sites. Despite that, as at the Latest Practicable Date, there were (i) 27 accidents resulting in personal injury claims and/or employees' compensation claims served to us and remain outstanding; and (ii) two fatal accidents resulting in outstanding prosecutions. As a result of the first fatal accident, SFK Civil voluntarily suspended itself from tendering for public works under the category of "Roads and Drainage" for a period of seven months with effect from 3 November 2014 to 3 June 2015. As a result of the second fatal accident, it is possible that SFK Construction may be suspended from tendering for public works under the category of "Building". For details of these accidents, please refer to the sections headed "Business — Occupational safety" and "Business — Legal proceedings and non-compliance" in this prospectus. In the event of serious or fatal accidents, they may lead to negative publicity and/or suspension of our relevant licences, which will in turn adversely affect our reputation, brand name, financial position and results of operations.

**Our financial performance and results of operations will be adversely affected by our Listing expenses, which are non-recurring in nature**

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK\$30.0 million. Among the estimated total Listing fees, approximately HK\$9.9 million is expected to be capitalised after the Listing. The remaining amount of approximately HK\$20.1 million was or is expected to be charged to our profit and loss accounts. Out of the portion of Listing expenses charged or expected to be charged to our profit and loss accounts, approximately HK\$9.3 million and HK\$2.3 million were charged for the year ended 31 December 2014 and six months ended 30 June 2015 respectively and approximately HK\$8.5 million is expected to be charged before or upon completion of the Global Offering. Expenses in relation to the Listing are non-recurring in nature and non-tax deductible. Our Group's financial performance and results of operations for the six months ended 30 June 2015 has been significantly and adversely affected by our Listing expenses. Our Group's financial performance and results of operations for year ending 31 December 2015 will also be significantly and adversely affected by our Listing expenses.

## RISK FACTORS

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

For each of the three years ended 31 December 2014 and the six months ended 30 June 2015, our Company had declared dividends of nil, HK\$200 million, nil and nil, respectively, which have been paid by us and financed by our internal resources. Any declaration of dividends proposed by our Directors and the amount of any such dividends will depend on various factors, including, without limitation, our results of operations, financial condition, future prospects and other factors which our Directors may determine are important. For further details of the dividend policy of our Company, please see the section headed “Financial information — Dividends and dividend policy” in this prospectus. We cannot guarantee if and when dividends will be paid in the future.

### **RISKS RELATING TO OUR INDUSTRY**

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

Most of our operations and management are currently located in Hong Kong. Any policy that may have a negative impact on investment sentiment in Hong Kong may, in turn, have an adverse effect on the general economy of Hong Kong and hence the prospects of the construction industry in Hong Kong. The future growth and level of profitability of the construction industry in Hong Kong are likely to depend primarily on the continued availability of major construction projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, in particular, the Hong Kong Government’s spending pattern on the construction industry in Hong Kong and the general conditions and prospects of Hong Kong’s economy. These factors may affect the availability of construction projects from the public sector, private sector or institutional bodies.

The Hong Kong economy, however, has experienced considerable volatility since late 1997. Being one of Hong Kong’s primary economic sectors, the construction industry has declined as a result of Hong Kong’s general economic downturn. Although a number of infrastructure projects are in the pipeline as set out in the section headed “Industry overview” in this prospectus, these projects are susceptible to delays and the availability of Hong Kong Government funds. There are also many other factors affecting the construction industry, including cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, a reduction in the capital expenditure by the Hong Kong Government on infrastructure projects, or if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations and profits could be materially and adversely affected.

## **RISK FACTORS**

### **We operate in a competitive industry**

We operate in a highly competitive industry in which our competitors include a number of approved contractors that comprise of various global, Hong Kong and China-based companies that provide services similar to ours. Some of our competitors may have stronger brand names, greater access to capital, longer operating histories, longer and more established relationship with their customers, and greater marketing and other resources than we do. Due to the evolving markets in which we compete, additional competitors with significant market presence and financial resources may enter those markets provided that they have the appropriate skills and are granted the requisite licences, and thereby intensify the competition. These competitors may be able to reduce our market share by adopting more aggressive pricing policies than we can or by developing services that gain wider market acceptance than our service does. Existing and potential competitors may also develop relationships with our customers in a manner that could significantly harm our ability to secure contracts.

For our business, our market position depends on our ability to anticipate and respond to various competitive factors, including effective cost control, technical expertise and timely completion of the contracts to meet customers' schedules. There can be no assurance that the competition in the tendering process will not intensify in the future and if we fail to maintain or improve our market position or fail to respond successfully to changes in the competitive landscape, our business, financial condition, results of operations and prospects may be materially and adversely affected.

### **Weather conditions, natural disasters, acts of God, political unrest and other events may have negative impact on the construction industry**

Weather conditions, natural disaster and other acts of God which are beyond our control may materially and adversely affect the economy, the construction industry and our business, as a result of which our operations and financial condition may be adversely affected. Political unrest may also cause damage or disruption to our business, our employees and our markets, any of which could materially and adversely affect our overall results of operations and financial condition.

In addition, power failures, fire or explosions or other natural disasters could cause disruption in our Group's operations or cause delays in our delivery schedules.

### **RISKS RELATING TO HONG KONG**

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

Most of our revenue was generated from projects located in Hong Kong which accounted for approximately 98.08%, 99.55%, 99.36% and 100.00% of our revenue for each of the three years ended 31 December 2012, 2013, 2014 and six months ended 30 June 2015, respectively. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, or if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.

## **RISK FACTORS**

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

As Hong Kong is a special administrative region of the PRC, the PRC Government may, by its political and economic policies, exert influence on the foregoing aspects of Hong Kong. The economy features a high degree of government involvement. In recent years, the PRC Government has implemented various measures to guide the allocation of resources so as to narrow the gaps between economic developments in different regions in the country. We cannot foresee or give any assurance that the PRC Government will not in the near future adopt policies that will adversely affect the political, legal and economic conditions of Hong Kong which may in turn materially affect our business.

Any outbreaks of civil unrest in Hong Kong may adversely affect the political, legal and economic conditions of Hong Kong which may in turn materially affect our business.

### **RISKS RELATING TO MACAU**

#### **Conducting business in Macau involves certain risks that may lead to significant volatility and material adverse effects on our business in Macau**

Conducting business in Macau involves certain risks including those relating to changes in the economic, political and social conditions, governmental policies, laws or regulations or their interpretations and exchange control regulations of Macau. Also, as the legal and judicial systems adopted in Macau are substantially different from that in Hong Kong, rights and protections under Hong Kong laws may not exist in Macau. In the event that our projects in Macau are being adversely affected due to such risks, our Group may lose the potential future income to be derived from our projects in Macau.

#### **Our business could be affected by the limitations of the Pataca exchange markets**

Part of our revenue from Macau is denominated in Patacas, the lawful currency of Macau. Although currently permitted, we cannot assure you that the Patacas will continue to be freely exchangeable into Hong Kong dollars. Also, because the currency market for Patacas is relatively small and undeveloped, our ability to convert large amounts of Patacas into Hong Kong dollars over a relatively short period may be limited. As a result, we may experience difficulty in converting Patacas into Hong Kong dollars.

### **RISKS RELATING TO THE GLOBAL OFFERING**

#### **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 Global Offering, no public market for our Shares existed. Following the completion of the Global Offering, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure you that an active trading market for our Shares will be developed or be sustained after the Global Offering. In addition, we cannot assure you that our Shares will trade in the



## RISK FACTORS

public market subsequent to the Global Offering at or above the Offer Price. The Offer Price for the Shares is expected to be fixed by agreement among the Joint Global Coordinators (on behalf of the Underwriters) and our Company, and may not be indicative of the market price of the Shares following the completion of the Global Offering. If an active trading market for our Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of Shares could be materially and adversely affected.

### **The trading prices and volume of the Shares may be volatile, which could result in substantial losses to you**

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

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

### **Investors in the Global Offering may experience dilution if our Company issues additional Shares in the future**

In order to expand our business, our Company may consider issuing additional Shares in the future. Investors of our Shares may experience immediate dilution in the net tangible asset book value per Share if our Company issues additional Shares in the future at a price which is lower than the then net tangible asset book value per Share.

### **Substantial future sale of the Shares in the public market could adversely affect their trading price**

Sale of substantial amounts of the Shares in the public market after the completion of the Global Offering, or the perception that such sale could occur, could adversely affect the market price of the Shares and could materially impair our future ability to raise capital through offerings of the Shares. There is no assurance that our Controlling Shareholders would not dispose of their Shares. Any significant disposal of the Shares by any of our Controlling Shareholders may materially affect the prevailing market price of the Shares. In addition, these disposals may induce more difficulties for our Company to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our liability to raise further capital.

## RISK FACTORS

We cannot predict what effect, if any, significant future sale will have on the market price of the Shares.

**Certain facts and statistics from official sources contained in this prospectus have come from various government official publications whose reliability cannot be assumed or assured**

Facts and statistics from official sources contained in this prospectus are derived from various publicly available government official publications and generally believed to be reliable. However, we cannot guarantee the quality and reliability of these publications. Whilst our Directors and the Sole Sponsor have taken reasonable care to ensure that the facts and statistics in this prospectus are accurately reproduced from other respective official sources, these facts and statistics have not been independently verified by us. Our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Underwriters, their respective directors and advisers or any other parties involved in the Global Offering do not make any representation as to the accuracy or any other facts and statistics derived from government official publications, which may not be consistent with other information and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics derived from government official publications may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly relied upon. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

**There are risks associated with the forward-looking statements contained in this prospectus**

The information in this prospectus contains certain forward-looking statements and information relating to our Group that are based on the belief of our Directors as well as assumptions based on the information currently available to them. In this prospectus, the words “believe”, “consider”, “estimate”, “expect”, and similar expressions, as they relate to our Company or our Group or our Directors, are intended to, among others, identify forward-looking statements. Such statements reflect the current views of our Directors with respect to, among others, future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialise, or should underlying assumptions be proved to be incorrect, our financial condition may be adversely affected and vary materially from those described herein as believed, considered, estimated or expected.

## FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. Forward-looking statements can be identified by words such as “may”, “will”, “should”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “plan”, “continue”, “seek”, “estimate”, or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our business strategies, development activities, estimates and projections, expectations concerning future operations, profit margins, profitability, competition and the effects of regulation.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Although these forward-looking statements are made by our Directors after due and careful consideration, these statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this document. Should one or more of the risks or uncertainties materialise, or should the underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are neither statements of historical fact nor guarantees or assurances of future performance. Hence, you should not place undue reliance on such forward-looking statements.

Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- the success of our existing and future operations;
- our ability to materialise and manage our planned business expansion;
- our ability to retain senior management team members and recruit qualified and experienced new team members;
- our ability to maintain our competitiveness and operational efficiency;
- our prospective financial conditions;
- laws, regulations and rules in relation to the construction industry in Hong Kong and Macau; and
- other factors that are described in the section headed “Risk factors” in this prospectus.

Any forward-looking statement made by us in this prospectus applies only as at the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

### **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 and 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 about our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

The Global Offering is made solely on the basis of the information contained and the representation made in this prospectus and the related Application Forms. No person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus and the related Application Forms, and any information or representation not contained herein should not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Underwriters, any of their respective directors or affiliates of any of them or any other person or party involved in the Global Offering.

### **UNDERWRITING**

This prospectus is published solely in connection with the Public Offer which forms part of the Global Offering. For applicants under the Public Offer, this prospectus and the related Application Forms contain the terms and conditions of the Public Offer.

The Listing is sponsored by Innovax Capital. The Public Offer is fully underwritten by the Public Offer Underwriters and the International Placing is expected to be fully underwritten by the International Placing Underwriters. The Global Offering is subject to our Company and the Joint Global Coordinators (on behalf of the Underwriters) agreeing on the Offer Price. The Global Offering is lead managed by the Joint Lead Managers. If, for any reason, the Offer Price is not agreed among our Company and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For further information, please refer to the section headed "Underwriting" in this prospectus.

### **RESTRICTIONS ON SALE OF OFFER SHARES**

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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

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

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

Our Company has applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme).

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

### **OFFER SHARES TO BE OFFERED IN HONG KONG ONLY**

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

Each person acquiring the Offer Shares will be required under the Global Offering and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

### **REGISTER OF MEMBERS AND STAMP DUTY**

All Offer Shares sold pursuant to applications made in the Public Offer will be registered on our Company's register of members to be maintained in Hong Kong. Our Company's principal register of members will be maintained by our Company's principal share registrar in Bermuda.

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

## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and dealing in the Offer Shares. None of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposition of the Offer Shares.

### **PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES**

The procedure for applying 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 related Application Forms.

### **STRUCTURE OF THE GLOBAL OFFERING**

Details of the structure of the Public Offer, the International Placing and the Global Offering, including its conditions, are set out in the section headed "Structure and conditions of the Global Offering" in this prospectus.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Thursday, 10 December 2015. Shares will be traded in board lots of 2,000 Shares each.

The stock code of the Shares is 1447.

### **CURRENCY TRANSLATIONS**

Unless otherwise specified, amounts denominated in RMB, MOP\$ and US\$ have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following rates:

HK\$1.00 : RMB0.80

HK\$1.00 : MOP\$1.03

HK\$7.80 : US\$1.00

No representation is made that any amounts in RMB, MOP\$, US\$ or HK\$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

### **LANGUAGE**

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

### **ROUNDING**

Certain monetary amounts included in this prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the Offer 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 on any other date HKSCC chooses.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangement have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advice for details of these settlement arrangements and how such arrangements will affect their rights and interests.

### **OVER-ALLOTMENT AND STABILISATION**

In connection with the Global Offering, China Everbright Securities, as the stabilising manager, or any person acting for it, may over-allot Shares or effect any other transactions with a view to stabilising and maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the date of Listing. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising action.

In connection with the Global Offering, our Company is expected to grant to the International Placing Underwriters the Over-allotment Option, which is exercisable in full or in part by the Joint Global Coordinators (on behalf of the International Placing Underwriters) up to (and including) the date which is the 30th day after the last day for lodging applications under the Public Offer. Pursuant to the Over-allotment Option, our Company may be required to issue at the Offer Price up to an aggregate of 15,000,000 Shares, representing 15% of the total number of Offer Shares initially available under the Global Offering to cover over-allocations in the International Placing, if any.

Further details with respect to stabilisation and the Over-allotment Option are set out in the section headed “Structure and conditions of the Global Offering — Stabilisation and over-allotment” in this prospectus.

<p style="text-align: center;"><b>WAIVERS FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES</b></p>
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**CONTINUING CONNECTED TRANSACTIONS**

We have entered into certain transactions which will constitute continuing connected transactions for our Company under the Listing Rules after Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the reporting, annual review, announcement and (where applicable) independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of certain continuing connected transactions as disclosed in paragraphs 1 to 3 in the section headed "Connected transactions". Further information is disclosed in the section headed "Connected transactions" in this prospectus.



## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

### DIRECTORS

Name	Address	Nationality
<b><i>Executive Directors</i></b>		
CHAN Ki Chun (陳麒淳) (formerly known as Chan Kin Chung (陳建中))	House 4 Winners Lodge 9 Ma Yeung Path Shatin New Territories Hong Kong	Chinese
CHAN Chor Tung (陳楚東)	Flat 9, 9/F, Block C Villa Lotto 18 Broadwood Road Hong Kong	Chinese
YUNG Kim Man (容劍文)	Flat A, 18/F, Block 24 Laguna City Cha Kwo Ling Kowloon Hong Kong	Chinese
YEUNG Cho Yin, William (楊楚賢)	Flat C, 10/F Lai On Building 2 Water Street Sai Ying Pun Hong Kong	Chinese
<b><i>Independent Non-Executive Directors</i></b>		
LAM Leung Tsun (林良俊)	Flat D, 2/F Tower 7, 9 Fo Chun Road The Graces, Providence Bay Pak Shek Kok Tai Po New Territories Hong Kong	Chinese
JIM Fun Kwong, Frederick (詹勳光)	Apartment. 4-A, Lyndhurst Village Gardens, Phase A 49 Fa Po Street Kowloon Hong Kong	Chinese

<b>DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING</b>
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<u>Name</u>	<u>Address</u>	<u>Nationality</u>
CHAN Kim Hung, Simon (陳劍雄)	Flat A, 10/F Hoi Tien Mansion Taikoo Shing 15 Taikoo Wan Road Hong Kong	Chinese

Please see the section headed “Directors and senior management” in this prospectus for further details of our Directors and senior management members.

<b>DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING</b>
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**PARTIES INVOLVED IN THE GLOBAL OFFERING**

**Sole Sponsor**

Innovax Capital Limited  
Office 1, 1st Floor  
Lucky Building  
39 Wellington Street  
Central  
Hong Kong

**Joint Global Coordinators, Joint  
Bookrunners and Joint Lead  
Managers**

Innovax Capital Limited  
Office 1, 1st Floor  
Lucky Building  
39 Wellington Street  
Central  
Hong Kong

China Everbright Securities (HK) Limited  
36th Floor, Far East Finance Centre  
16 Harcourt Road, Admiralty  
Hong Kong

**Co-manager**

BMI Securities Limited  
Suites 909-916  
Shui On Centre  
6-8 Harbour Road, Wan Chai  
Hong Kong

**Public Offer Underwriters**

Innovax Capital Limited  
Office 1, 1st Floor  
Lucky Building  
39 Wellington Street  
Central  
Hong Kong

China Everbright Securities (HK) Limited  
36th Floor, Far East Finance Centre  
16 Harcourt Road, Admiralty  
Hong Kong

**Legal advisers to our Company**

*as to Hong Kong law:*  
Sidley Austin  
Level 39  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

<b>DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING</b>
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*as to Bermuda law:*

Conyers Dill & Pearman  
Suite 2901  
One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

*as to Macau law:*

DCSM Law Office  
Alameda Dr. Carlos D'Assumpcao  
nos 411 a 417 Edificio Dynasty Plaza  
4 andar F  
Macau

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

*as to Hong Kong law:*

Pang & Co. in association with Loeb & Loeb LLP  
21st Floor, CCB Tower  
3 Connaught Road Central  
Hong Kong

**Reporting accountants and auditors**

KPMG, *Certified Public Accountants*  
8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

**Property valuer**

Knight Frank Petty Limited  
4/F, Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong

**Compliance adviser**

Innovax Capital Limited  
Office 1, 1st Floor  
Lucky Building  
39 Wellington Street  
Central  
Hong Kong

**Receiving bank**

Bank of China (Hong Kong) Limited  
1 Garden Road  
Hong Kong

## CORPORATE INFORMATION

<b>Registered office</b>	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
<b>Headquarters, head office and principal place of business in Hong Kong</b>	Rooms 3207-10 32/F, Great Eagle Centre 23 Harbour Road Wanchai Hong Kong
<b>Website address</b> <sup>Note</sup>	<a href="http://www.sfkchl.com.hk">www.sfkchl.com.hk</a>
<b>Company secretary</b>	TANG Yuen Wah, Rity (ACS, ACIS) Flat 2506, 25/F, Block P 10-12 Hong On Street Kornhill Quarry Bay Hong Kong
<b>Authorised representatives</b>	CHAN Ki Chun ( <i>formerly known as CHAN Kin Chung</i> ) House 4 Winners Lodge 9 Ma Yeung Path Shatin New Territories Hong Kong  YEUNG Cho Yin, William Room C, 10/F Lai On Building 2 Water Street Sai Ying Pun Hong Kong
<b>Audit committee</b>	JIM Fun Kwong, Frederick ( <i>Chairman</i> ) LAM Leung Tsun CHAN Kim Hung, Simon
<b>Remuneration committee</b>	CHAN Kim Hung, Simon ( <i>Chairman</i> ) JIM Fun Kwong, Frederick YEUNG Cho Yin, William

*Note: The information on our Company's website does not form part of this prospectus.*

<h2 style="text-align: center;">CORPORATE INFORMATION</h2>
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<b>Nomination committee</b>	<p>CHAN Ki Chun (<i>Chairman</i>)  LAM Leung Tsun  CHAN Kim Hung, Simon</p>
<b>Bermuda resident representative and principal share registrar and transfer office</b>	<p>Codan Services Limited  Clarendon House  2 Church Street  Hamilton HM 11  Bermuda</p>
<b>Hong Kong Share Registrar</b>	<p>Tricor Investor Services Limited  Level 22, Hopewell Centre  183 Queen's Road East  Hong Kong</p>
<b>Principal banks</b>	<p>The Hongkong and Shanghai  Banking Corporation Limited  Level 16, HSBC Main Building  1 Queen's Road Central  Hong Kong</p> <p>Chong Hing Bank Limited  17th Floor, Chong Hing Bank Centre  24 Des Voeux Road Central  Hong Kong</p> <p>Bank of China (Hong Kong) Limited  24th Floor, Bank of China Tower  1 Garden Road  Hong Kong</p> <p>BNP Paribas, Hong Kong Branch  63rd Floor, Two International Finance Centre  8 Finance Street  Central  Hong Kong</p> <p>Bank of China, Macau Branch  Bank of China Building  Avenida Doutor Mario Soares  Macau</p>

## INDUSTRY OVERVIEW

*The information in the section below 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 the Ipsos Report, for the inclusion in this prospectus. We have no reason to believe that such information is false or misleading in any material respects or that any fact has been omitted that would render such information false or misleading in any material respects. The information has not been independently verified by our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective directors, affiliates, advisers, officers or representatives or any party involved in the Global Offering, other than Ipsos with respect to the information contained in the Ipsos Report and no representation is given as to its fairness, correctness and accuracy. Accordingly, you should not place undue reliance on such information or statistics.*

*The information extracted from the Ipsos Report reflects estimates of market conditions based on samples, and is prepared primarily as a market research tool. References to Ipsos should not be considered as the opinion of Ipsos as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information extracted from the Ipsos Report are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information.*

## SOURCES OF INFORMATION

We commissioned Ipsos, an independent market research company and consulting company, to conduct an analysis of, and to report on the industry, developments trends and competitive landscape of the construction industry for general building and civil engineering in Hong Kong and Macau for a period from 2009 to 2019 for a fee of HK\$718,000. We considered that the payment of the commission fee does not affect the fairness of conclusions drawn in the Ipsos Report. Our Directors are of the view that the information set forth in this section is reliable and not misleading as the information was extracted from the Ipsos Report and Ipsos is an independent professional market research company with extensive experience in their profession. Ipsos is part of Ipsos SA which was founded in Paris, France in 1975 and was listed on the Paris stock exchange (NYSE Euronext Paris) since 1999. In October 2011, Ipsos SA acquired Synovate Limited and has become the third largest research company in the world which employs approximately 16,000 personnel worldwide across 85 countries. Ipsos conducts research on market profiles, market size, share and segmentation analysis, distribution and value analyses, competitor tracking and corporate intelligence.

The information contained in the Ipsos Report is derived by means of data and intelligence gathering which include: (i) desk research; and (ii) primary research by interviewing key stakeholders and industry expert in Hong Kong including general building work, civil engineering work companies, principal contractors, developers, architects, industry experts, government officials (e.g. the Development Bureau) and associations (e.g. the Hong Kong Construction Association) etc. in Hong Kong and Macau. In addition, intelligence gathered has been analysed, assessed and validated using Ipsos' in-house analysis models and techniques.

## INDUSTRY OVERVIEW

The following assumptions are used in the Ipsos report:

- The global economy is assumed to maintain a steady growth across the forecast period from 2014 to 2019
- There is no external shock such as financial crisis or natural disasters to affect the demand and supply of general building services and civil engineering services during the forecast period from 2014 to 2019

The following parameters are considered in the market sizing and forecast model of the Ipsos Report:

- GDP growth rates in Hong Kong from 2009 to 2014
- Gross output value of construction works performed by main contractors in Hong Kong from 2009 to 2014
- Gross output value of (i) general building; and (ii) civil engineering main contracting industry in Hong Kong from 2009 to 2019
- Public expenditure on infrastructure in (i) Hong Kong from 2009 to 2014; and (ii) Macau from 2009 to 2014
- Total number of completed public and private housing units in Hong Kong from 2009 to 2014
- Price trend of steel reinforcements, cement and construction worker's wages in Hong Kong from 2009 to 2014

### NO ADVERSE CHANGE IN MARKET INFORMATION

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

### OVERVIEW OF THE HONG KONG ECONOMIC ENVIRONMENT

#### **Hong Kong economy**

The economy in Hong Kong fluctuated during the period from 2009 to 2014, due to the outbreak of the European sovereign debt crisis coupled with the slowdown in the PRC's economy. In 2010, the economy in Hong Kong experienced a significant rebound, with GDP growth rate peaking at approximately 6.8% in 2010. The growth was fuelled by strong export trade to China, accounting for approximately 52.7% of total exports.



## INDUSTRY OVERVIEW

In 2013, favourable employment and income conditions have facilitated the growth of consumption expenditure which led to GDP growth rate climbing up to about 2.9%. It is expected that the Hong Kong economy is heading towards a period of stable growth from 2015 to 2019 as a result of improvement in global trade and bottoming-out of the European sovereign debt crisis, resulting in a highly beneficial impact that boost the construction industry.

### **Macroeconomic factors affecting the construction industry in Hong Kong**

#### *Demand for residential buildings*

Due to the increasing population and the highly active property market in Hong Kong, the Hong Kong Government strived to increase housing land supply in order to stabilise the residential property prices. In the 2015 Policy Address, the Hong Kong Government announced a series of measures (such as increase in land supply, land use rezoning, expediting residential development projects and the relevant administrative approval procedures) to increase and accelerate housing supply, targeting to provide a total of 470,000 public and private units in the coming decade. Such policies will continue to serve as one of the main growth drivers for the construction industry in Hong Kong.

#### *Surge in the number of enterprises*

Over the past few years, the number of local and foreign companies setting up their offices in Hong Kong was on an increasing trend, mainly attributed to the sound business environment and stable economic conditions in Hong Kong. As such, this has augmented the rising demand for office space, contributing to the growth of Hong Kong's construction industry.

### **Government policies and regulations affecting the construction industry in Hong Kong**

#### *Increase in public expenditure on infrastructure*

In the 2015-16 Budget, the Hong Kong Government introduced plans to increase the total public expenditure on infrastructure by approximately 3.3% to about HK\$76,330 million, compared to the 2014-15 actual infrastructure spending. Major projects, such as the Kai Tak Development and the Guangzhou-Shenzhen-Hong Kong Express Rail Link, will be significant sources of Hong Kong's future commercial land. It is anticipated to provide around 1.4 million sq.m. of commercial floor area, comprising hotels, in stages from 2016 to 2017 and over the next three years.

#### *Resumption of the land sale program*

Since 2010, the Hong Kong Government has resumed the land sale program to increase housing land supply in order to cool down the overheated property market as well as to maintain a healthy and stable property market. About 34 residential sites will be available for providing approximately 15,500 units in the 2014-15 land sale program; in particular, about 24 out of the 34 residential sites are new. Therefore, the resumption of the land sale program will continue to contribute to the development of the construction industry in Hong Kong.

## INDUSTRY OVERVIEW

### *Initiatives in securing land for residential supply*

In the 2015 Policy Address, Hong Kong Government reiterated the plan to redevelop vast tracts of undeveloped land in Hung Shui Kiu, Yuen Long South and New Territories North. According to the 2014 Policy Address, it aims to provide 20,000 public rental housing units and 8,000 home ownership scheme units per year in the next decade, increasing the supply of public housing pledged previously by about 36%. On top of that, there is also an additional 80 Green Belt sites and government, institution or community (“G/IC”) sites which will be rezoned for residential use to provide about 89,000 units in the next 5 years.

### *Initiatives that will boost the Hong Kong construction industry*

In the 2014 Policy Address, the government has also taken forward the initiative to convert G/IC sites for commercial use and to revitalise industrial buildings, whereby 105 applications for lease modification and special waiver through the revitalisation measures for industrial buildings had been approved. While in the 2015 Policy Address, the government re-emphasises the Energizing Kowloon East initiative, which is used to provide spaces for the arts, culture and creative industries in Hong Kong. Therefore, the prospect of increases in the supply of commercial and industrial properties will boost the construction industry in Hong Kong.

## MARKET OVERVIEW OF CONSTRUCTION INDUSTRY IN HONG KONG

### Gross Output Value of Construction Works Performed by Main Contractors and Subcontractors at Construction Sites in Hong Kong from 2009 to 2014



*Note:* Data refers to gross value of construction works in nominal terms performed by main contractors and subcontractors at construction sites.

*Sources:* Census and Statistics Department, Hong Kong and Ipsos

The gross output value of construction works performed by main contractors and subcontractors in Hong Kong surged from around HK\$60.9 billion in 2009 to around HK\$155.2 billion in 2014, representing a CAGR of about 20.6%. The gross output value of construction works in public sector performed by main contractors increased from approximately HK\$18.7 billion in 2009 to approximately HK\$68.8 billion in 2014, at a CAGR of about 29.8%. The demand for construction works performed by main contractors in Hong Kong is expected to increase due to the growing demand from housing and infrastructure.

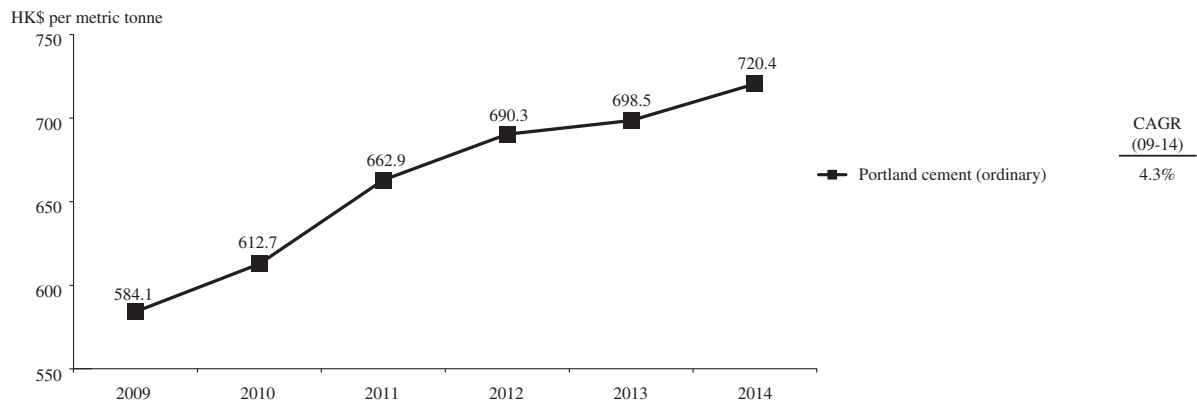
## INDUSTRY OVERVIEW

The construction industry is very competitive. As at August 2015, there were about 685 contractors on the list of Register of General Building Contractors of the Buildings Department. Meanwhile, there were about 270 contractors on the list of Approved Contractors for Public Works, including buildings, roads and drainage, port works, site formation and waterworks, of the Development Bureau. While only 16 out of these 270 contractors were on the list of all 5 categories of Approved Contractors for Public Works. In light of the increasing public expenditure on infrastructure and housing demand, the construction industry will continue to grow at a fast pace.

### Price of materials

The principal materials utilised in our business are concrete and steel. As cement is a major ingredient used in producing concrete, the market price of concrete is related to the market price of cement.

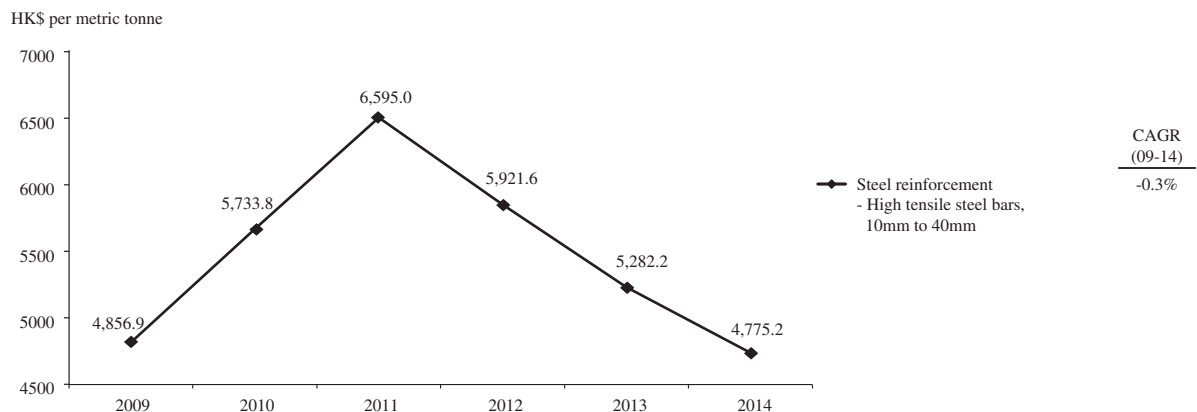
#### Price Trend of Cement in Hong Kong from 2009 to 2014



Source: Census and Statistics Department, Hong Kong

Hong Kong's annual average wholesale price of cement increased from around HK\$584.1 per metric tonne in 2009 to around HK\$720.4 per metric tonne in 2014, representing a CAGR of about 4.3%. The rising price trend of cement was mostly attributed to the appreciation of RMB which resulted in high commodity prices, accelerated pace of inflation in Hong Kong and the strong construction demand in Hong Kong, Macau and the PRC.

#### Price Trend of Steel Reinforcements in Hong Kong from 2009 to 2014



Source: Census and Statistics Department, Hong Kong

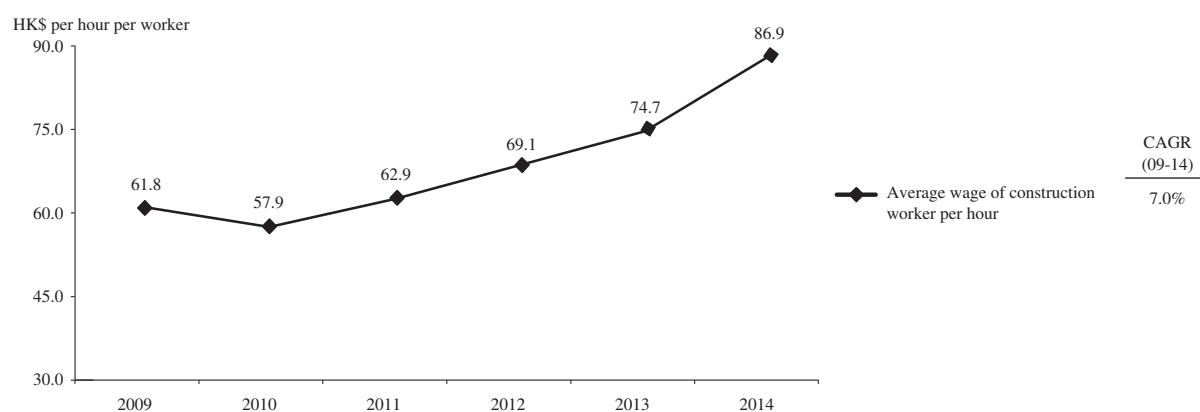
## INDUSTRY OVERVIEW

The annual average wholesale price of steel reinforcements increased from about HK\$4,856.9 per metric tonne in 2009 and peaked at about HK\$6,595.0 per metric tonne in September 2011, but gradually reduced to about HK\$4,775.2 in 2014, at a CAGR of about -0.3%, resulting from the European debt crisis together with the tightening monetary policy in China.

### *Labour*

As a result of the strong demand in the construction industry, there is a shortage of labour supply in Hong Kong. For the sake of increasing the supply of construction workers, most contractors have started to increase wage in order to attract young people to work in the construction industry in Hong Kong. Furthermore, the Hong Kong Government has given more support to the training of new construction workers. Both contractors and the Hong Kong Government have been striving to attract new staff to join the construction industry due to the insufficient labour supply and the issue of ageing workers in the construction industry in Hong Kong.

### **Price Trend of Construction Worker's Wage in Hong Kong from 2009 to 2014**



Source: Census and Statistics Department, Hong Kong

The median hourly wage of construction worker in Hong Kong increased from HK\$61.8 in 2009 to HK\$86.9 in 2014, at a CAGR of about 7.0%. The increase in the average hourly wage of a construction worker in Hong Kong serves as an indicator of the strong demand for construction works and the prosperity of the construction industry in Hong Kong.

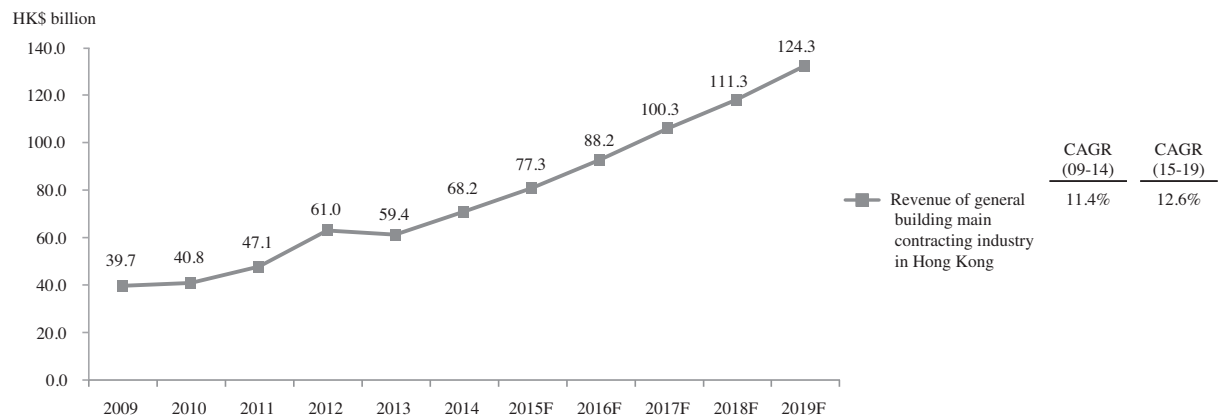
## **MARKET OVERVIEW OF GENERAL BUILDING MAIN CONTRACTING INDUSTRY IN HONG KONG**

The general building construction is an important part of the construction industry in Hong Kong. The top ten general building main contracting companies in Hong Kong took up approximately 35.0% of the total market share in 2014.

## INDUSTRY OVERVIEW

Strong demand for general building main contracting works came from both the public sector and the private sector which resulted in the growth of revenue of the general building main contracting industry in Hong Kong from about HK\$39.7 billion in 2009 to about HK\$68.2 billion in 2014, representing a CAGR of about 11.4%. The rapid growth of the construction industry indicates a high demand for construction works resulting from the increase in the housing supply in Hong Kong.

### Revenue of General Building Main Contracting Industry in Hong Kong from 2009 to 2019



*Sources:* Census and Statistics Department, Hong Kong and Ipsos

Hong Kong has an area of about 1,104 square kilometres, but a large population of over 7 million in 2014. It is dubbed one of the most densely populated cities in the world with about 6,650 people per square kilometre in 2014. The population increase has propelled the government and property developers to build new residential and commercial buildings in Hong Kong. As the population in Hong Kong is expected to grow and reach about 8.3 million by mid-2036, which entails the demand for housing will further increase, serving as the growth driver to the general building main contracting industry in Hong Kong.

## MARKET OVERVIEW OF CIVIL ENGINEERING MAIN CONTRACTING INDUSTRY IN HONG KONG

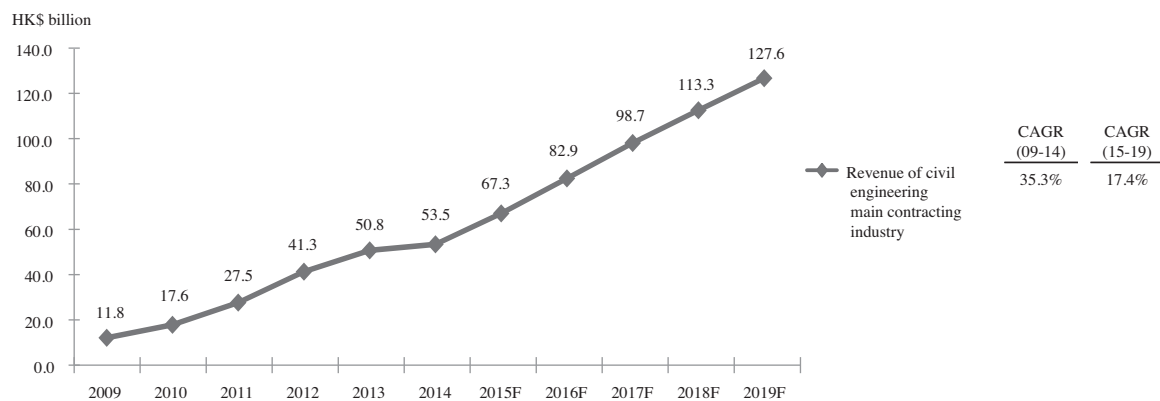
Civil engineering is also a part of the construction industry in Hong Kong. Civil engineering is closely related with people's lives as it applies engineering principles to the public infrastructure, including transportation, bridges, buildings, water systems and etc. The top five civil engineering main contractors in the industry take up about 50.0% of the total market share in 2014. The main customers of the civil engineering main contracting industry in Hong Kong is the Hong Kong Government and the property developers in the private sector.

## INDUSTRY OVERVIEW

The revenue of the civil engineering main contracting industry in Hong Kong increased from about HK\$11.8 billion to about HK\$53.5 billion, representing a CAGR of about 35.3% from 2009 to 2014. Such increase was attributed to the increasing number of projects for civil engineering works in Hong Kong. These projects were generally large in terms of the contract value. For examples, the Kai Tak development — Reconstruction and Upgrading of Kai Tak Nullah project was worth about HK\$1.9 billion; the Expansion of Tai Po Water treatment works and Ancillary Raw Water and Fresh Water Transfer Facilities — Part 2 was worth about HK\$3.3 billion, the Liantang/Heung Yuen Wai Boundary Control Point Site Formation and Infrastructure Works — Contract 3 was worth about HK\$2.5 billion.

The revenue of the civil engineering main contracting industry in Hong Kong is expected to grow substantially at an average rate of about 17.4% each year between 2015 and 2019.

### Revenue of Civil Engineering Main Contracting Industry in Hong Kong from 2009 to 2019



Sources: Census and Statistics Department, Hong Kong and Ipsos

## COMPETITIVE LANDSCAPE OF THE CONSTRUCTION MAIN CONTRACTING INDUSTRY IN HONG KONG

In the general building main contracting industry in Hong Kong, there were about 156 registered public building contractors at Development Bureau; about 41 registered public housing contractors (new works) at Housing Authority; and about 685 qualified contractors on the list of Register of General Building Contractors of the Buildings Department as of August 2015.

### Factors Influencing Competition

#### *Necessary work licences and qualifications*

It is mandatory for main contractors to acquire the necessary building and civil engineering work licences and possess the relevant status for tendering the public works of building and civil engineering in Hong Kong.

## INDUSTRY OVERVIEW

### *Quality of works*

In the construction industry, the quality of works is highly emphasised. Building and civil engineering works of inferior quality will affect building safety and other facilities such as the supply of water and power. Therefore, the Hong Kong Government and private developers tend to cooperate with main contractors who can deliver quality works. Quality works are important in winning a construction project in the industry.

### *Good relationship with private developers*

Main contractors in the building and civil engineering industry with established relationships with major developers in Hong Kong have a better chance of obtaining private contracts. Unlike public works, private works are not usually published in the press and announced publicly. Private developers have their own list of contractors for tender invitation. Therefore, having good relationships with major developers will increase the chance of building and civil engineering main contractors being included in the list and winning private tenders.

## **Entry barriers of construction industry in Hong Kong**

### *Lack of industry experience*

Extensive experience and good reputation in the construction industry can only be gained through long-term accumulation. This may pose an entry barrier for new entrants who do not have adequate knowledge of projects execution in the construction industry in Hong Kong. Obtaining relevant licences and registration statuses, such as being included in the List of Approved Contractors for Public Works of the Development Bureau, is prerequisite for tendering for public construction projects. In particular, government tenders are generally evaluated by the formula approach or the marking scheme approach, under which the tenderers' past job experience and past performance would form part of the assessment criteria. After having accumulated a certain total contract value and experience, general contractors can ascend the rank and perform works with a higher total contract value. Without sufficient experience, new entrants may find it difficult to bid for high value tenders.

### *Insufficient cash flow*

In the construction industry in Hong Kong, main contractors may need to have sufficient cash flow in order to pay their suppliers and/or subcontractors, for labour cost and/or construction materials, before getting paid by their customers, such as private developers, in the up front. These main contractors are therefore required to have strong financial background to accommodate the cash flow gap. Insufficient cash flow may become an obstacle to the new entrants because they may find it difficult to finance their operations under the industry norm.

## INDUSTRY OVERVIEW

### **Market growth drivers of the construction industry in Hong Kong**

#### *Government's policy on public infrastructure*

Ten Major Infrastructure Projects such as development areas in Wan Chai and the New Territories, and MTRC extension projects have driven the growth in the civil engineering contracting industry. In the 2015-16 Budget, the Hong Kong Government reiterated its commitment to infrastructure investment.

#### *Government's policy on residential properties in response to the growing demand*

The government has set out a 5-year plan to accommodate for the growing demand by providing more land for residential property development, for instance, supplying government land for the Urban Renewal Authority and MTRC projects. Moreover, about 150 sites have been identified for residential use and will be rezoned over the next five years. This is estimated to provide approximately 210,000 public and private units. These policies will continue driving both the building and civil engineering main contracting industries in Hong Kong.

#### *Increasing investment in the property market*

The PRC government has launched measures to cool down the property market in China by placing limits on multiple-home ownership and by raising interest rates. These measures have driven Mainland Chinese investors to develop and purchase properties overseas; Hong Kong is the most popular destination as it is of close proximity and is a free port. This generates a favourable investment environment for Hong Kong property investments. Consequently, this will increase the demand for residential properties and drive both the building and civil engineering main contracting industries in Hong Kong.

### **Threats of the construction industry in Hong Kong**

#### *Insufficient experienced and skilled labour engaging in the industry*

There has been a rising demand for experienced and skilled construction labour, including both the building and civil engineering industries, primarily because these experienced and skilled labour workers are incentivised to leave for the ongoing large-scale construction projects in China and Macau. Apart from this, declining number of young people entering Hong Kong's construction industry and the retirement of experienced and skilled workers, further exacerbate the labour shortage in the construction industry in Hong Kong. In December 2014, there were about 44.4% of the 336,002 registered workers who have been in the construction industry for more than 10 years and aged over 50.

Insufficient experienced and skilled labour may increase the likelihood of project delay and may threaten the development of the construction main industry in Hong Kong.



## INDUSTRY OVERVIEW

*Increasing construction costs have increased the total construction costs for contractors and eventually lowered their profit margins*

The shortage of labour also leads to continual increase in labour cost in the industry. The average wage of construction workers in Hong Kong increased from an estimated HK\$61.8 per hour in 2009 to an estimated HK\$86.9 per hour in 2014, at a CAGR of about 7.0%. On the other hand, the average wholesale price of cement experienced a growth of a CAGR of about 4.3% from about HK\$584.1 per metric tonne in 2009 to about HK\$720.4 per metric tonne in 2014. The increase in the construction costs might pose threats to the construction main contracting industry as a whole.

### Top general building main contractors by revenue in Hong Kong

Rank	Name of Company	Headquarters	Revenue in 2014	Share of Total
		Location		Industry Revenue
			(HK\$' million)	(%)
1	Competitor A	Hong Kong	7,642	8.9
2	Competitor B	Hong Kong	3,704	4.3
3	Competitor C	Hong Kong	3,031	3.5
4	Competitor D	Hong Kong	2,999	3.5
5	Competitor E	Hong Kong	2,378	2.8
6	Competitor F	Hong Kong	2,358	2.7
7	Competitor G	Hong Kong	2,291	2.7
8	Competitor H	Hong Kong	2,146	2.5
9	Competitor I	Hong Kong	1,920	2.2
10	The Company	Hong Kong	1,692	2.0
Others			56,103	65.0
Total			86,264	100.0

Source:- Ipsos interview and analysis

### Top civil engineering main contractors by revenue in Hong Kong

Rank	Name of Company	Headquarters	Revenue in 2014	Share of Total
		Location		Industry Revenue
			(HK\$' million)	(%)
1	Competitor J	France	15,606	23.1
2	Competitor C	Hong Kong	7,003	10.4
3	Competitor F	Hong Kong	5,165	7.6
4	Competitor A	Hong Kong	5,066	7.5
5	Competitor I	Hong Kong	4,039	6.0
6	Competitor K	Hong Kong	2,945	4.4
7	Competitor B	Hong Kong	2,027	3.0
8	Competitor E	Hong Kong	1,820	2.7
9	Competitor L	Hong Kong	1,596	2.4
10	Competitor M	Hong Kong	1,121	1.7
N/A	The Company	Hong Kong	1,000	1.5
Others			20,232	29.9
Total			67,620	100.0

Source:- Ipsos interview and analysis

## INDUSTRY OVERVIEW

We ranked tenth among all general building main contractors in Hong Kong in terms of revenue in 2014, due to our well-established reputation of over 20 years of operating history and impressive track record of sizeable projects, experienced management team with approximately 30% of our management team members having over 20 years of experience and a wide range of qualifications allowing us to undertake projects from all five public works categories.

### MARKET OVERVIEW OF CONSTRUCTION INDUSTRY IN MACAU

The construction industry in Macau is related to the development of the gaming and hospitality industry in Macau as well as Macau government's dedication to improve the infrastructure to accommodate the growth in the gaming and hospitality industry as well as growing tourism.

From 2009 to 2014, the total public expenditure on infrastructure in Macau grew from about HK\$1,545.6 million to about HK\$4,189.8 million, at a CAGR of about 22.1%. It is expected that the total expenditure on public infrastructure in Macau will continue to grow due to the ongoing government dedication to upgrading Macau's infrastructure, such as the major road construction and land reclamations in Taipa and Colane as well as the new public housing in North Taipa. In 2014, there were about 105 general building main contractors and about 100 civil engineering main contractors in the construction industry in Macau. The general building and civil engineering main contracting industries in Macau are fragmented industries with the top five construction main contractors, who focused on general building contracting works and civil engineering works, sharing about 31.3% of the market revenue in Macau in 2014.

Based on the level of experience, the Macau government divides construction main contractors into three categories, and only allows the most experienced category of main contractors to tender for high-value construction works.

Leveraging on our experience and the expected increase in the public expenditure on infrastructure in Macau, our Directors believe that the construction industry in Macau would provide business opportunities to our Group in the future.

## REGULATORY OVERVIEW

### HONG KONG LAWS AND REGULATIONS

#### 1. Laws and regulations in relation to construction labour, health and safety and insurance

##### *Factories and Industrial Undertakings Ordinance*

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in the industrial sector. Under the Factories and Industrial Undertakings Ordinance, every proprietor shall take care of the safety and health at work of all persons employed by it at an industrial undertaking by:

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

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

Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (Chapter 59I of the laws of Hong Kong), include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the construction, maintenance and inspection of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) safety of excavations; (vi) the duty to comply with miscellaneous safety requirements; and (vii) provision of first aid facilities, and binding on all contractors responsible for a construction site. Non-compliance with any of these rules without reasonable excuse commits an offence and different levels of penalty will be imposed and a contractor guilty of the relevant offence could be liable to a fine up to HK\$200,000 and imprisonment up to twelve months.

##### *Employees' Compensation Ordinance*

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

## REGULATORY OVERVIEW

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

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

According to Section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law.

An employer who fails to comply with the Ordinance to secure an insurance cover is liable on conviction to a fine of HK\$100,000 and imprisonment for two years.

### *Employment Ordinance*

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

## REGULATORY OVERVIEW

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware. A principal contractor who without reasonable excuse fails to serve notice on the superior subcontractor(s) shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at HK\$50,000).

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

### *Construction Workers Registration Ordinance*

The Construction Workers Registration Ordinance provides among others, for registration and regulation of construction workers. The principal object of the Construction Workers Registration Ordinance is to establish a system for registration of construction workers, to set out the levy to be paid by contractors in respect of construction operations and to regulate construction workers who personally carry out construction work on construction site.

#### *A. Employment of Registered Construction Workers*

Under the Construction Workers Registration Ordinance, the principal contractors/subcontractors/employers/controllers of construction sites are required to employ only registered construction workers to personally carry out construction work on construction sites (Sections 3(1) & 5 of the Construction Workers Registration Ordinance).

#### *B. Keeping and Submission of Site Daily Attendance Report*

Under the Construction Workers Registration Ordinance, a principal contractor/controller of a construction site is required to:

1. establish and maintain a site daily record in the specified form that contains information on registered construction workers employed by him or, if he is the principal contractor, his subcontractor (Section 58(7)(a) of the Construction Workers Registration Ordinance); and
2. furnish the Registrar of Construction Workers in such manner as directed by the Registrar of Construction Workers with a copy of the report
  - i. for the period of seven days after any construction work begins on the site; and

## REGULATORY OVERVIEW

- ii. for each successive period of seven days, within two business days following the last day of the period concerned (Section 58(7)(b) of the Construction Workers Registration Ordinance).

### *C. Offences and Fines*

The following table sets out the offences and fines for contravention of the Construction Workers Registration Ordinance (“CWRO”):

Offence	Relevant Sections of the Construction Workers Registration Ordinance	Fines  (HK\$)	Person responsible
Employing a person who is not a registered construction worker to personally carry out construction work on a construction site	3(1), 5 & 6	25,001 - 50,000	Any person
Having a person employed by his subcontractor in contravention of Section 3(1), (2), (3) or (4) <sup>(Note)</sup> of the Construction Workers Registration Ordinance	6(4)(a)	25,001 - 50,000	Principal contractor
Failing to establish and maintain a daily record that contains information on the registered construction workers employed by the controller/subcontractor of the controller of a construction site	58(7)(a) & (8)	5,001 - 10,000	Controller of a construction site
Failing to furnish the Registrar of Construction Workers with a copy of the daily record for the period of seven days after the construction work begins on the site	58(7)(b)(i) & (8)	5,001 - 10,000	Controller of a construction site
Failing to furnish the Registrar of Construction Workers with a copy of the daily record for a successive period of seven days at the expiration of seven days after the construction work has begun on the site	58(7)(b)(ii) & (8)	5,001 - 10,000	Controller of a construction site

*Note: Sections 3(2), 3(3) and 3(4) of the CWRO are not yet in operation.*

## REGULATORY OVERVIEW

### *Occupiers Liability Ordinance*

The Occupiers Liability Ordinance regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

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

### *Immigration Ordinance*

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

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

### *Minimum Wage Ordinance*

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

### *Occupational Safety and Health Ordinance*

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

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by (including but without limitation):

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

## REGULATORY OVERVIEW

- maintenance of the workplace in a condition that is safe and without risks to health; and
- provision and maintenance of means of access to and egress from the workplace that are safe and without any such risks;
- providing all necessary information, instructions, training and supervision for ensuring safety and health; and
- provision and maintenance of a working environment for the employer's employees that is safe and without risks to health.

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

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

## **2. Laws and regulations in relation to environmental protection in Hong Kong**

### *Air Pollution Control Ordinance*

The Air Pollution Control Ordinance is the principal legislation in Hong Kong for controlling emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licences and permits. Under the Air Pollution Control Ordinance, the owner of any premises used for the conduct of any specified process shall use the best practicable means for preventing the emission of noxious or offensive emissions from such premises, and for preventing the discharge, whether directly or indirectly, of such emissions into the atmosphere, and for rendering such emissions where discharged harmless and inoffensive. Any person who fails to comply with the above commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for six months, and, in addition, if the offence is a continuing offence, to a fine of HK\$20,000 for each day during which it is proved to the satisfaction of the court that the offence has continued. No person shall be convicted of an offence if he proves that the specified process in respect of which he is charged was conducted by him in the manner and in accordance with the particulars and information notified by him under Section 19(1) of the Air Pollution Control Ordinance.



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A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation, the Air Pollution Control (Construction Dust) Regulation, the Air Pollution Control (Smoke) Regulations, the Air Pollution Control (Volatile Organic Compounds) Regulation, the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation and Air Pollution Control (Asbestos) (Administration) Regulation. The contractor responsible for a construction site shall devise, arrange methods of working and carrying out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

### *Noise Control Ordinance*

The Noise Control Ordinance controls the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out general construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime, not being a general holiday, construction noise permits are required from the Environmental Protection Department in advance. The carrying out of percussive piling is prohibited between 7:00 p.m. and 7:00 a.m. or at any time on general holidays.

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment is not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Environmental Protection Department through the construction noise permit system. Certain equipment is also subject to restrictions when its use is allowed. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Environmental Protection Department. Percussive pile-driving is allowed on weekdays only with prior approval, in the form of a construction noise permit from the Environmental Protection Department.

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

### *Water Pollution Control Ordinance*

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

## REGULATORY OVERVIEW

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

According to the Water Pollution Control Ordinance, unless being licensed under the Water Pollution Control Ordinance, a person commits an offence who discharges any waste or polluting matter into the waters or discharges any matter into a communal sewer or communal drain in a water control zone and is liable to imprisonment for 6 months and (a) for a first offence, a fine of HK\$200,000; (b) for a second or subsequent offence, a fine of HK\$400,000, and in addition, if the offence is a continuing offence, to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

### *Waste Disposal Ordinance*

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

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, particularly the Waste Disposal (Charges for Disposal of Construction Waste) Regulation and the Waste Disposal (Chemical Waste) (General) Regulation.

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

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

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

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### *Dumping at Sea Ordinance*

Under the Dumping at Sea Ordinance, any waste producers involved in marine dumping and related loading operations are required to obtain permits from the Environmental Protection Department. Materials to be controlled by the permit under Dumping at Sea Ordinance are mostly large quantities of sediment arising from dredging works.

Under the Dumping at Sea Ordinance, a person who except under and in accordance with a permit, does anything or causes or allows another person to do anything for which a permit is needed commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months on a first conviction; and a fine of HK\$500,000 and to imprisonment for 2 years on a second or subsequent conviction; and in addition, to a further fine of HK\$10,000 for each day if the court is satisfied that the operation has continued.

### *Environmental Impact Assessment Ordinance*

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

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

### **3. Laws and regulations in relation to excavation work**

#### **The Land (Miscellaneous Provisions) Ordinance**

Under the Land (Miscellaneous Provisions) Ordinance (Chapter 28 of the Laws of Hong Kong), the Director of Highways is the authority for controlling excavations on all public roads and the Director of Lands is the authority for controlling excavations in unleased land other than public roads. The purpose of this ordinance is to strengthen the control on road excavations and to minimise delays and inconvenience to the public. The Hong Kong Government will charge a fee to cover the

## REGULATORY OVERVIEW

administrative cost for issuing excavation permits and carrying out audit inspections in streets, according to the “user-pays” principle. Our Group is required to obtain excavation permit(s) in respect of the excavation works involved in respect of its construction contracts and currently holds excavation permits authorising the making and maintenance of such excavations.

### 4. Licensing regime

Under the current contractors registration system in Hong Kong, a contractor must register with the Buildings Department either as general building contractor or as specialist contractor. Registered general building contractors may carry out general building works and street works which do not include any specialised works designated for registered specialist contractors. All contractors engaged in electrical works on fixed electrical instalments must be registered with the Electrical and Mechanical Services Department.

Set out below are the requirements to register as a general building contractor, specialist contractor in foundation works and specialist contractor in site formation works under the Building Authority.

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

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

Under Section 8C(2) of the Buildings Ordinance, a registered contractor should apply to the Building Authority for renewal of registration not earlier than four months and not later than 28 days prior to the date of expiry of the registration.

In order to tender for Hong Kong Government contracts, a contractor must be accepted on the List of Approved Contractors maintained by the Works Branch. Although approvals granted by the Works Branch are not required to be renewed annually, audited accounts of the approved contractors are submitted to the Works Branch annually (in addition, a Group C contractor (as explained below) is also required to submit half-yearly management accounts) and may be produced to relevant Hong Kong Government works departments prior to the contract award in order to review the financial position of the approved contractors to ensure that they meet the capital requirements as set out by the Work Branch. If any approved contractor fails to meet the capital requirements in a particular

## REGULATORY OVERVIEW

category, it will not be eligible for any contract in that category. In the event the approved contractor fails to submit the accounts or fails to cover any shortfall in the required capital requirements within the prescribed period, regulatory actions such as suspension of tendering rights may be taken by the Works Branch against such approved contractor.

The List of Approved Contractors is divided into five categories, namely, roads and drainage, port works, waterworks, buildings and site formation. There are three groups in each of the works categories (arranged in ascending order), namely, Group A (except that there are no Group A in port works and site formation categories), Group B and Group C, with the highest rank being Group C. Each group has its particular tendering limits. Other than in the most exceptional circumstances, a contractor will be admitted initially on probation in the appropriate works category and group. According to the Contractor Management Handbook of the Development Bureau, the minimum probationary period is 24 months. After the probationary period, approved contractors may apply to the Works Branch for confirmed status provided they have met the following requirements:

- (i) the technical and management criteria for confirmed status of each category of works; and
- (ii) the capital requirements applicable to confirmed status for each category of works.

A contractor may apply for “confirmed” status after the satisfactory completion of works appropriate to its probationary status. “Confirmed” contractors may apply to be elevated to a higher group which is subject to similar but more stringent criteria/ requirements to that described above. Thus, it will normally take a number of years before a contractor can accumulate sufficient experience and financial and human resources to attain a confirmed Group C status for a particular category of construction works.

It is a requirement of the Works Branch that all Group C contractors in Hong Kong must obtain ISO9000 certifications as one of the qualifications for tendering for Hong Kong Government contracts.

Contractors within each category are further divided into Group A, B or C according to the value of contracts for which they are normally eligible to tender. A contractor’s status in a particular group will be either probationary or confirmed. Probationary contractors are limited in the number and value of contracts for which they are eligible to tender and to be awarded. Moreover, Group C contractors will normally not be allowed to tender for contracts in Groups A and B unless the department considers that there may be an inadequate number of tenders as a result of the restriction. The following table sets out the value of works for which holders of each category of approved contractors on the List of Approved Contractors may tender. It is applicable to all the categories of works in the List of Approved Contractors:

Category	Authorised contract value
Group A (probation)	any number of Group A contracts provided that the total value of works in any one category does not exceed HK\$75 million

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Category	Authorised contract value
Group A (confirmed)	contracts of value up to HK\$75 million
Group B (probation)	any number of Group A and any number of Group B contracts provided that the total value of Group B works in any one category does not exceed HK\$185 million
Group B (confirmed)	contracts of value up to HK\$185 million
Group C (Probation)	a maximum of two contracts in any one category provided that the total value of Group C works in any one category does not exceed HK\$400 million
Group C (confirmed)	contracts of any value exceeding HK\$185 million

Contractors within each category in the Specialist List are further divided into Group I, II or III according to the value of contracts for which they are normally eligible to tender. A contractor's status in a particular group will be either probationary or confirmed. Probationary contractors are limited in the number and value of contracts for which they are eligible to tender and to be awarded. The following table sets out the value of works for which approved specialist contractors listed in respective categories in the Specialist List may tender:

Category	Authorised contract value/type
Land Piling — Group I (probation)	No probationary status
Land Piling — Group I (confirmed)	Contracts/Subcontracts up to HK\$3.4 million
Land Piling — Group II (probation)	No probationary status
Land Piling — Group II (confirmed)	Contracts/Subcontracts of unlimited value
Electrical Installation — Group I (probation)	No probationary status
Electrical Installation — Group I (confirmed)	Contracts/Subcontracts up to HK\$2.3 million
Electrical Installation — Group II (probation)	Eligible for the award of any number of Group I contracts/subcontracts; and a maximum of two Group II contracts/subcontracts
Electrical Installation — Group II (confirmed)	Contracts/Subcontracts up to HK\$5.7 million
Electrical Installation — Group III (probation)	Eligible for the award of any number of Group I and Group II contracts/subcontracts; and a maximum of two Group III contracts/subcontracts provided that the total value of Group III works does not exceed HK\$20 million
Electrical Installation — Group III (confirmed)	Contracts/Subcontracts of unlimited value

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Category	Authorised contract value/type
Air Conditioning Installation — Group I (probation)	Eligible for the award of a maximum of two Group I contracts/subcontracts
Air Conditioning Installation — Group I (confirmed)	Contracts/Subcontracts up to HK\$5.7 million
Air Conditioning Installation — Group II (probation)	Eligible for the award of any number of Group I contracts/subcontracts; and a maximum of two Group II contracts/subcontracts provided that the total value of Group II works does not exceed HK\$20 million
Air Conditioning Installation — Group II (confirmed)	Contracts/Subcontracts of unlimited value

In addition to the above requirements, the Housing Authority prescribes its own requirements for approved contractors to tender for its works. In order to tender for Housing Authority construction projects, a contractor must be approved by the Housing Authority under the categories of either Building (New works) or Building (Maintenance works). Contractors must hold ISO9001, ISO14001, OHSAS18001 and, with effect from 1 January 2014 followed by a grace period until 31 December 2015 for contractors already approved by the Housing Authority, ISO50001 (for New works category only) certificates with respect to its own categories and are subject to stringent financial criteria, proven relevant record of over three years, management and on-site personnel requirements, probation and annual assessment on financial position.

The following table sets out the value of works for which approved contractors listed in the respective categories in the Housing Authority may tender:

Category	Authorised contract value/type
Building Work — New Works Category — Group NW1 (probation)	Restricted to undertake not more than one Group NW1 contract at any one time
Building Work — New Works Category — Group NW1 (confirmed)	Eligible to tender for new works contracts with a value up to HK\$275 million
Building Work — New Works Category — Group NW2 (probation)	Restricted to undertake not more than one Group NW2 contract at any one time
Building Work — New Works Category — Group NW2 (confirmed)	Eligible to tender for new works contracts of unlimited value
Building Work — Maintenance Category — Group M1 (probation)	Restricted to undertake not more than three Group M1 direct contracts at any one time provided that the total value of outstanding works being undertaken does not exceed HK\$20 million or for term contracts the total value of annual expenditure does not exceed HK\$20 million

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Category	Authorised contract value/type
Building Work — Maintenance Category — Group M1 (confirmed)	Eligible to tender for maintenance and Works improvement contracts with a value of HK\$20 million and for term maintenance and improvement contracts with an average annual expenditure of up to HK\$20 million
Building Work — Maintenance Category — Group M2 (probation)	Restricted to undertake not more than three Group M2 direct contracts at any one time
Building Work — Maintenance Category — Group M2 (confirmed)	Eligible to tender for maintenance and improvement contracts of unlimited value

Contractors qualified/licensed with the Works Branch are subject to a regulatory regime which is put in place to ensure that standards of financial capability, expertise, management and safety are maintained by contractors carrying out Hong Kong Government works.

The Hong Kong Government may take regulatory actions against failure to submit audited accounts or meet the capital requirements within the prescribed period, unsatisfactory performance, serious misconduct, poor site safety record, and poor environmental performance, etc. For example, if a qualified/licensed contractor is convicted of a series of safety or environmental offences within a short period of time in a project, or if a fatal construction accident occurs at a construction site for which the contractor is responsible, the Hong Kong Government may take regulatory actions against the responsible contractor.

Regulating actions include removal, suspension (which means a contractor is prohibited from tendering for public works of the relevant category during the suspension period), downgrading or demoting the contractor's qualification/licence to a lower status or class in all or any specified category, depending on the seriousness of the incident triggering the regulatory actions.

### *Electrical Contractors*

All contractors engaged in electrical work on fixed installations must be registered with the Electrical and Mechanical Services Department.

To be qualified as a registered electrical contractor, an applicant must either employ at least one registered electrical worker or:

- (i) if the applicant is an individual, he/she must be a registered electrical worker; or
- (ii) if the applicant is a partnership, at least one of the partners must be a registered electrical worker.

Under regulation 13 of the Electricity (Registration) Regulations, a registered contractor should apply to the Director of Electrical and Mechanical Services for renewal of registration at least one month before and no earlier than four months before to the date of expiry of the registration.



## REGULATORY OVERVIEW

### 5. Security guarding

The Security and Guarding Services Industry Authority administers a licensing scheme to regulate the security industry in Hong Kong. In particular, companies offering security services providing individuals to do security work is required to hold a valid Security Company Licence under the Security and Guarding Services Ordinance.

Under Section 11 of the Security and Guarding Services Ordinance, no person other than a company acting under and in accordance with a Security Company Licence issued by the Security and Guarding Services Industry Authority shall supply, agree to supply, or hold himself out as supplying any individual to do security work for another person for reward.

Pursuant to Section 12 of the Security and Guarding Services Ordinance, no person shall authorise or require another person to do any type of security work for him unless the other person:

- (a) is a holder of a security personnel permit issued under Section 14 or renewed under Section 15 of the Security and Guarding Services Ordinance that is valid for that type of work, a holder of Security Company Licence, or an individual supplied by a holder of Security Company Licence; or
- (b) is authorised or required to do the work otherwise than for reward.

Application for a Security Company Licence shall be made to the Security and Guarding Services Industry Authority. Under the Security and Guarding Services Ordinance, only body corporate incorporated under the Companies Ordinance, incorporated under the predecessor Companies Ordinance, or incorporated by any other ordinance of the laws of Hong Kong may apply for a Security Company Licence.

The following are the three types of security work in which a company holding a Security Company Licence may perform:

Type I security work	Provision of security guarding services
Type II security work	Provision of armoured transportation services
Type III security work	Installation, maintenance and/or repairing of a security device and/or designing (for any particular premises or place) a security system incorporating a security device

A Security Company Licence is not assignable or transmissible, and is valid for five years (or such shorter period as the Security and Guarding Services Industry Authority may specify, and subject to payment of prescribed fee). An application for renewal of a Security Company Licence shall be made to the Security and Guarding Services Industry Authority not earlier than 6 months and not later than 3 months before the Security Company Licence is due to expire.

## REGULATORY OVERVIEW

Furthermore, under Section 13 of the Security and Guarding Services Ordinance, any person who employs an individual to do security work (other than an occupier of domestic premises who employs or ceases to employ an individual to do security work for him in relation only to those premises), whether for him or another person, for reward shall within 14 days after the commencement of the employment and the termination of the employment, give written notice to the Commissioner of Police of the names of the employer and the employee and of the date on which the employment commenced or ceased (the “**Notification Requirements**”).

### ***Penalties***

Under Section 31(1) of the Security and Guarding Services Ordinance, any person who operates a company which supplies, agrees to supply, or holds himself out as supplying any individual to do security work for another person for reward without a valid Security Company Licence commits an offence and is liable on conviction to a fine of HK\$100,000 and to imprisonment for 2 years.

Pursuant to Section 31(2) of the Security and Guarding Services Ordinance, any person who fails to notify the Commissioner of Police of the Notification Requirements (together with the relevant date of commencement/cessation giving rise to such Notification Requirements) commits an offence and is liable on conviction to a fine of HK\$10,000 and to imprisonment for 3 months.

### **Compliance with the relevant requirements**

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

In order to ensure the ongoing compliance with the applicable requirements, laws and regulations, we shall be responsible for the followings:

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

## REGULATORY OVERVIEW

- (vi) to identify the new requirements, operation and control procedures under statutory and regulations; and
- (vii) to brief the senior management for the news/update/revised requirements for ensuring that our senior management obtains update of the industry characteristic.

### MACAU LAWS AND REGULATIONS

#### 1. Laws and regulations in relation to licensing regime of contractor

Under the current registration system in Macau established by Decree Law 79/85/M of 21st of August, 1985 (General Regulation of Urban Construction) and Administrative Regulation No. 3/2003 (Conditions for project planning, management and execution of works and for the installation of gas networks and the installation and repair of gas appliances), a contractor, individual or corporate, must register with the Land, Public Works and Transport Bureau of Macau (“**LPTB**”) in order to carry out works in Macau (the “**Registration of Works**”).

The Registration of Works is compulsory in nature and is divided into two main categories: urban construction and gas. For the urban construction, it is a requisite for the contractor who intends to elaborate construction plan and to execute construction. For gas, it is a requisite for the contractor who intends to elaborate of installation of gas network or/and gas device.

The duration of validity of the above-mentioned registration is last for one year and will expire at the end of each year. Application of renewal of registration shall have to submit within January of each year, otherwise, the registration will be cancelled.

For the application of the Registration of Works, according to the mentioned legislation, it is required to include a declaration made by a technician registered with the LPTB who declares to be the responsible technician of the contractor.

The registration of technician is also divided into two categories: technician of urban construction and technician of gas. For the technician of urban construction, it is a requisite for technician who intends to elaborate construction plan and to direct construction. For technician of gas, it is a requisite for technician who intends to elaborate plan of installation of gas network or direct the relevant works.

Based on the above, in order to participate in public tender of works, the Registration of Works is one of the prerequisites.

The infraction of the mentioned regimes will lead to administrative fine and the relevant regulatory body is the Land, Public Works and Transport Bureau.

## REGULATORY OVERVIEW

Macau Legislative Assembly has passed a new law in January 2015 namely Law No. 1/2015 regarding a qualification regime of urban architecture which was effected on 1 July 2015. The new law stipulates the profession qualification and registration system for related professionals such as architects, engineers, landscape architects, urban planners, etc. as well as the qualification and registration system for planning, engineering guidance or project monitoring personnel which is going to replace the current regime as mentioned above.

Under the new regime, technicians shall first assess by the “Professional Committee of Architecture, Engineering and Urban Planning” and shall be registered at the LPTB.

To apply for registration, an applicant shall be a holder of bachelor degree of the relevant field, resident of Macau, completed the two years’ full-time or five years’ part-time internship and passed the qualification exam.

### 2. Laws and regulations in relation to environmental protection and pollution

The fundamentals of the legal regime of environmental protection law of Macau, which is applicable to every individual and corporate entity, are the Basic Law of Macau, Law No. 2/91/M of 11th of March, 1991 which is known as the organic environmental law of Macau (the “**Macau Environment Law**”) and series of international conventions in related fields applicable to Macau.

Article 119 of the Basic Law of Macau states that “The Macau Special Administrative Region shall carry out the protection of environment in accordance with law”. To implement this article together with the Macau Environmental Law and other applicable international conventions, numbers of environmental legislations in form of law, decree law and administrative regulations have been enacted in various fields such as natural heritage protection, air, sea and sound pollutions, hygiene of environment, chemical goods, etc.

As a general rule prescribed in the Macau Environmental Law, any violation of the environmental legislations will subject to civil liability, administrative fine or criminal punishment depending on different violations and also administrative injunction is possible to be granted to cease environmental infringement.

In addition, approval regarding environmental impact issued by regulatory authority is a requisite for the issue of licences of any construction project in Macau.

In Macau, there is a general rule prescribed in General Regulation of Public Place (approved by Administrative Regulation No. 28/2004) (“**GRPP**”) that every work involved solid waste shall be arranged and conducted in order to avoid and reduce to the most extent the risk to public health and environmental damage.

Under the GRPP, it is prohibited to discharge drain water or any contaminated fluid or gas to public place. Wheels and tires of vehicles shall be washed before entering the public road.

Violation of GRPP is an administrative infraction which is subject to fine.

## REGULATORY OVERVIEW

Regarding noise pollution issue, there is a legislation named Decree Law 54/94/M of 14th of November, 1994 (certain regulations of prevention and control of ambient noise) and its subordinate rule, Order No. 241/94/M of 14th of November, 1994, promulgated to set out the applicable acoustic standard in this aspect. Under the mentioned decree, unless otherwise approved by the relevant authority, it is prohibited to use pile driver or jackhammer during the whole day of Sunday and public holidays and 20:00 to 08:00 during weekdays. In addition, any civil construction works by using movable or fixed mechanical equipments are also prohibited to carry out within 200 meter range from the residential apartments and hospitals during the mentioned time period.

The Legislative Assembly of Macau has promulgated a new legislation recently noise pollution namely Law 8/2014 (Prevention and Control of Environmental Noise) and its subordinate rule, Chief Executive Dispatch No. 248/2014, promulgated to set out the applicable acoustic standard in this aspect in order to replace the mentioned Decree 54/94/M and its subordinate rule, Order No. 241/94/M. The new legislation and its subordinate rule were gazetted on 25 August 2014 and 1 September 2014 respectively and became effective on 22 February 2015. According to the new legislation, unless otherwise be considered as exceptional situations and approved by the relevant authority, piling is prohibited during the whole day of Sunday, public holidays and 20:00 to 08:00 during weekdays and civil construction works by using movable or fixed mechanical equipments are also prohibited to carry out within 200 meter range from the residential apartments and hospitals during the mentioned time period. In addition, percussive diesel hammer, pneumatic hammer and steam hammer are prohibited to be used in any construction.

Besides, all projects and constructions which may affect the environment or the health of residents must be subject to a preliminary study of environmental impact. Moreover, the Macau Environmental Law prescribes that violations of the environmental legislation will lead to civil liability, administrative penalties or criminal liability (Article 268 of the Macau Criminal Code prescribes pollution-related crimes), depending on the degree of the violation in question. Furthermore injunctions may be granted in order to cease environmental infringements.

The regulatory authority in charge of environmental protection matters is the Macau Environmental Protection Bureau which has promulgated certain environmental protection guidelines in relation to different kind pollution in connection to construction site, such as renovation, demolition and noise. However, police authorities are also legally entitled to monitor the compliance of regulation.

### **3. Laws and regulations in relation to construction safety and hygiene**

In Macau, there is a legal regime established by Decree Law 44/91/M of 19th of July, 1991 (Construction Safety and Hygiene Regulation). Regarding construction safety and hygiene and the relevant penalty regime is stipulated under Decree Law 67/92/M 14th of September, 1992. The mentioned regime is with a purpose to create basic statutory requirements for site safety with respect to different aspects such as: general prevention, circulation and maintenance of vehicles and mechanical equipment, lifting devices, and also individual and group safety measures applicable to the workers. The infraction of the mentioned regime will lead to administrative fine and the relevant regulatory body is Macau Labour Department.

## REGULATORY OVERVIEW

### 4. Laws and regulations in relation to labour related matters

The Macau labour legal regime is developed based on 27th of July, 1998 — Law No. 4/98/M (Framework Law on Employment Policy and Worker's Rights) which prescribed general principles and directions of labour legislations in different aspects.

Besides of the mentioned legislation, Law No. 7/2008 — Labour Relations Law plays an important role in labour legal regime. It stipulates the basic requirements and working conditions for all labour relations, except for those which have been excluded explicitly therein. In general, such requirements and conditions stipulated are statutory and cannot be prevailed by mutual agreement.

In addition, the following legislations and their respective applicable amendments governed other different labour and related matters:

- **22nd of May, 1989 — Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment):** In order to protect working safety and basic conditions of the employee, Macau published the Decree Law No. 37/89/M, which regulate about the safety and hygiene issues of Office, Service and Commercial Establishment. It standardised a series of safety and hygiene standards, in related to the general conditions of workplace, air, lighting, sanitary, fire protection and so forth. Since these stipulations are mandatory provisions and should be executed compulsorily, both of the employer and employee have no rights to minify or to abandon the fundamentals;
- **18th of February, 1991 — Decree Law No. 13/91/M (determination of sanctions for the compliance of general regulation of working safety and hygiene of office, service and commercial establishments):** every employer in Macau must comply with the rules provided under the abovementioned legislation Decree Law No. 37/89/M. Failure to comply with those rules may result in the application of fines to the employer according to this Decree Law;
- **12th of July, 1993 — Decree Law no. 34/93/M (Legal Regime of Noise at Work) and its sanction regime (5th of September — Decree Law no. 48/94/M):** Employer is obliged to provide a safe, clean and environmentally friendly working conditions for the employees in line with this Decree Law no. 34/93/M. Failure to comply with those rules may result in the application of fines prescribed under Decree Law no. 48/94/M.
- **14th of August, 1995 — Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases):** This decree law established a legal regime with the specific aim to compensate the employee for industrial accidents and occupational diseases. It provides a comprehensive protection which covers all service industries in Macau. Furthermore, for all employees that provide services with the purpose to obtain returns, protection will be given once suffered occupational injury or disease, regardless of the nature of service provided. Besides, this

## REGULATORY OVERVIEW

Decree Law required employers to have a compulsory accident insurance for employees to ensure that reasonable compensation can be obtained including medical expenses and cash payment. Non-compliance or violation of this Decree Law will may result in the application of fine in an amount between MOP\$3,000.00 and MOP\$15,000.00;

- **14th of June — Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work):** The regulation defines the scope of application, clearly indicates that non-resident workers who do not possess of required authorisation will commit illegal work regardless of remuneration involved save for the exceptional situations set out in the regulation. Besides, workers who are not performing in accordance with their work permits will also commit illegal work. Violation of the Administrative Regulation No. 17/2004 will lead to the employer liable to a fine in an amount between MOP\$10,000.00 and MOP\$40,000.00 for each illegal worker; and the illegal non-resident worker shall also be liable to a fine in an amount between MOP\$5,000.00 and MOP\$20,000.00. The mentioned fine shall not exempt their criminal liability according to applicable immigration legislation.
- **Law No. 21/2009 Law on Employment of Non-Resident Workers:** Non-residents of Macau are generally not permitted to work unless a proper work permit has been obtained. The employment of such workers is subject to strict regulations included in Law no. 21/2009, which sets forth the terms for granting and renewing work permits for non-resident workers, determines measures to ensure the equal treatment of Macau resident and non-resident workers and establishes minimum contract terms and limits on the duration of employment contracts with non-resident employees. Non-compliance with the rules included in Law no. 21/2009 may constitute administrative offenses, sanctioned with fines and accessory sanctions of revocation of all or part of the authorisations to employ non-resident workers along with the prohibition to request new authorisations for a period of 6 months to 2 years, and or criminal offenses related to illegal employment, sanctioned with effective incarceration periods, fines and/or accessory sanctions.
- **Law No. 4/2010 (Social security system):** The social security system of Macau is established by this law in which the contribution is divided into mandatory contribution and voluntary contribution which is responsible by both the employer and employee and voluntary contribution which is freely contribute by other residents who are not employed. It provides basic social security, especially the old-age security, to improve the life quality of residents. For violation of the Law No. 4/2010, the infringer shall be liable to a fine in an amount between MOP\$200.00 and MOP\$1,000.00; and for a recidivist who violates the same provision within a year, the fine may be increased by one third.



## HISTORY AND CORPORATE STRUCTURE

### HISTORY AND BUSINESS DEVELOPMENT

#### Introduction and milestones in our business development

SFK Construction, previously known as Sung Foo Kee, Limited, was incorporated in April 1961 and owned by Mr. Sung Chao Kwang Raymond (“**Mr. Sung**”), an Independent Third Party, and his family members (the “**Sung Family**”) to engage in the provision of building works in Hong Kong. Members of the Sung Family are Independent Third Parties. In November 1987, Mr. Lo and his family members (the “**Lo Family**”) acquired SFK Construction from the Sung Family to engage in the provision of building works in Hong Kong under the brand name of “Sung Foo Kee (孫福記)”. Since 1994, our Group changed its brand name to “SFK (新福港)”. The Lo Family is the controlling shareholder of Great Eagle Group, which is a long established property developer in Hong Kong.

Set out below are the milestones in our business and corporate development:

Year	Event
1961	Incorporation of SFK Construction by the Sung Family
1987	The Lo Family acquired SFK Construction to engage in the provision of building works in Hong Kong under the brand name of “Sung Foo Kee (孫福記)”
1989	We acquired SFK Civil from Messrs. Ho Yat Kong, Ho Yung Sang and their family members, all of whom are Independent Third Parties, for our expansion into the provision of civil engineering works in Hong Kong  We incorporated SFK E&M to provide building services and structural engineering consultancy services in Hong Kong  Sung Foo Kee Holdings Limited, the then holding company of our Group, was listed on the Stock Exchange, the business of which was further extended to property development, equity investment and power plant investment in Hong Kong
1990	We incorporated SFK Housing to provide housing services such as cleaning and security management services
1994	We changed our brand name to “SFK (新福港)” and the name of the listed vehicle to Sun Fook Kong Holdings Limited
1997	The Lo Family sold its controlling stake in Sun Fook Kong Holdings Limited to Independent Third Parties and bought back our general building and civil engineering businesses



## HISTORY AND CORPORATE STRUCTURE

Year	Event
2001	We were awarded with a contract for the construction of a shopping mall and hotel complex, namely Langham Place and Langham Place Hotel, in Mongkok, Hong Kong, with the original contract sum of approximately HK\$3,110 million, which signified our capabilities to undertake signature and large scale projects
2003	We were engaged by a developer of an international theme park and hotel in relation to the construction of a theme park hotel in Lantau, Hong Kong, which paved our way to undertake other theme park related projects
2005	We expanded our construction business to Macau through the incorporation of our subsidiary in Macau, SFK Macau, and the formation of a Joint Venture, SFK Kun Fai
2010	We acquired Chit Cheung from an Independent Third Party, a long established civil engineering contractor in Hong Kong, to solidify and strengthen our capability to undertake civil engineering works.
2011	We were awarded with a contract for the construction of, among other things, a main pumping station at the Stonecutters Island sewage treatment works in Hong Kong, with the original contract sum of approximately HK\$2,386 million, which signified our capability to undertake sizeable Hong Kong Government projects
2013	We were awarded a civil engineering contract of an original contract sum of HK\$1,947 million from the Civil Engineering and Development Department for the construction and upgrading of Kai Tak Nullah in Hong Kong
2014	Having been included in the List of Approved Contractors in Group C category on probationary status under the waterworks category in February 2014, we became one of the approved contractors in Hong Kong which are qualified as Group C contractor in all five public works categories, namely building works, port works, roads and drainage works, site formation works and waterworks

## HISTORY AND CORPORATE STRUCTURE

Year	Event
2015	<p>We were awarded a general building contract of an original contract sum of approximately HK\$1,299 million from the Housing Authority for construction of buildings and ancillary structures under the home ownership scheme</p> <p>SFK E&amp;M was included in the List of Approved Suppliers of Materials and Specialist Contractors for Public Works in Group III under the “Electrical Installation” category on probation status</p>

### OUR CORPORATE DEVELOPMENT

The major corporate development including the major shareholding changes of members of our Group which were material to the performance of our Group during the Track Record Period are set out below:

#### **Our Company**

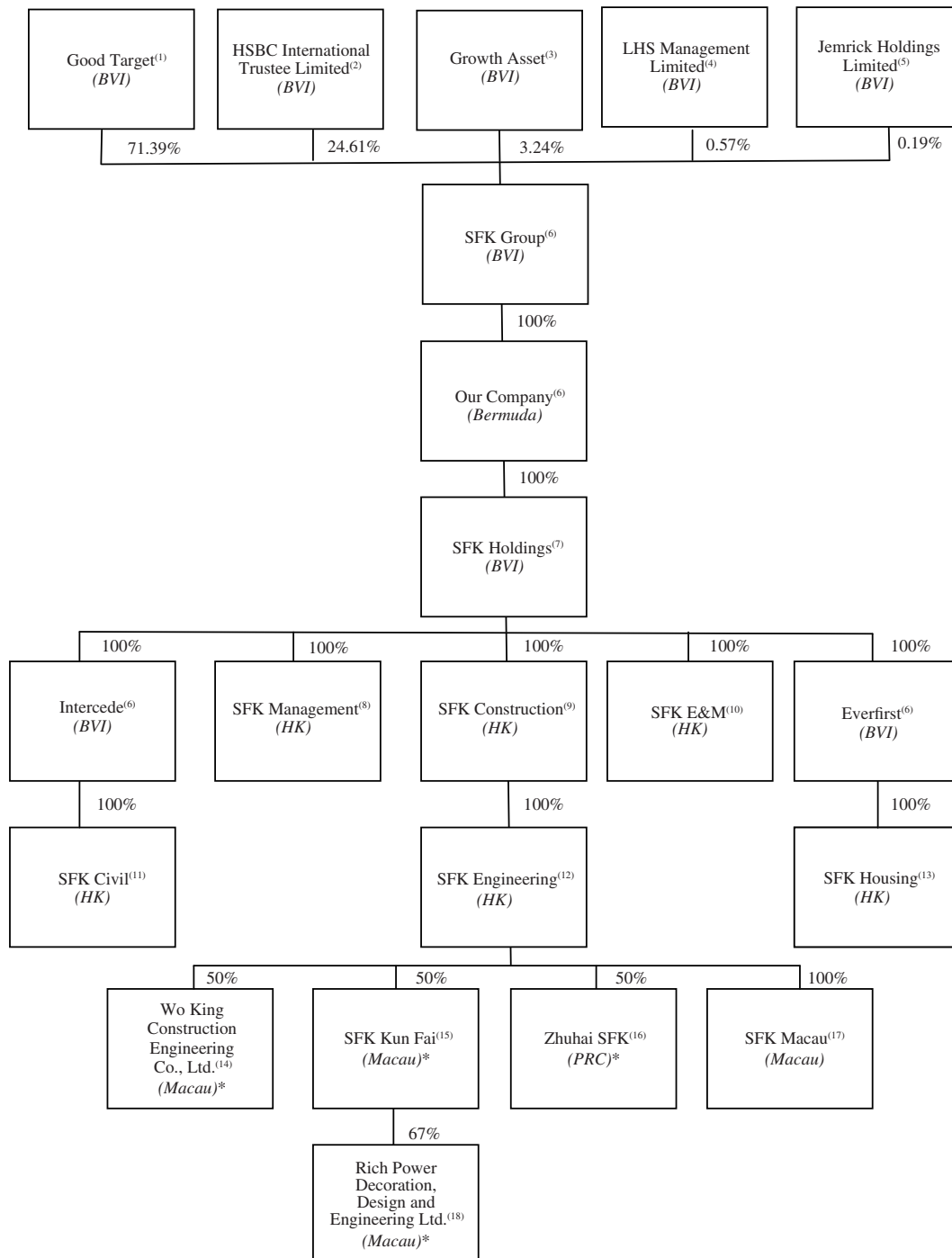
Our Company was incorporated in Bermuda on 17 October 2007 as the holding company of our Group as part of our restructuring (the “**First IPO Restructuring**”) in preparation for a proposed listing in 2007 (the “**2007 Proposed Listing**”). The initial authorised share capital of our Company as at the date of our incorporation was HK\$78,000 divided into 780,000 Shares of HK\$0.10 each. On 23 October 2007, one unpaid Share was issued and allotted to SFK Group at par.

In preparation for the 2007 Proposed Listing, our Company increased its authorised share capital from HK\$78,000 divided into 780,000 Shares of HK\$0.10 each to HK\$1,000,000,000 divided into 10,000,000,000 Shares of HK\$0.10 each on 10 January 2008. On 11 January 2008, our Company issued and allotted 39,999,999 Shares to SFK Group at par as consideration for the acquisition of the entire issued share capital of SFK Holdings from SFK Group, and our Company crediting as fully paid the one unpaid Share held by SFK Group.

Due to the volatile market conditions in 2007, our Company did not proceed with the 2007 Proposed Listing and accordingly, our Company reduced its authorised share capital from HK\$1,000,000,000 divided into 10,000,000,000 Shares of HK\$0.10 each to HK\$9,000,000 divided into 90,000,000 Shares of HK\$0.10 each by way of a special resolution passed by our sole Shareholder, SFK Group, on 29 August 2008. Subsequently, our Company further reduced its authorised share capital from HK\$9,000,000 divided into 90,000,000 Shares of HK\$0.10 each to HK\$93,600 divided into 936,000 Shares of HK\$0.10 each and its issued share capital from HK\$4,000,000 divided into 40,000,000 Shares of HK\$0.10 each to HK\$10 divided into 100 Shares of HK\$0.10 each by way of a special resolution passed by our sole Shareholder, SFK Group, on 31 July 2009.

## HISTORY AND CORPORATE STRUCTURE

The following chart sets forth our corporate structure after the First IPO Restructuring:



\* represents Joint Ventures

## HISTORY AND CORPORATE STRUCTURE

*Notes:*

- (1) Good Target is an investment holding company and is wholly owned by Mr. Lo, our Controlling Shareholder.
- (2) HSBC International Trustee Limited was incorporated on 19 November 1985. It is an investment holding company and was the trustee of a discretionary trust for the benefit of the Lo Family.
- (3) Growth Asset is an investment holding company and is wholly owned by Mr. Chan, our executive Director.
- (4) LHS Management Limited was incorporated on 25 February 2000. It is an investment holding company and is wholly owned by Ms. Lo Hung Suen, Annie, Mr. Lo's elder sister.
- (5) Jemrick Holdings Limited was incorporated on 11 May 1993. It is an investment holding company and is wholly owned by Ms. Lo Wai Ki, Gwen, Mr. Lo's elder sister.
- (6) Each of our Company, SFK Group, Intercede and Everfirst is an investment holding company.
- (7) SFK Holdings is principally engaged in investment holding and building construction works.
- (8) SFK Management is principally engaged in project management services.
- (9) SFK Construction is principally engaged in building construction and maintenance works.
- (10) SFK E&M is principally engaged in hiring out of plants and machineries and undertaking electrical installation works.
- (11) SFK Civil is principally engaged in civil engineering and maintenance works.
- (12) SFK Engineering is principally engaged in civil engineering works.
- (13) SFK Housing is principally engaged in housing management services.
- (14) Wo King Construction Engineering Co., Ltd. was incorporated on 19 July 2007. It was principally engaged in building construction works and was de-registered on 12 March 2010.
- (15) SFK Kun Fai is principally engaged in construction and public work businesses and the remaining 50% of its issued share capital is owned by Mr. Chum Pak Tak, a director of SFK Kun Fai, Tak Wa and SFK Macau Themeworks.
- (16) Zhuhai Sun Fook Kong Kun Fai Construction Engineering Limited ("**Zhuhai SFK**") was established on 16 April 2007 which was owned as to 50% by SFK Engineering and 50% by Kun Fai Engineering & Construction Company Limited ("**Kun Fai**"). On 30 June 2010, SFK Engineering entered into an equity transfer agreement with Kun Fai pursuant to which Kun Fai transferred 50% of the total equity interest in Zhuhai SFK to SFK Engineering. On 16 September 2010, SFK Engineering executed a declaration of trust pursuant to which, SFK Engineering declared that it held the entire equity interest in Zhuhai SFK for Sheen Century Investments Limited, an indirect wholly-owned subsidiary of SFK Group, which was subsequently cancelled on 5 February 2014. On 5 February 2014, SFK Engineering executed a declaration of trust pursuant to which, SFK Engineering declared that it held the entire equity interest in Zhuhai SFK for Boom Sky Holdings Limited, an indirect wholly-owned subsidiary of SFK Group. Zhuhai SFK has completed the deregistration process on 21 July 2015.

## HISTORY AND CORPORATE STRUCTURE

- (17) On 20 April 2005, Sure Benefit executed a declaration of trust pursuant to which, Sure Benefit declared that it held one share with nominal value of MOP1,000, representing 4% of the total equity interest of SFK Macau for SFK Engineering, a wholly-owned subsidiary of SFK Construction. On 1 November 2012, SFK Engineering and Sure Benefit, the shareholders of SFK Macau, entered into a promissory equity transfer agreement with United Victory International Limited (“**United Victory**”) and Win Summit International Limited (“**Win Summit**”), respectively, both of whom are Independent Third Parties, pursuant to which (i) SFK Engineering transferred 50% of the total equity interest in SFK Macau to United Victory at a consideration of HK\$58,750,000; (ii) SFK Engineering transferred 46% of the total equity interest in SFK Macau to Win Summit at a consideration of HK\$54,050,000; and (iii) Sure Benefit transferred 4% of the total equity interest in SFK Macau to Win Summit at a consideration of HK\$4,700,000. The total consideration of HK\$117,500,000 was determined with reference to (i) the original acquisition cost of a piece of land owned by Kong Sing in Macau; (ii) the land premium paid to the Macau Government and; (iii) the then estimated market price of the property development project on the land when completed. The total consideration of HK\$117,500,000 was fully settled on 10 October 2013. SFK Macau was disposed of by our Group on 10 October 2013. During the Track Record Period, SFK Macau has no significant business operation and has not generated any revenue.
- (18) Rich Power Decoration, Design and Engineering Ltd. was incorporated on 14 May 2007. It was principally engaged in decoration design and engineering and was de-registered on 31 March 2010.

### SFK Holdings

SFK Holdings was incorporated in the BVI on 29 April 1997 with an initial authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. One subscriber share was issued and allotted at par to each of Shui Sing Holding Corporation, a company controlled by the Lo Family, Eddison Limited, a company controlled by Dr. Lo Ka Shui, the elder brother of Mr. Lo, and Good Target, respectively on 28 May 1997.

Subsequent to a series of share transfers and allotments by the shareholders of SFK Holdings at the relevant time which took place between March 1998 to July 2000, 10,400 shares, representing the entire issued share capital of SFK Holdings were held by SFK Group.

On 11 January 2008, our Company issued and allotted 39,999,999 Shares to SFK Group at par as consideration for the acquisition from SFK Group of 10,400 shares, representing the entire issued share capital of SFK Holdings from SFK Group, and our Company crediting as fully paid the one unpaid Share held by SFK Group.

### SFK Construction

SFK Construction was incorporated in Hong Kong on 7 April 1961 with an initial authorised share capital of HK\$1,000,000 divided into 10,000 shares of HK\$100 each. One subscriber share was issued and allotted at par to each of Mr. Sung and Mr. Sung Chao Foo, each of whom an Independent Third Party, respectively as at the date of its incorporation. Subsequent to a series of share transfers and allotments by the shareholders of SFK Construction at the relevant time which took place between November 1973 and April 1991, 249,999 shares and one share, representing 99.9996% and 0.0004% of the total issued share capital of SFK Construction, were held by Longbarn International Limited (“**Longbarn**”), an Independent Third Party and its nominee shareholder, an Independent Third Party on behalf of Longbarn pursuant to a declaration of trust dated on or about 19 January 1990, respectively.

## HISTORY AND CORPORATE STRUCTURE

On 29 May 1997, SFK Holdings entered into a sale and purchase agreement to acquire 250,000 shares, representing the entire issued share capital of SFK Construction, from Longbarn and the nominee shareholder, at a total consideration of HK\$5,500,000, which was determined based on arm's length negotiation between the parties with reference to the consideration paid by Longbarn when it first acquired such shares in SFK Construction and was settled on 22 July 1997. On 6 August 1997, the nominee shareholder transferred its one share in SFK Construction to Sure Benefit. Upon completion of such share transfer, the said one share registered in the name of Sure Benefit was held on trust for SFK Holdings pursuant to a declaration of trust dated 24 July 1997 due to the requirement under the then effective predecessor Companies Ordinance that a limited liability company incorporated in Hong Kong must have at least two shareholders. Upon completion of such acquisition and declaration of trust, SFK Construction became a wholly-owned subsidiary of SFK Holdings.

On 1 December 1997, SFK Construction issued and allotted 150,000 shares of HK\$100 each to SFK Holdings at par. The issued share capital of SFK Construction was increased from HK\$25,000,000 divided into 250,000 Shares of HK\$100 each to HK\$40,000,000 divided into 400,000 Shares of HK\$100 each. On 25 June 1998, SFK Construction further issued and allotted 30,000 shares of HK\$100 each to SFK Holdings at par. The issued share capital of SFK Construction was increased from HK\$40,000,000 divided into 400,000 Shares of HK\$100 each to HK\$43,000,000 divided into 430,000 Shares of HK\$100 each.

The above declaration of trust was subsequently cancelled on 3 October 2014 and on the same day, SFK Holdings became the registered owner of the entire issued share capital of SFK Construction.

On 24 November 2014, SFK Construction further issued and allotted 400,000 shares of HK\$100 each to SFK Holdings at par. The issued share capital of SFK Construction was further increased from HK\$43,000,000 divided into 430,000 Shares of HK\$100 each to HK\$83,000,000 divided into 830,000 Shares of HK\$100 each accordingly.

### **SFK Civil**

SFK Civil was incorporated in Hong Kong on 5 May 1978 with an initial authorised share capital of HK\$5,000,000 divided into 500,000 shares of HK\$10 each. One subscriber share was issued and allotted at par to each of Mr. Ho Yung Sang and Mr. Ho Yat Kong, each of whom an Independent Third Party, respectively as at the date of its incorporation. The authorised share capital of SFK Civil was subsequently increased to HK\$10,000,000 divided into 1,000,000 shares of HK\$10 each on 1 August 1990. Subsequent to a series of share transfers and allotments by the shareholders of SFK Civil at the relevant time which took place between December 1982 and August 1990, 999,999 shares and one share, representing 99.9999% and 0.0001% of the total issued share capital of SFK Civil, were held by Double Bonus Holdings Limited ("**Double Bonus**"), an Independent Third Party and its nominee shareholder, an Independent Third Party on behalf of Double Bonus pursuant to a declaration of trust dated 13 December 1989, respectively.

## HISTORY AND CORPORATE STRUCTURE

On 13 July 1993, Double Bonus, distributed and transferred its 997,999 shares and 2,000 shares in SFK Civil to its shareholders, Intercede and SFK Construction, respectively, at nil consideration and Double Bonus was then dissolved on the same day. The above declaration of trust dated 13 December 1989 was also cancelled and replaced by a new declaration of trust dated 13 July 1993, of which the nominee shareholder held the one share on behalf of Intercede. On 2 November 1993, Intercede acquired 2,000 shares in SFK Civil from SFK Construction at a consideration of HK\$80,258.47, which was determined with reference to the net asset value of SFK Civil as at 31 March 1992 and was settled on the same day. Upon completion of such acquisition, 999,999 shares and one share, representing 99.9999% and 0.0001% of the total issued share capital of SFK Civil, were held by Intercede and the nominee shareholder on behalf of Intercede.

The authorised share capital of SFK Civil was subsequently increased from HK\$10,000,000 divided into 1,000,000 Shares of HK\$10 each to HK\$38,000,000 divided into 3,800,000 shares of HK\$10 each on 17 October 1994. On the same day, SFK Civil issued and allotted 2,800,000 shares of HK\$10 each to Intercede at par. The issued share capital of SFK Civil was further increased from HK\$10,000,000 divided into 1,000,000 Shares of HK\$10 each to HK\$38,000,000 divided into 3,800,000 Shares of HK\$10 each.

On 15 July 1997, the nominee shareholder transferred its one share in SFK Civil to Sure Benefit. The said one share registered in the name of Sure Benefit was held on trust for Intercede pursuant to a declaration of trust dated 15 July 1997 due to the requirement under the then effective predecessor Companies Ordinance that a limited liability company incorporated in Hong Kong must have at least two shareholders. Upon completion of such declaration of trust, SFK Civil became a wholly-owned subsidiary of Intercede. The above declaration of trust was cancelled on 3 October 2014 and on the same day, Intercede became the registered owner of the entire issued share capital of SFK Civil.

On 23 July 2014, SFK Civil further issued and allotted 3,000,000 shares of HK\$10 each to Intercede at par. The issued share capital of SFK Civil was increased from HK\$38,000,000 divided into 3,800,000 Shares of HK\$10 each to HK\$68,000,000 divided into 6,800,000 Shares of HK\$10 each accordingly.

### **Chit Cheung**

Chit Cheung was incorporated in Hong Kong on 7 December 1990 with an initial authorised share capital of HK\$4,500,000 divided into 45,000 shares of HK\$100 each. One subscriber share was issued and allotted at par to each of Mr. Ching Chit Cheung and Mr. Cheung Wai Man, each of whom an Independent Third Party, respectively as at the date of its incorporation. Subsequent to a series of share transfers and allotments by the shareholders of Chit Cheung at the relevant time which took place between February 1991 and June 2005, the entire issued share capital of Chit Cheung was owned by four the then shareholders of Chit Cheung, each of whom an Independent Third Party at the relevant time.

On 11 November 2010, High Regard acquired the entire issued share capital of Chit Cheung from four the then shareholders at a total consideration of HK\$25,000,000, which was determined based on arm's length negotiation between the parties taking into consideration of the potential benefits of our Company's future development and was fully settled on 10 November 2011. Upon completion of such acquisition, Chit Cheung became a wholly-owned subsidiary of High Regard.



## HISTORY AND CORPORATE STRUCTURE

On 12 July 2011, Chit Cheung issued and allotted 20,000 shares of HK\$100 each to High Regard at par. The issued share capital of Chit Cheung was increased from HK\$14,000,000 divided into 140,000 Shares of HK\$100 each to HK\$16,000,000 divided into 160,000 Shares of HK\$100 each. On 27 December 2012, Chit Cheung further issued and allotted 250,000 shares of HK\$100 each to High Regard at par. The issued share capital of Chit Cheung was further increased from HK\$16,000,000 divided into 160,000 Shares of HK\$100 each to HK\$41,000,000 divided into 410,000 shares of HK\$100 each. On 23 April 2014, Chit Cheung further issued and allotted 70,000 shares of HK\$100 each to High Regard at par. The issued share capital of Chit Cheung was increased from HK\$41,000,000 divided into 410,000 shares of HK\$100 each to HK\$48,000,000 divided into 480,000 shares of HK\$100 each.

### **SFK HK Themeworks**

SFK HK Themeworks was incorporated in Hong Kong on 14 May 2012 with an initial authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. One subscriber share was issued and allotted at par to Victon Services Limited, an Independent Third Party, as at the date of its incorporation.

On 15 May 2012, SFK HK Themeworks issued and allotted 99 shares of HK\$1.00 each to Mr. Yung Kim Man, a director of SFK HK Themeworks at par. Upon completion of such allotment, 99 shares and one share, representing 99% and 1% of the total issued share capital of SFK HK Themeworks, were held by Mr. Yung Kim Man and Victon Services Limited, respectively.

On 22 May 2012, one subscriber share of HK\$1.00 each in SFK HK Themeworks was transferred from Victon Services Limited to Mr. Cheong Kwok Luen, a director of SFK HK Themeworks at par. Upon completion of such share transfer, 99 shares and one share, representing 99% and 1% of the total issued share capital of SFK HK Themeworks, were held by Mr. Yung Kim Man and Mr. Cheong Kwok Luen, respectively. The said 99 shares registered in the name of Mr. Yung Kim Man and the one share registered in the name of Mr. Cheong Kwok Luen were held on trust for SFK Holdings pursuant to the declarations of trust dated 20 August 2012 for administrative convenience purposes as both Mr. Yung and Mr. Cheong are directors of SFK HK Themeworks. Upon completion of the such declarations of trust, SFK HK Themeworks became a wholly-owned subsidiary of SFK Holdings. The above declarations of trust were cancelled on 19 March 2013 as the management of our Group intended to adjust the shareholding of the nominee shareholders, which Mr. Yung and Mr. Cheong held on trust for SFK Holdings, with a view to presenting a more favourable shareholding structure such that our Group could possibly improve the chance of winning the bid for a proposed tender by SFK Macau Themeworks.

On 19 March 2013, Mr. Yung Kim Man transferred 24 shares of HK\$1.00 each in SFK HK Themeworks to Mr. Cheong Kwok Luen at par. Upon completion of such share transfer, 75 shares and 25 shares in SFK HK Themeworks, representing 75% and 25% of the total issued share capital of SFK HK Themeworks, were held by Mr. Yung Kim Man and Mr. Cheong Kwok Luen, respectively. On the same date, each of Mr. Yung Kim Man and Mr. Cheong Kwok Luen, executed a declaration of trust declaring the trust arrangement of their respective shares in SFK HK Themeworks, which they held such shares on trust for SFK Holdings. Such declarations of trust were cancelled on 4 August 2014 and on the same day, SFK Holdings became the registered owner of the entire issued share capital of SFK HK Themeworks.



## HISTORY AND CORPORATE STRUCTURE

### SHAREHOLDERS RESTRUCTURING

#### Transfer of issued share capital of SFK Group held by a family trust to individual beneficiaries

Prior to 21 April 2009, 24.61% of the issued share capital of SFK Group was held by HSBC International Trustee Limited as trustee of a discretionary trust for the benefit of the Lo Family. On 21 April 2009, HSBC International Trustee Limited ceased to hold its interest in SFK Group as trustee to provide the beneficiaries with more flexibility in their interests in SFK Group and distributed its shares in SFK Group to the beneficiaries as follow:

Transferee	Number of shares in SFK Group transferred	Approximate percentage of issued share capital of SFK Group transferred	Approximate percentage of issued share capital of SFK Group held by the transferees upon completion of transfer
KSL Management Limited <sup>(1)</sup> .....	186,189	6.74%	6.74%
Ocean Asset .....	108,044	3.92%	3.92%
Adscan Holdings Limited <sup>(2)</sup> .....	104,647	3.79%	3.79%
Worldrich Enterprises Limited <sup>(3)</sup> .....	80,184	2.91%	2.91%
Chief Champion Limited <sup>(4)</sup> .....	53,682	1.94%	1.94%
LHS Management Limited <sup>(5)</sup> .....	44,169	1.60%	2.17%
Easespeed Limited <sup>(6)</sup> .....	39,412	1.43%	1.43%
Jemrick Holdings Limited <sup>(7)</sup> .....	35,335	1.27%	1.46%
Global Trinity Limited <sup>(8)</sup> .....	27,861	1.01%	1.01%
		<u>24.61%</u>	<u>25.37%</u>

*Notes:*

- (1) KSL Management Limited is wholly owned by Dr. Lo Ka Shui, Mr. Lo's elder brother.
- (2) Adscan Holdings Limited is wholly owned by Mr. Lo Ying Sui, Mr. Lo's elder brother.
- (3) Worldrich Enterprises Limited is wholly owned by Mr. Lo Hong Sui, Antony, Mr. Lo's elder brother.
- (4) Chief Champion Limited is wholly owned by Ms. Law Wai Duen, Nina, Mr. Lo's elder sister.
- (5) LHS Management Limited is wholly owned by Ms. Lo Hung Suen, Annie, Mr. Lo's elder sister.
- (6) Easespeed Limited is wholly owned by Mr. Lo Hong Sui, Mr. Lo's elder brother.
- (7) Jemrick Holdings Limited is wholly owned by Ms. Lo Wai Ki, Gwen, Mr. Lo's elder sister.
- (8) Global Trinity Limited is wholly owned by Mr. Lo Yuk Sui, Mr. Lo's elder brother.

## HISTORY AND CORPORATE STRUCTURE

### Acquisition of shares in SFK Group by Ocean Asset

On 28 April 2009 and 29 April 2009, the following transfers in the shares of SFK Group to Ocean Asset were effected:

Date of transfer	Transferor	Number of shares in SFK Group transferred	Approximate percentage of issued share capital of SFK Group	Consideration
			transferred	
28 April 2009 .....	KSL Management Limited	156,865	5.68%	US\$12,265,643
28 April 2009 .....	Adscan Holdings Limited	104,647	3.79%	US\$8,182,594
28 April 2009 .....	Worldrich Enterprises Limited	67,555	2.45%	US\$5,282,283
28 April 2009 .....	LHS Management Limited	37,212	1.34%	US\$2,909,694
29 April 2009 .....	Easespeed Limited	33,205	1.21%	US\$2,596,377
28 April 2009 .....	Global Trinity Limited	23,473	0.85%	US\$1,835,409

The consideration for the above share transfers was determined based on arm's length negotiation between the parties and mutual agreement between the family members of Mr. Lo and was settled on 22 April 2009.

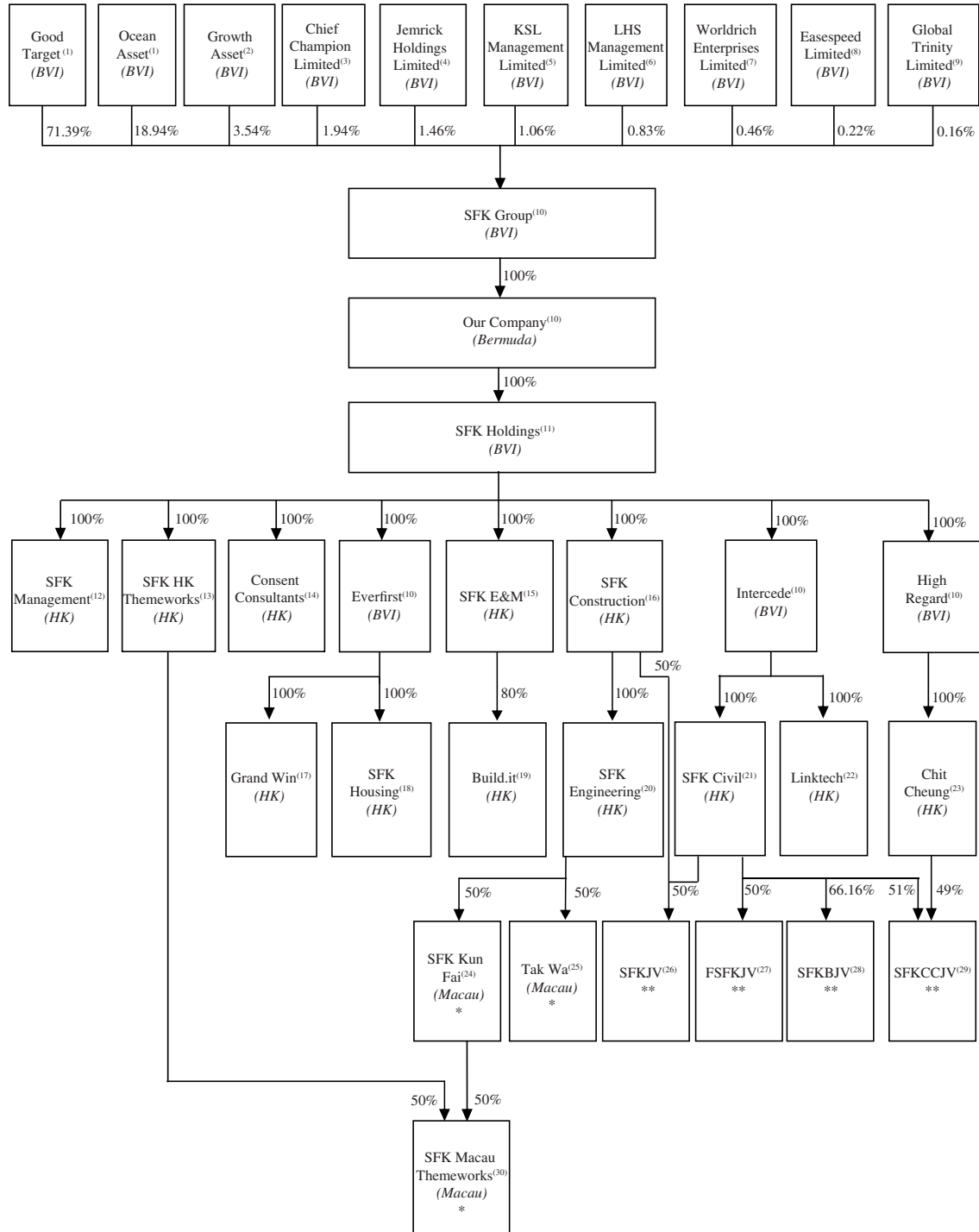
### Acquisition of shares in SFK Group by Growth Asset

On 18 October 2012, Growth Asset acquired 8,246 shares, representing approximately 0.3% of the then issued share capital of SFK Group, from Ocean Asset at a consideration of HK\$5,000,209, which was determined based on arm's length negotiation between the parties and with reference to the consideration of the share transfer from the Lo Family to Ocean Asset in 2009 as mentioned above. The consideration of such acquisition was settled on the same day.

# HISTORY AND CORPORATE STRUCTURE

## CORPORATE AND SHAREHOLDING STRUCTURE

The following chart sets forth our Group's corporate and shareholding structure immediately before completion of the Global Offering and the Capitalisation Issue:



\* represents Joint Ventures  
\*\* represents Joint Operations

## HISTORY AND CORPORATE STRUCTURE

*Notes:*

- (1) Each of Good Target and Ocean Asset is an investment holding company and is wholly owned by Mr. Lo, our Controlling Shareholder.
- (2) Growth Asset is an investment holding company and is wholly owned by Mr. Chan, our executive Director.
- (3) Chief Champion Limited was incorporated on 25 February 2009. It is an investment holding company and is wholly owned by Ms. Law Wai Duen, Nina, Mr. Lo's elder sister.
- (4) Jemrick Holdings Limited was incorporated on 11 May 1993. It is an investment holding company and is wholly owned by Ms. Lo Wai Ki, Gwen, Mr. Lo's elder sister.
- (5) KSL Management Limited was incorporated on 18 March 1998. It is an investment holding company and is wholly owned by Dr. Lo Ka Shui, Mr. Lo's elder brother.
- (6) LHS Management Limited was incorporated on 25 February 2000. It is an investment holding company and is wholly owned by Ms. Lo Hung Suen, Annie, Mr. Lo's elder sister.
- (7) Worldrich Enterprises Limited was incorporated on 8 January 2009. It is an investment holding company and is wholly owned by Mr. Lo Hong Sui, Antony, Mr. Lo's elder brother.
- (8) Easespeed Limited was incorporated on 5 March 2009. It is an investment holding company and is wholly owned by Mr. Lo Hong Sui, Mr. Lo's elder brother.
- (9) Global Trinity Limited was incorporated on 11 March 2009. It is an investment holding company and is wholly owned by Mr. Lo Yuk Sui, Mr. Lo's elder brother.
- (10) Each of our Company, SFK Group, High Regard, Everfirst and Intercede is an investment holding company.
- (11) SFK Holdings is principally engaged in investment holding and building construction works.
- (12) SFK Management is principally engaged in project management services.
- (13) SFK HK Themeworks is an investment holding company.
- (14) Consent Consultants is principally engaged in project consultancy services.
- (15) SFK E&M is principally engaged in hiring out of plants and machineries and undertaking electrical installation works.
- (16) SFK Construction is principally engaged in building construction and maintenance works.
- (17) Grand Win is principally engaged in construction design and consultancy services.
- (18) SFK Housing is principally engaged in housing management services.
- (19) Build.it is principally engaged in consultancy services.

## **HISTORY AND CORPORATE STRUCTURE**

- (20) SFK Engineering is principally engaged in civil engineering works.
- (21) SFK Civil is principally engaged in civil engineering and maintenance works.
- (22) Linktech is principally engaged in consultancy services.
- (23) Chit Cheung is principally engaged in construction and civil engineering works.
- (24) SFK Kun Fai is principally engaged in building construction and public works and the remaining 50% of its issued share capital is owned by Mr. Chum Pak Tak, a director of SFK Kun Fai, Tak Wa and SFK Macau Themeworks.
- (25) Tak Wa is principally engaged in construction and civil engineering works and the remaining 50% of its issued share capital is owned by Mr. Chum Pak Tak, a director of Tak Wa, SFK Kun Fai and SFK Macau Themeworks.
- (26) SFKJV is principally engaged in construction and civil engineering works.
- (27) FSFKJV is principally engaged in construction and civil engineering works and the remaining 50% of its interest is owned by Fujita Corporation, an Independent Third Party.
- (28) SFKBJV is principally engaged in construction and civil engineering works and the remaining 33.84% of its interest is owned by Biwater Man Lee Limited, an Independent Third Party.
- (29) SFKCCJV is principally engaged in construction and civil engineering works.
- (30) SFK Macau Themeworks is principally engaged in construction and civil engineering works.

### **INCREASE OF AUTHORISED SHARE CAPITAL**

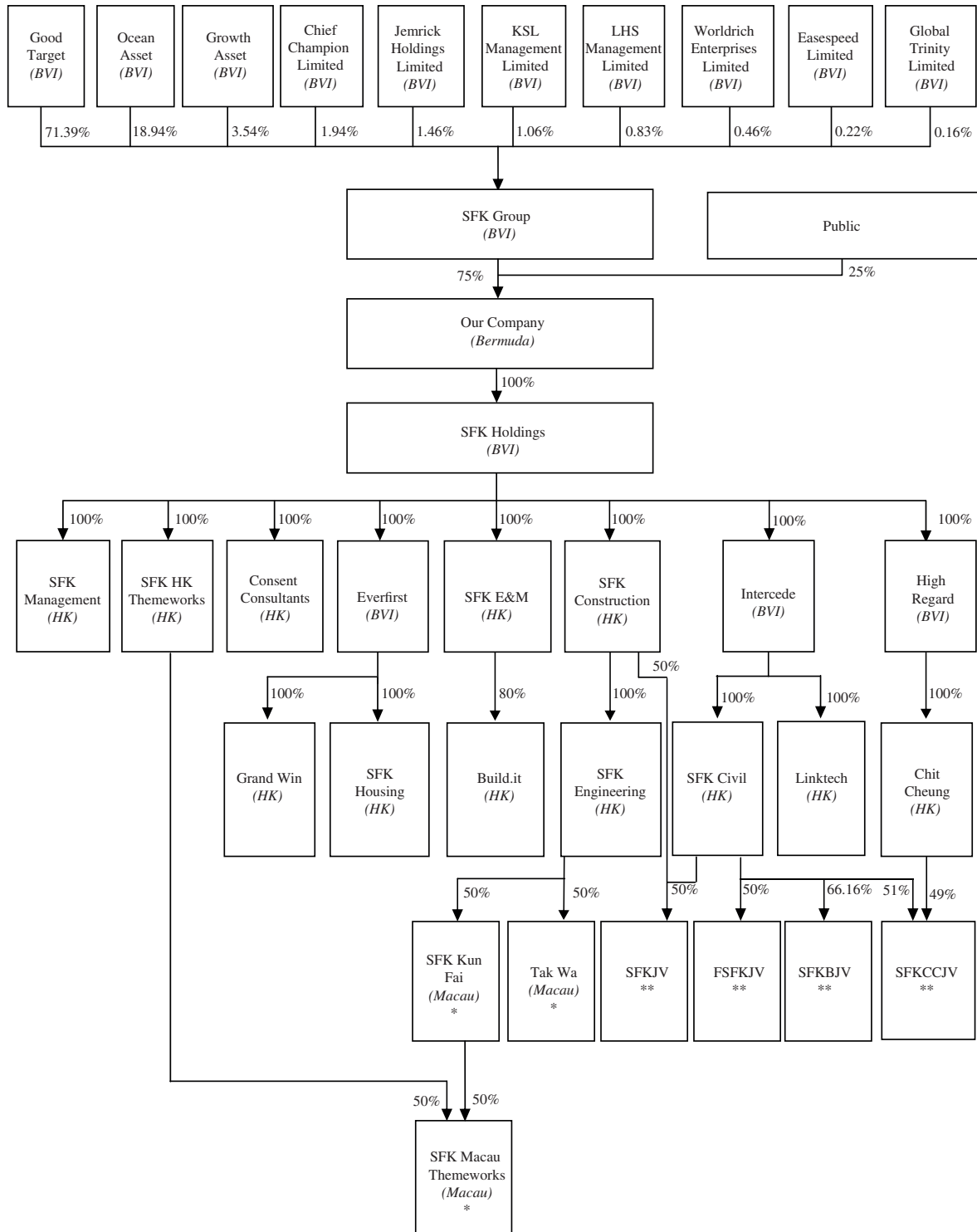
On 12 November 2015, our Company increased its authorised share capital from HK\$93,600 divided into 936,000 Shares of HK\$0.10 each to HK\$1,000,000,000 divided into 10,000,000,000 Shares of HK\$0.10 each by the creation of an additional 9,999,064,000 Shares of HK\$0.10 each.

### **CAPITALISATION ISSUE**

Conditional upon the crediting of our Company's share premium account as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors are authorised to capitalise an amount of HK\$29,999,990 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 299,999,900 Shares for allotment and issue to our sole Shareholder as at 19 November 2015.

## HISTORY AND CORPORATE STRUCTURE

The following chart sets forth our Group's corporate and shareholding structure upon completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised):



\* represents Joint Ventures  
 \*\* represents Joint Operations

## BUSINESS

### OVERVIEW

We are a long established and one of the leading general building main contractors in Hong Kong according to the Ipsos Report. We are principally engaged in construction and maintenance projects in Hong Kong and construction projects in Macau under our brand “SFK (新福港)”. We are an approved contractor of the Hong Kong Government and we believe our proven track record and good reputation in the construction industry position us well to maintain a sustainable business development. Apart from the business mentioned above, we also provide other services, which comprise housing management services, such as provision of cleaning services and security management services in Hong Kong. During the Track Record Period, there had not been any material change in the business focus of our Group. Please refer to the section headed “Business — Our principal business” in this prospectus for details of our revenue breakdown by segments during the Track Record Period.

We have been operating as a general building contractor in Hong Kong since 1960s and have expanded to civil engineering in 1989 by acquiring SFK Civil. In 2005, we further expanded our general building business to Macau primarily through our Joint Venture, SFK Kun Fai. During the Track Record Period and up to the Latest Practicable Date, we have taken the role of main contractor for our general building and civil engineering works in Hong Kong and Macau, which includes the provision of overall project management and supervision of works conducted by our subcontractors to ensure that we conform to the contract requirements including quality, safety, environmental protection in carrying out the projects and that projects are completed on time and within budget. For certain Macau projects, which are usually large in scale, we have acted as the subcontractor through our Joint Ventures in Macau. Please refer to the section headed “Business — General building and civil engineering” in this prospectus for details of projects completed/undertaken by us before and during the Track Record Period.

During the Track Record Period, we have completed a total of 48 projects for general building works and 12 projects for civil engineering works, and the revenue attributable to our general building and civil engineering business amounted to approximately HK\$2,718.50 million, HK\$2,784.48 million, HK\$2,692.11 million and HK\$1,107.36 million, respectively, representing approximately 96.90%, 98.07%, 97.82% and 97.12% of our total revenue, respectively. Our general building and civil engineering business is and has focused on both the public and private sectors in Hong Kong. For each of the three years ended 31 December 2014 and the six months ended 30 June 2015, we derived the majority of our revenue from Hong Kong, where we generated approximately 83.76%, 90.24%, 83.23% and 80.17%, respectively, from the public sector and approximately 16.24%, 9.76%, 16.77% and 19.83%, respectively, from the private sector. As at the Latest Practicable Date, we had a total of 21 projects for general building works and seven projects for civil engineering works on hand and the total original contract sum amounted to approximately HK\$10,507.84 million. It is estimated that the revenue to be recognised by our Group in relation to these 21 projects for general building works and seven projects for civil engineering works for the year ending 31 December 2015 amounts to approximately HK\$1,249.10 million and HK\$789.56 million, respectively, and thereafter amounts to approximately HK\$3,509.06 million and HK\$1,497.92 million, respectively.

## BUSINESS

Our Directors believe that our growth in revenue and gross profit is principally attributable to our effective cost control in the overall business model, quality services and experienced and dedicated management team. Leveraging on the diverse nature and number of general building and civil engineering works undertaken by us, our management and staff have accumulated years of experience in a wide variety of public and private sector projects. Our management has been flexible in deploying resources with reference to the stage of completion of various ongoing projects in order to capture business opportunities and to optimise the allocation of resources.

### COMPETITIVE STRENGTHS

Our Directors believe that our competitive strengths as set out below have driven our growth in revenue and gross profits and distinguish us from our competitors:

- **Established reputation with a proven track record**

We commenced operations in Hong Kong in the 1960s and have over 54 years and 26 years of experience in undertaking general building works and civil engineering works, respectively, in Hong Kong. We have established our brand “SFK (新福港)” for over 20 years.

Our Directors believe that our good reputation and proven track record in Hong Kong, our possession of requisite licences to undertake various types of projects, such as building works, port works, roads and drainage works, site formation works and waterworks, and our capability of delivering our projects on time and to the satisfaction of our customers give us a competitive edge in pursuing new opportunities in the construction industry. During the Track Record Period, we had delivered general building and civil engineering works in Hong Kong with an aggregate revenue of approximately HK\$9,302.45 million.

- **Integrated business and economies of scale**

We are committed to expanding our scope of capabilities by obtaining additional licences and/or qualifications and have accumulated wide spectrum of experiences in general building and civil engineering works. These include commercial complexes, hotels, housing estates, schools, flyovers, footbridges, foundation, site formation, reclamation, port works, waterworks, slope works, roads and drainage works.

We are one of the few construction companies in Hong Kong that are included in the List of Approved Contractors maintained by the Works Branch with Group C status in all five works categories, namely, roads and drainage, port works, buildings, site formation and waterworks.

Our integrated business allows us to provide a wide range of services in the general building and civil engineering main contracting industries and provide customers with integrated solutions from initial planning and design to project management, construction, construction supervision and maintenance services.

As a result, our business model and scale not only reinforce our ability to be awarded contracts for large and complex projects but also enhance our profitability.



## BUSINESS

- **Commitment to safety, quality and environment through well-established management system and monitoring procedures for subcontractors**

Our Directors believe that the continued success of our business primarily depends on our ability to meet our customers' requirements, particularly in respect of safety, quality and environmental aspects. We have established a set of quality assurance measures and have committed to high safety standard and environmental impact control. Through the systematic and effective control of our operations and monitoring procedures and control over our subcontractors, compliance with safety, quality and environmental requirements can be further assured and in the meantime, non-conformance, environmental incidents and liability can be eliminated or reduced.

Although there have been some occasional non-compliance with safety, quality and environmental matters, details of which are set out in the sections headed "Business — Environmental matters" and "Business — Occupational safety" in this prospectus, our accident rates are ever decreasing and are significantly lower than the industry average. For each of the three years ended 31 December 2014 and the six months ended 30 June 2015, our accident rates were 19.34, 11.37, 10.48 and 7.00 per 1,000 workers, respectively, whereas the industry average for 2012, 2013 and 2014 were 44.30, 40.80 and 41.90 per 1,000 workers, respectively, according to Labour Department. In such respect, our Directors believe that such non-compliance is not a sign of inherent defects in our safety, quality or environmental management plans and our Directors believe that they are sufficient for our operations.

We have been continuously accredited and re-accredited with ISO9001, ISO14001 and OHSAS18001 certifications. In August 2015, SFK Construction has also been accredited with ISO50001 certification. Our Directors believe that these certifications will enhance our public image, credibility and customers' confidence in our Group. In recent years, more and more tenders have included the requirements for ISO9001, ISO14001 and OHSAS18001 certifications and our certified status will bring us more business opportunities and uphold our competitiveness.

- **Effective cost control and savings measures**

Given our wide diversity of works, we are able to implement a centralised resources sourcing and allocation system which allows us to reduce costs by making bulk purchases, maximise utilisation of resources and a customised enterprise resources planning programme to monitor the cost in real time.

We maintain good and long standing relationships with our subcontractors, to whom we delegate construction works. As at the Latest Practicable Date, we had approximately 2,350 subcontractors in our system, of which approximately 630 were active and participated in our existing projects. Among these active subcontractors, approximately 80 of them have working relationships with us for more than ten years. By having long-standing relationships with our subcontractors, we can make comprehensive assessment of our subcontractors over years so as to ensure the quality of works in the long run. The relationships with these subcontractors also obviate the need for keeping a large number of workers under permanent employment of our Group, thereby giving us the feasibility to deploy our resources more cost effectively without compromising our quality.

## BUSINESS

In addition, we maintain a vertically integrated business model by engaging in a variety of operations including foundation works, guniting works, landslip preventive/remedial works to slopes/retaining walls, mechanical and electrical engineering works, fitting out works, maintenance works and housing management services. These peripheral operations complement our general building and civil engineering works with information in different areas of the general building and civil engineering main contracting industries. Furthermore, we use the program of building information modelling (“**BIM**”) (i) to generate 3-dimension projection and modelling of the general building and civil engineering works which can prevent conflicting designs and identify design faults at an early stage; and (ii) to assist in project management by monitoring the construction progress and costs control which enhance our accuracy of costs estimation when bidding for projects and facilitates better cost management when implementing a project.

- **Experienced, loyal and efficient management team**

Our management team and key technical personnel have extensive industry knowledge, project management experience and industry expertise in general building and civil engineering works as well as in the other peripheral operations. Most of our senior management staff have, on average, about 31 years of experience in the construction industry, and have served us for more than 20 years.

As at the Latest Practicable Date, 67 members of our staff had professional qualifications such as engineer, surveyor and accountant. In addition, we are qualified to provide training programmes to our employees recognised as scheme “A” training programme by the Hong Kong Institution of Engineers in providing our registered graduate trainees with the opportunity to achieve the necessary reinforcement of theory with practice in their respective engineering disciplines.

The experience of our management team facilitates the formulation of competitive yet accurate tenders, which are essential to us in securing new business, and the efficient and timely implementation and management of construction works. Please refer to the section headed “Directors and senior management” in this prospectus for further details of our Directors and senior management.

We believe that the combination of our management and technical personnel’s collective expertise and knowledge of the industry, together with our highly qualified employees, have been and will continue to be our valuable assets.

## BUSINESS STRATEGIES

Our business objectives are to maintain the sustainable growth in our businesses and to create long-term shareholder value. In this connection, we intend to maintain our position as one of the leading general building main contractors in Hong Kong and to continue to build on our existing competitive strengths stated above.

## BUSINESS

To achieve our business objectives, we will implement the following business strategies:

### **Solidify our geographic position in the construction markets which we currently operate**

#### *Hong Kong*

We are one of the leading general building main contractors in Hong Kong. Given our proven construction track record, local knowledge and good reputation, we plan to increase our market share in the construction industry in Hong Kong by tendering more new and sizable general building and civil engineering works in Hong Kong.

We believe that the construction industry in Hong Kong will continue to grow due to the large number of current and upcoming mega-sized infrastructure projects, including the Ten Major Infrastructure Projects. We believe these upcoming mega-sized projects will create stimulus for the construction industry in Hong Kong and our proven track record and contracting qualifications will continue to position us well for bidding key construction projects in Hong Kong for the coming years.

#### *Macau*

With the openings of new casinos in Macau in the recent years, the tourism industry and economy in Macau has grown robustly. We have incorporated SFK Macau in 2005 and during the Track Record Period we had three Joint Ventures, namely, SFK Kun Fai, Tak Wa and Kong Sing formed with local contractors to participate in construction projects in Macau. Since we expect that many infrastructure projects as well as housing development will continue to be launched in Macau in the coming years, our Directors intend to further develop the business by tendering more projects in Macau and believe that our experience and qualifications in the construction industry will position us well in bidding projects in Macau for the coming years.

### **Selectively pursue merger and acquisition opportunities within the construction industry**

As we expand into new types of works, we intend to seek and consider suitable merger and acquisition opportunities to enhance our capabilities in undertaking different types of construction works. As at the Latest Practicable Date, we had not identified any acquisition target. Should suitable opportunities arise, we intend to invest in, or form Joint Ventures with, high-quality companies who possess the relevant licences and expertise especially in the area of specialist works such as electrical and mechanical works. In selecting and assessing potential merger and acquisition opportunities, we will consider a variety of factors relating to the target companies, such as their compatibility with our business and future development plans, track record, capability of management and technical staff, market share, goodwill and cost management.

### **Continue to emphasise and maintain high standards of project planning, management and implementation**

We will continue to collaborate with highly selective subcontractors in our pursuit of the overall project quality. Our goal is to benchmark our services against world-class contractor standards. More

## BUSINESS

importantly, we will continue to apply our systematic approach to project management to further standardise and streamline different areas of our operations. We will also continue to implement strict quality control measures to monitor our product/service quality and workmanship throughout the project development process.

As we expand, it will become increasingly important that we are able to maintain our levels of standards in order to ensure customer satisfaction.

### **Adhere to prudent financial management to ensure sustainable growth and capital sufficiency**

We will continue to monitor our capital and cash positions and manage key measures such as construction costs, cash flows and fixed charge coverage. In the process of identifying and capturing emerging opportunities, we will continue to cooperate with third parties to develop projects on a selective basis to take advantage of our cooperating partners' resources. We will remain disciplined in our capital commitments and seek long-term financing opportunities.

We generally fund our projects expenditure with internal resources and by bank loans if necessary. As further particularised in the paragraph headed "Treasury management" in this section, we have adopted a prudent treasury management policy (i) to ensure that our funds are properly and efficiently collected and deployed; and (ii) to maintain sufficient level of funds to settle our liabilities when they fall due. We will also continue to focus on our internal control system to (i) improve our operating facilities and technologies; and (ii) streamline our operational processes to achieve savings in all construction-related costs, maintenance and other operating costs.

### **OUR PRINCIPAL BUSINESS**

The following table sets out the types of works and services provided and the respective revenue recognised by our Group during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June	
	2012		2013		2014		2015	
	HK\$' million	%	HK\$' million	%	HK\$' million	%	HK\$' million	%
General building <sup>(1)</sup>	1,556.24	55.47	1,429.39	50.34	1,691.66	61.47	738.25	64.75
Civil engineering <sup>(1)</sup>	1,162.26	41.43	1,355.09	47.73	1,000.45	36.35	369.11	32.37
Other services <sup>(1), (2)</sup>	86.96	3.10	54.73	1.93	60.05	2.18	32.81	2.88
<b>Total</b>	<b><u>2,805.46</u></b>	<b><u>100.00</u></b>	<b><u>2,839.21</u></b>	<b><u>100.00</u></b>	<b><u>2,752.16</u></b>	<b><u>100.00</u></b>	<b><u>1,140.17</u></b>	<b><u>100.00</u></b>

Notes:

- For our general building and civil engineering works, revenue is recognised using the percentage of completion method, measured by reference to the percentage of contract revenue incurred to date to estimated total contract revenue for the contract. For our other services, revenue is recognised when the related services are rendered.
- During the Track Record Period, other services comprised housing management and consultancy services. For further information about our other services, please refer to the section headed "Business — Our principal business — Other services".

## BUSINESS

### GENERAL BUILDING AND CIVIL ENGINEERING

We, primarily through SFK Construction, undertake construction and maintenance projects for general building works in Hong Kong and primarily through SFK Civil, undertake construction and maintenance projects for civil engineering works in Hong Kong. In 2005, we have expanded our construction business to Macau primarily through our Joint Venture, SFK Kun Fai.

As a main contractor, we are involved in the day-to-day management and implementation of construction and maintenance projects awarded to us. Normally, we delegate part of the general building and civil engineering works to our subcontractors, and coordinate with our customers or consultants, subcontractors and suppliers when carrying out our construction and maintenance projects for general building and civil engineering works.

#### Major projects completed by us before the Track Record Period

Over the years, we have completed a number of reputable general building and civil engineering works. Our diverse and extensive portfolio are illustrated below:

Year of completion	Project name	Nature of project	Location	Original contract sum
				<i>(approximate HK\$ million)</i>
2004	Shatin Sewage Treatment Works — Stage III extension phase I	Civil engineering	Hong Kong	424.7
2005	Langham Place and Langham Place Hotel	General building	Hong Kong	3,110.0
2005	Hotel in a Theme Park	General building	Hong Kong	457.2
2007	Expo superstructure of the Cotai Casino, Exhibition and Hotel Complex	General building	Macau	MOP\$1,421.5 million
2007	Alteration and addition works for Hong Kong International Trade & Exhibition Centre	General building	Hong Kong	494.6
2008	Attraction in a theme park	General building	Hong Kong	231.8
2011	Architectural Services Department term contract for maintenance of buildings in Tuen Mun and Yuen Long	General building	Hong Kong	351.0

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### Projects undertaken by us during the Track Record Period

#### *Breakdown by geographical locations*

Our business has been primarily focusing in the Hong Kong market. The following table sets out the number of projects undertaken during the Track Record Period categorised by geographical locations and the respective revenue recognised by our Group during the Track Record Period:

	For the year ended 31 December									For the six months ended 30 June 2015		
	2012			2013			2014					
	<i>Number of projects undertaken<sup>(1)</sup></i>	<i>(HK\$' million)</i>	<i>%</i>	<i>Number of projects undertaken<sup>(1)</sup></i>	<i>(HK\$' million)</i>	<i>%</i>	<i>Number of projects undertaken<sup>(1)</sup></i>	<i>(HK\$' million)</i>	<i>%</i>	<i>Number of projects undertaken<sup>(1)</sup></i>	<i>(HK\$' million)</i>	<i>%</i>
Hong Kong	84	2,751.46	98.08	88	2,826.48	99.55	81	2,734.61	99.36	72	1,140.17	100
Macau <sup>(2)</sup>	—	—	—	—	—	—	—	—	—	—	—	—
China <sup>(3)</sup>	4	54.00	1.92	2	12.73	0.45	4	17.55	0.64	—	—	—
<b>Total</b>	<b>88</b>	<b>2,805.46</b>	<b>100.00</b>	<b>90</b>	<b>2,839.21</b>	<b>100.00</b>	<b>85</b>	<b>2,752.16</b>	<b>100.00</b>	<b>72</b>	<b>1,140.17</b>	<b>100.00</b>

#### *Notes:*

- As some of our projects may span over one year, the number of projects undertaken included all the new projects undertaken by us in each of the respective periods and all the old projects undertaken by us in previous years and still ongoing in each of the respective periods. During the Track Record Period, there were 13, 11, 10 and 10 new projects undertaken by us.
- Our 50 percent shares to the revenue attributable to our Macau Joint Ventures, namely, SFK Kun Fai, Tak Wa and Kong Sing amounted to approximately HK\$219.01 million, HK\$303.71 million, HK\$129.75 million and HK\$68.67 million for each of the three years ended 31 December 2014 and the six months ended 30 June 2015, respectively. We recognised this portion of operation results in Macau in the accounts captions as “share of profits less losses of joint ventures”, but not as “revenue recognised”. During the Track Record Period, majority of our customers in Macau came from the private sector and through our Joint Ventures, we had undertaken five, four, four and five projects for each of the three years ended 31 December 2014 and the six months ended 30 June 2015, respectively.
- During the Track Record Period, our PRC operating subsidiary, namely, Jiajing Enterprise, was mainly engaged in the provision of consultancy services related to market positioning and concept design of construction projects in the Guangdong Province of the PRC before it has completed the deregistration process on 14 May 2015.

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### *Breakdown by sectors*

Our customers mainly include various departments, related organisations or institutional bodies of the Hong Kong Government and companies in the private sector. Based on the nature of our customers, we divide the projects undertaken by us into the public sector and the private sector. The following table sets out the number of public and private sector projects (completed or yet to be completed) undertaken by our Group and the respective revenue recognised by our Group during the Track Record Period:

	For the year ended 31 December									For the six months ended		
	2012			2013			2014			30 June 2015		
	<i>Number of projects undertaken<sup>(1)</sup></i>	<i>(HK\$' million)</i>	<i>%</i>	<i>Number of projects undertaken<sup>(1)</sup></i>	<i>(HK\$' million)</i>	<i>%</i>	<i>Number of projects undertaken<sup>(1)</sup></i>	<i>(HK\$' million)</i>	<i>%</i>	<i>Number of projects undertaken<sup>(1)</sup></i>	<i>(HK\$' million)</i>	<i>%</i>
<b>Public Sector</b>												
— Hong Kong Government <sup>(2)</sup>	36	1,192.90	42.52	40	1,411.43	49.71	40	1,299.60	47.22	32	602.04	52.80
— Hong Kong Government related organisations/institutional bodies <sup>(3)</sup>	28	1,156.88	41.24	30	1,150.67	40.53	24	990.99	36.01	19	312.04	27.37
<b>Private Sector<sup>(4)</sup></b>	24	455.68	16.24	20	277.11	9.76	21	461.57	16.77	21	226.09	19.83
<b>Total</b>	<b>88</b>	<b>2,805.46</b>	<b>100.00</b>	<b>90</b>	<b>2,839.21</b>	<b>100.00</b>	<b>85</b>	<b>2,752.16</b>	<b>100.00</b>	<b>72</b>	<b>1,140.17</b>	<b>100.00</b>

*Notes:*

- As some of the projects may span over one year, the number of projects undertaken included all the new projects undertaken by us for each of the respective periods and all the old projects undertaken by us in previous years and still ongoing in each of the respective periods.
- Hong Kong Government consists of departments of the Hong Kong Government and the Housing Authority.
- Hong Kong Government related organisations/institutional bodies mainly consist of authorities or institutions which operate under funding of the Hong Kong Government with substantial government influence, such as a local railway operator and property developer, the Hospital Authority, the Airport Authority and educational institutions.
- Private sector mainly consists of privately-owned companies and companies with government investment, such as a local real estate investment trust.

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### Projects awarded during the Track Record Period

During the Track Record Period, we were awarded 61 projects as a main contractor in Hong Kong (out of which 48 and 13 projects are from the public sector and private sector, respectively), with total original contract sum of approximately HK\$11,862 million. The table below sets out the summary of our construction and maintenance projects for general building and civil engineering works that were awarded during the Track Record Period:

	Number of projects	Total original contract sum  <i>(approximate HK\$' million)</i>
Original contract sum at or above HK\$500 million .....	7	7,243
Original contract sum below HK\$500 million but at or above HK\$200 million.....	9	3,200
Original contract sum below HK\$200 million but at or above HK\$50 million .....	11	1,122
Original contract sum less than HK\$50 million .....	34	297
<b>Total</b> .....	<b>61</b>	<b>11,862</b>

For details of the sizable projects awarded and undertaken by us during the Track Record Period, please refer to the paragraphs headed “General building works” and “Civil engineering works” in this section below.

### Completed projects during the Track Record Period and up to Latest Practicable Date

Completed projects refer to projects for which, within the relevant period, we had received the completion certificates from the respective customers or terms of year of the contracts expired. The following table sets out the details of the major projects completed by us as a main contractor during the Track Record Period and up to Latest Practicable Date:

Project type	Customer sector	Scope of works	Contract period	Original contract sum  <i>(approximate HK\$' million)</i>	Revenue recognised during the Track Record Period  <i>(approximate HK\$' million)</i>
Expansion works for a theme park	Private sector	To build an attraction of the theme park	September 2010 to February 2013	405.7	323.1
Student hall development for a university	Public sector	To build a student hall for a university	October 2010 to July 2012	255.0	163.5



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Project type	Customer sector	Scope of works	Contract period	Original contract sum <i>(approximate HK\$' million)</i>	Revenue recognised during the Track Record Period <i>(approximate HK\$' million)</i>
Expansion works for a Macau hospital	Public sector	To build the auxiliary facilities and casualty ward for a Macau hospital	October 2010 to January 2014	MOP\$238.0 million	N/A <sup>(1)</sup>
Construction of a station for the Architectural Services Department	Public sector	To build a station for a weather radar	July 2012 to March 2014	112.7	122.3
Contract with the Housing Authority	Public sector	To maintain, improve and refurbish vacant flats for Hong Kong West District	October 2009 to September 2012	186.9 (estimated)	114.4
Contract with the Hospital Authority	Public sector	To carry out minor works for Hong Kong East and West Clusters	October 2009 to September 2012	330.0 (estimated)	250.8
Contract with the Architectural Services Department	Public sector	To carry out alterations, additions, maintenance and repair of buildings and lands	April 2010 to March 2014	383.9 (estimated)	405.7
Advanced work of the Hong Kong International Airport	Public sector	To construct the foundation of midfield concourse, tunnel, new aircraft parking stand, new taxiway access, civil works, utilities and airfield/apron systems	August 2011 to December 2012	755.0	337.1 <sup>(2)</sup>
Kai Tak Development	Public sector	To carry out advance infrastructure works for the development of the former runway	September 2009 to July 2013	407.3	157.8
Maintenance contract for piers	Public sector	To maintain government public pier and franchised and licensed ferry piers	March 2011 to March 2014	90.0 (estimated)	76.8
Maintenance of properties managed by the Housing Authority	Public sector	Maintenance, improvement and vacant flat refurbishment for properties at Wong Tai Sin, Tsing Yi, Tsuen Wan and Islands	May 2012 to March 2015	284.1 (estimated)	294.5

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Project type	Customer sector	Scope of works	Contract period	Original contract sum <i>(approximate HK\$' million)</i>	Revenue recognised during the Track Record Period <i>(approximate HK\$' million)</i>
Building Works for a theme park	Private sector	To build a central chiller plant	September 2013 — September 2014	121.2	133.8
Building Works for a theme park	Private sector	To build the administration building	October 2013 — May 2015	245.5	280.5
Western apron expansion works of the Hong Kong International Airport for the Airport Authority	Public sector	The works comprise airfield/apron pavements and systems, tunnel electrical and mechanical services, access ramps, road works, drainage, utilities and aviation fuel system	June 2012 — July 2015	1,752.4	867.7 <sup>(2)</sup>

*Note:*

1. As we recognised the profit as our share of profits less losses of joint ventures, no revenue was recorded.
2. These projects were awarded to FSFKJV. The revenue recognised represented our shares of the contract.

As at the Latest Practicable Date, we had a total of 21 projects for general building works and seven projects for civil engineering works on hand and the total original contract sum were amounted to approximately HK\$10,507.84 million. It is estimated that the revenue to be recognised by our Group in relation to these 28 projects by business segment for the year ending 31 December 2015 and thereafter is as follows:

	For the six months ended		For the year ended 31 December				
	30 June 2015	31 December 2015	2016	2017	2018	2019	2020
	<i>(approximate HK\$' million)</i>	<i>(approximate HK\$' million)</i>	<i>(approximate HK\$' million)</i>	<i>(approximate HK\$' million)</i>	<i>(approximate HK\$' million)</i>	<i>(approximate HK\$' million)</i>	<i>(approximate HK\$' million)</i>
General building .....	413.81	835.29	1,441.69	1,067.09	733.92	236.21	30.15
Civil engineering .....	329.05	460.51	841.08	495.46	131.59	29.79	—
Total .....	<u>742.86</u>	<u>1,295.80</u>	<u>2,282.77</u>	<u>1,562.55</u>	<u>865.51</u>	<u>266.00</u>	<u>30.15</u>

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### General building works

#### (i) Construction project

We undertake construction projects for general building works for customers in both public and private sectors in Hong Kong and Macau. Our customers include various departments of the Hong Kong Government, a theme park and a local railway operator, etc. Our construction projects for general building works generally include:

- public and private housing;
- attractions in a theme park;
- Hong Kong Government and other institutional buildings such as hospitals, public libraries, schools and government complexes; and
- commercial buildings such as commercial complexes, exhibition centres, hotels, office towers and shopping malls.

The following table sets forth some of the sizeable construction projects for general building works in Hong Kong awarded and undertaken by us and remained on going as at the Latest Practicable Date:

Project type	Scope of works	Original contract sum and contract completion date <sup>(Note)</sup>	Revenue recognised during the Track Record Period	Revenue to be recognised after the Track Record Period					
				For the six month ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020
			(approximate HK\$' million)	(approximate HK\$' million)	(approximate HK\$' million)	(approximate HK\$' million)	(approximate HK\$' million)	(approximate HK\$' million)	(approximate HK\$' million)
1.	Ma On Shan line modification works for a local railway operator	To modify the existing facilities of the Ma On Shan line June 2016	HK\$620.0 million, 609.4	42.1	42.1	—	—	—	—
2.	Expansion works for a theme park	(a) To build an attraction of the theme park September 2016	Approximately HK\$437.0 million, 122.7	136.9	205.4	—	—	—	—
		(b) To build a chiller plant 2 30 May 2016	Approximately HK\$148.1 million, 8.0	76.4	63.7	—	—	—	—
		(c) To build a costing building 1 July 2016	Approximately HK\$109.0 million, 6.7	47.2	55.1	—	—	—	—

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			Revenue recognised during the Track Record Period	Revenue to be recognised after the Track Record Period					
				For the six month ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020
Project type	Scope of works	Original contract sum and contract completion date <sup>(Note)</sup>							
3. Home ownership scheme development of the Housing Authority	To build 2 blocks of 27 storeys building and ancillary structures	HK\$1,299.0 million, October 2018	22.2	191.5	383.1	383.1	319.1	—	—

*Note:* The contract completion date was stated in the original contract.

### (ii) Maintenance project

We also undertake maintenance projects for general building works for customers in both the public and private sectors in Hong Kong. During the Track Record Period, we had carried out works under contracts for the maintenance of properties managed by the Housing Authority and the Hospital Authority, government buildings managed by the Architectural Services Department, properties of private building owners or properties which the Buildings Department exercised its power under the Buildings Ordinance on behalf of private building owners. Under these term contracts which a fixed period of years is typically provided, works orders are issued from time to time and we are responsible for the timely completion of the works as set out in each works order.

Our maintenance projects for general building works generally include:

- alterations, conversions, reinstatement, refurbishment and renovation of premises interior layouts;
- reinforcement, improvement and demolition of structures and surrounding areas of premises;
- additions to properties and facilities managed by both the public and private sectors;
- repair and formation of slopes; and
- combination of the above services.

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The following table sets forth some of the sizeable maintenance projects for general building works in Hong Kong awarded and undertaken by us as a main contractor and remain on going as at the Latest Practicable Date:

Project type	Scope of works	Expected contract sum and contractual period	Revenue recognised during the Track Record Period	Revenue to be recognised after the Track Record Period					
				For the six month ended	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended
				31 December 2015	31 December 2016	31 December 2017	31 December 2018	31 December 2019	31 December 2020
		(approximate HK\$' million)	(approximate HK\$' million)	(approximate HK\$' million)	(approximate HK\$' million)	(approximate HK\$' million)	(approximate HK\$' million)	(approximate HK\$' million)	(approximate HK\$' million)
1. Maintenance of properties managed by the Architectural Services Department	Alterations, additions, maintenance and repair of buildings and lands and properties in Tai Po, North District, Outlying Islands (North), Wong Tai Sin and Sha Tin for which Architectural Services Department (Property Services Branch) is responsible	883.6 <sup>(Note)</sup> , April 2014 to March 2017	177.5	133.9	267.9	267.9	89.3	—	—
2. Provision of barrier free access facilities in premises managed by the Hospital Authority	Design and construction of minor works for provision of barrier free access facilities in premises managed by Hospital Authority	247.6, March 2013 to February 2017	130.0	54.4	108.8	108.8	18.1	—	—
3. Maintenance of hydraulic and pumping system and buildings managed by the Airport Authority	Maintenance, improvement and refurbishment for hydraulic and pumping system and various buildings managed by the Airport Authority	221.8 <sup>(Note)</sup> , January 2015 to March 2020	1.3	23.5	47.0	47.0	47.0	47.0	9.2
4. Maintenance of properties managed by the Housing Authority	Maintenance, improvement and vacant flat refurbishment for properties managed by the Housing Authority at Wong Tai Sin, Tsing Yi, Tsuen Wan and Islands	432.2, April 2015 to March 2018	2.1	53.8	107.7	107.7	107.7	53.2	—

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	Project type	Scope of works	Expected contract sum and contractual period	Revenue	Revenue to be recognised after the Track Record Period					
				recognised during the Track Record Period	For the six month ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020
				(approximate HK\$' million)	(approximate HK\$' million)	(approximate HK\$' million)	(approximate HK\$' million)	(approximate HK\$' million)	(approximate HK\$' million)	(approximate HK\$' million)
5.	3-year term contract with the Buildings Department	Investigation, demolition or repair of dangerous buildings, other structures and slopes/lands; removal of structures contravene the Buildings Ordinance to areas of Kowloon, New Territories and outlying Islands in the New Territories	96.3, April 2015 to March 2018	—	12.6	25.1	25.1	25.1	8.4	—
6.	Design and construction of minor works to properties managed by the Architectural Services Department	Design and construction of minor works to properties in New Territories and Outlying Islands (North) for which Architectural Services Department is responsible	585.0, August 2015 to February 2019	—	53.2	127.7	127.7	127.7	127.7	21.0

*Note:* It is the aggregate of the expected contract sums of the two different maintenance projects awarded to us.

For each of the three years ended 31 December 2014 and the six months ended 30 June 2015, revenue attributable to general building works for construction and maintenance projects amounted to approximately HK\$1,556.24 million, HK\$1,429.39 million, HK\$1,691.66 million and HK\$738.25 million, respectively, representing approximately 55.47%, 50.34%, 61.47% and 64.75% of our total revenue, respectively.

### Civil engineering works

#### (i) Construction projects

We undertake construction projects for civil engineering works as main contractor mainly for the Hong Kong Government and the Hong Kong Government related organisations or institutional bodies. Our civil engineering works experience includes:

- general roads and drainage;
- site formation/slope works;

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- port works/reclamation;
- waterworks;
- sewage treatment plant and pumping station;
- bridges construction; and
- other special function civil projects, for example, noise mitigation measures, river training, by-pass floodway.

The following table sets forth some of the sizeable construction projects for civil engineering works in Hong Kong awarded and undertaken by us as a main contractor and remain on going as at the Latest Practicable Date:

Project type	Scope of works	Original contract sum and contract completion date	Our percentage of interest in the project	Revenue recognised during the Track Record Period	Revenue to be recognised after the Track Record Period					
					For the six month ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020
		<i>(approximate HK\$' million)</i>		<i>(approximate HK\$' million)</i>	<i>(approximate HK\$' million)</i>	<i>(approximate HK\$' million)</i>	<i>(approximate HK\$' million)</i>	<i>(approximate HK\$' million)</i>	<i>(approximate HK\$' million)</i>	<i>(approximate HK\$' million)</i>
1. Stonecutters Island sewage treatment works for Drainage Services Department	Construction of a main pumping station, the extension of chemically enhanced primary treatment tanks and the construction of other ancillary facilities at Stonecutters Island sewage treatment works	2,385.7, July 2016	66.16% <sup>(Note)</sup>	816.7	109.4	127.6	—	—	—	—
2. Kai Tak Development for Civil Engineering and Development Department	Reconstruction of the Kai Tak Airport	1,947.0, July 2017	100%	529.3	251.4	502.7	293.2	—	—	—

*Note:* This project was awarded to SFKBJV. The corresponding revenue recognised represented our shares of the contract.

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### (ii) Maintenance projects

Our maintenance projects for civil engineering works are mainly awarded by the Highways Department, Civil Engineering and Development Department and the Drainage Services Department and are generally undertaken by SFK Civil. Our maintenance projects for civil engineering works generally include the following:

- maintenance and repair of roads, tunnels, drainage, slopes, piers, seawalls; and
- construction of minor works, slopes, retaining walls and other earth retaining structures, minor building works for sewage treatment, sewage pumping stations, flood pumping stations.

The following table sets forth some of the sizeable maintenance projects for civil engineering works in Hong Kong awarded and undertaken by us as a main contractor and remain ongoing as at the Latest Practicable Date:

Project type	Scope of works	Expected contract sum and contractual period	Revenue recognised during the Track Record Period	Revenue to be recognised after the Track Record Period					
				For the six month ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2019	For the year ended 31 December 2020
		(approximate HK\$' million)	(approximate HK\$' million)	(approximate HK\$' million)	(approximate HK\$' million)	(approximate HK\$' million)	(approximate HK\$' million)	(approximate HK\$' million)	(approximate HK\$' million)
1. Management and maintenance of roads in Kowloon East for the Highways Department	Management and maintenance of public roads, including associated slopes, highway structures, landscaping and minor improvement works, in Kowloon East but excluding high speed roads	550.0, April 2014 to March 2018	69.8	59.6	119.2	119.2	119.2	29.8	—
2. Maintenance contract for piers managed by the Civil Engineering and Development Department	Maintenance of government public piers and franchised and licensed ferry pier managed by the Civil Engineering and Development Department in port district as defined therein	95.0, March 2014 to March 2017	26.7	12.0	24.0	24.0	4.0	—	—



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For each of the three years ended 31 December 2014 and the six months ended 30 June 2015, revenue attributable to construction and maintenance projects for civil engineering works amounted to approximately HK\$1,162.26 million, HK\$1,355.09 million, HK\$1,000.45 million and HK\$369.11 million, respectively, representing approximately 41.43%, 47.73%, 36.35% and 32.37% of our total revenue, respectively.

### Other services

During the Track Record Period, other than general building and civil engineering works, we also provided other services which comprised (i) housing management services, such as provision of cleaning services and security management services to our Hong Kong customers in both the public and private sectors through SFK Housing; and (ii) consultancy services mainly related to market positioning and concept design of construction projects to our customers in China through Jiajing Enterprise. For each of the three years ended 31 December 2014 and the six months ended 30 June 2015, revenue attributable to other services amounted to approximately HK\$86.96 million, HK\$54.73 million, HK\$60.05 million and HK\$32.81 million, respectively, representing approximately 3.10%, 1.93%, 2.18% and 2.88% of our total revenue, respectively. Our consultancy services business accounted for approximately 1.23%, 0.12%, 0.33% and nil% of our total revenue for the three years ended 31 December 2014 and the six months ended 30 June 2015, respectively. In view of the prosperity of the construction industry in Hong Kong, we intended to focus our operations on Hong Kong and thus we decided to discontinue our consultancy or other services in the PRC. Accordingly, our indirect wholly-owned subsidiary, namely, Guangzhou Jiajing has completed the deregistration process on 26 March 2015 and its immediate holding company, namely, Jiajing Enterprise has completed the deregistration process on 14 May 2015.

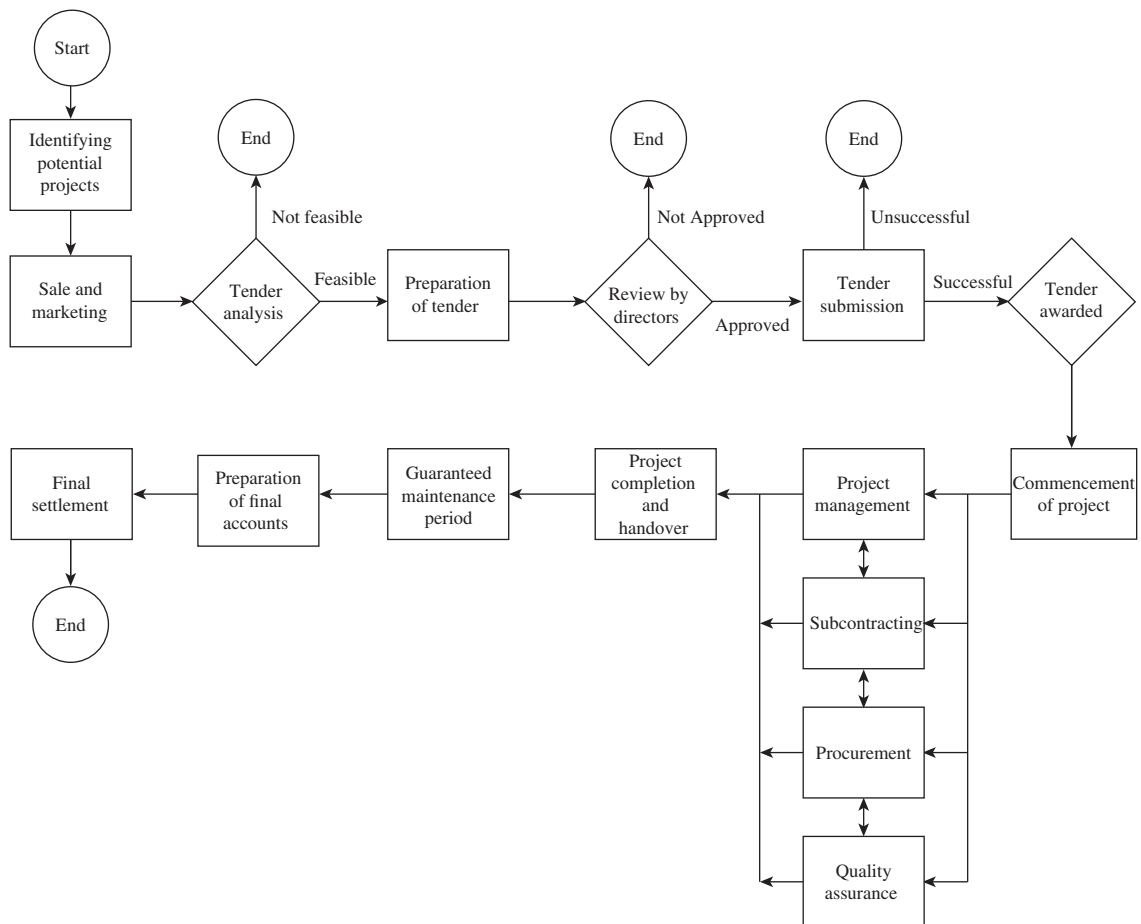
According to the Security and Guarding Services Ordinance, only those companies acting and in accordance with a licence can provide security services to customers for reward. We have obtained a Security Company Licence (Type I), under which we are eligible to provide security guarding services.

The daily security management services generally provided by us include patrolling; guarding; access control; traffic control; visitor handling; and emergency handling etc.. We usually secure housing management contracts through a tender process. Upon being awarded of a contract, we will appoint direct staff or employ subcontractors to deliver services to our customers.

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### OPERATING PROCEDURES

Our operational procedures in respect of construction and/or maintenance projects for general building and civil engineering works as a main contractor principally involve identifying potential projects, sale and marketing, tendering and project management. We have developed a project management system covering the entire operating process, including tendering analysis and preparation, project management, project control and project completion and handover. For illustration purpose, the flow of our operation procedures for the major stages in a contract with the Hong Kong Government are outlined as below:



The typical contract period of our construction and/or maintenance projects for general building and civil engineering works is approximately 3 years, while the time required for the actual completion of construction works varies significantly depending on, among other things, the nature of work, scale and complexity of the project.

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### **Identifying potential projects**

We identify potential projects from a variety of sources, including publications of governments in Hong Kong and Macau and other industry participants such as architects and engineers. We decide on which projects are to be pursued based on factors including the scope, complexity and particular specification of the projects, achievability of the specified timetable, prior experience, current backlog, availability of resources and expertise, our current competitiveness and financial conditions.

### **Sale and marketing**

Our customers are divided into two categories: (a) public sector including the Hong Kong Government and Hong Kong Government related organisations and institutional bodies; and (b) the private sector. All of our projects were secured by tendering.

For Hong Kong Government construction projects, tender notices are published in the Gazette. For private sector, institutional bodies customers usually invite potential tenderers to express their interest to tender.

We maintain good relationships with our customers, and have regular contacts with customers, architects and other consultants in the construction industry to keep abreast of market development and potential business opportunities.

### **Tendering**

In pricing a tender, we make reference to various historical construction cost items maintained in our computer database, the latest pre-tender quotations of suppliers and subcontractors, the materials price trend, wage trend, our previous tender records and the awarded tender prices of similar jobs. During the tendering process, if any subsequent tender changes/modifications/addenda are received, we review and take into account all such tender changes/modifications/addenda in the preparation of tender and reply customers as required. We take into account various evaluation factors before we submit tenders. Examples of evaluation factors include our ability to meet the requirements as to quality, cost, schedule, technical, environment and safety as specified under the tendering documents. Most of our contracts are awarded and carried out on a fixed-price or fixed-unit-price basis with a pre-determined timetable for project completion.

With reference to the scale and complexity of the tender, we may engage Independent Third Parties' consultants in order to obtain their professional advice on our tender proposals from time to time.

### *Pre-qualification*

For projects requiring particular speciality on the part of the main contractor or for large scale projects, the Hong Kong Government, and occasionally customers in the private sector, require prospective tenderers, including our Group, to make pre-qualification submission in order to assess

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their eligibility to tender. Different factors may be considered by the customers in the assessment, including company organisation and resources, past job experience, proposed human resources for the project, proposals for undertaking the project, and safety and environmental protection track records and others.

### *Tender review process*

We maintain a systematic tender review procedure to price our tenders. We believe that a systematic tender review procedure is important because our businesses are normally secured through competitive tendering and such a tender review procedure allows us to budget for a project efficiently and accurately and to price our tender competitively.

On receipt of a tender, we evaluate and conduct an analysis of the tender documents to identify the scope of work, cost, environment, quality, schedule, safety, statutory and/or technical requirements. The time which the tender review process takes varies from case to case, and depends on specific tender requirements of a project. Generally, it takes not less than six weeks from receipt of the tender documents to submission of the tender proposal. Our Directors shall review and approve any tender before our confirmation of the tender price and submission of form of tender.

### *Statistic for tenders submitted during the Track Record Period*

The table below sets out the statistic for the number of projects we tendered for in each of the three years ended 31 December 2014 and the six months ended 30 June 2015, respectively, by project nature and number of projects awarded to our Group among those tendered:

	<u>Projects for general building works</u>	<u>Projects for civil engineering works</u>	<u>SFKJV project</u>	<u>Total</u>
<b>For the year ended 31 December 2012</b>				
Number of projects tendered for .....	84	44	3	131
Number of projects awarded for those tendered in 2012 .....	10	4	1	15
Success rate .....	12%	9%	33%	11%
<b>For the year ended 31 December 2013</b>				
Number of projects tendered for .....	86	52	0	138
Number of projects awarded for those tendered in 2013 .....	13	4	0	17
Success rate .....	15%	8%	—	12%

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	Projects for general building works	Projects for civil engineering works	SFKJV project	Total
<b>For the year ended 31 December 2014</b>				
Number of projects tendered for .....	84	21	0	105
Number of projects awarded for those tendered in 2014 .....	12	0	0	12
Success rate .....	14%	0%	—	11%
<b>For the six months ended 30 June 2015</b>				
Number of projects tendered for .....	33	23	0	56
Number of projects awarded for those tendered in the six months ended 30 June 2015 .....	11	2	0	13
Success rate .....	33%	12%	—	23%

Over the years, there has been no change in our tendering strategy, which depends heavily on the number of projects we have on hand, our resources, workforce availability and market condition. In general, our tendering strategy is to submit a high volume of tenders when comparing with the number of projects awarded as this would allow us to keep abreast of latest market environment, requirements and pricing level of our competitors which are useful for our strategic planning of future tendering exercise in similar projects.

During the year ended 31 December 2014, our resources and workforce for civil engineering business were heavily engaged. With less capacity to take on more civil engineering works, we were in a less eager position to tender for more civil engineering contracts as comparing to other years. For this reason, our tender prices were less competitive and with relatively higher profit margins, which may explain why no civil engineering tender was awarded to our Group in 2014.

### *Anti-collusion of tenders and prohibition of offering gratuities*

Apart from any statutory prohibitions, customers from both public or private sectors in Hong Kong may include in their tender documents prohibitions on collusion of tender or offering gratuities during tendering or in obtaining tenders. Any tenderer who is found to have committed a collusion of tender or offered gratuities will incur criminal liabilities and their submitted tenders will be invalidated. If a tenderer commits or is suspected to have committed collusion of tender or offered gratuities in tendering for a public works contract, the tenderer or the contractor will be subject to regulatory actions, which may include but not limited to removal from the approved contractors' list maintained by the Works Branch or the Housing Authority or suspension from further tendering of public works contracts.

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We provide trainings to our staff, in particular to those responsible for preparing for the tenders, by holding seminars with the Independent Commission Against Corruption (the “ICAC”) on the laws and regulations, risks and preventive measures in respect of tender collusion and the implementation of preventive measures recommended by the ICAC. Generally depending on the size of the project, the managerial staff responsible for preparing tenders, normally a director of our Group, may be required by customers to sign an anti-collusion undertaking to the customers. So far, none of our staff had been prosecuted by the government authorities in Hong Kong during their employments with us for tender rigging or offering gratuities.

### *Restriction or suspension from tendering*

Both the Works Branch and the Housing Authority have put in place regulatory regimes so as to ensure that certain standards of financial capability, expertise, management and safety are maintained by the contractors carrying out their works contracts. If they have any doubts as to the competence, integrity or financial capability of any contractor to meet the minimum standards, such contractor will not be allowed to tender for any contracts unless it can demonstrate its capability to meet the required standard.

Within those regulatory regimes, where some circumstances occurred may lead to regulatory actions to be taken against a contractor. This includes, but not limited to, voluntary or mandatory suspension of tendering, where a contractor shall be restricted or suspended to tender for further contracts from the Works Branch and the Housing Authority for a certain period of time.

### *Restriction from tendering for projects under the Housing Authority*

SFK Construction had been restricted from tendering for projects under the Housing Authority for three months from 4 March 2015 to 3 June 2015 in accordance with paragraph 4.5.3 in “Part I of the Guide to Registration of Works Contractors and Property Management Services Providers” after committed two tendering irregularities in a rolling 12-month period. The first inappropriate deed occurred in November 2014 after SFK Construction had failed to submit a tender after accepting the Housing Authority’s invitation to tender. The second inappropriate deed was a batch/simultaneous tenders made in August 2014 where the tender sums were considered to be unreasonable (i.e. when the tender sums is equal or higher than 25% above the average tender price received in the tender). The first inappropriate deed was due to the discovery of peculiar site restraints while preparing the tender, as such we could not formulate a technical, sound and cost effective construction method for the subject tender and thus no tender was submitted. As for the second inappropriate deed, we were prohibited from discussing any sensitive matters, including the tender price with our competitors or other tenderers (as measures for anti-collusion of tenders). Therefore, we would not know the average tender price of the tender, nor were we able to control the pricing strategies and eagerness in winning the tenders from our competitors or other tenderers. As a result our tender sums, which we believed to be reasonable and bona fide, were found to be unreasonably high (i.e. when the tender sum is equal to or higher than the 25% above the average tender price received in the tender).

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As control measures for preventing reoccurrence of the similar incidents in the future, we will continue to (i) get familiar as much as possible the conditions of the site before we express our interest in submitting tenders; (ii) engage external consultants during tendering stage for formulating cost-effective construction plan for a tender; and (iii) keep abreast of the current pricing level of our competitors and requirements in complying with the laws and regulations to the safety and environmental protection aspects. Against the circumstances that (i) the period of restriction in tendering is relatively short and was expired on 3 June 2015 by way of a letter from the Hong Kong Housing Authority on 4 June 2015; and (ii) apart from construction contracts already in hands as at 31 December 2014, SFK Construction was awarded in the first half of 2015 with eight new general building contracts in Hong Kong with total contract sum of HK\$2,711 million, revenue from which will be recognised in each of the coming three years, our Directors are of the view that the aforesaid restriction on tendering would not have any material adverse impact on our operation and financial performance.

### *Suspension from tendering for projects under the Works Branch*

The Works Branch may impose a number of regulatory actions on a contractor as a result of its non-compliance with environmental and/or safety requirements. These regulatory actions may include, for relatively less serious cases, the issuance of warning letters or recommending voluntary suspensions of tender and, for more serious cases, impose a mandatory suspension of tender, removal, downgrading or demotion of the relevant contractor's licences.

According to the Development Bureau Technical Circular (Works) No. 3/2009 (the “**Technical Circular**”), voluntary suspension from tendering may be recommended by the panel of enquiry convened by the Works Branch where, (i) in the case of a serious incident, a contractor has caused or contributed (whether by act or omission) to the serious incident; or (ii) in the case of site safety or environmental offences, a contractor has taken insufficient measures to prevent the offences and/or the contractor's effort in an attempt to prevent contravention leading to further convictions for similar offences at construction sites is not satisfactory. If a contractor does not agree to a voluntary suspension of tender upon receiving the decision from the panel, a more severe regulatory action may be imposed on such contractor.

SFK Civil voluntarily suspended itself from tendering for public works under the category of “Road and Drainage” for seven months from 3 November 2014 to 3 June 2015 in accordance with the Technical Circular for an occurrence of a fatal accident in June 2011. The said voluntary suspension was uplifted by way of a letter from the Works Branch on 3 June 2015. For details of the fatal accident and the regulatory action, please refer to the section headed “Business — Occupational safety — Fatal accident occurred prior to the Track Record Period” in this prospectus.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date the above mentioned incident involving SFK Civil was the only occasion where a member of our Group was recommended voluntary suspension from tendering by the panel.

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### Commencement of project

Upon successful tender, we will commence the project. Depending on the customer, different form of legally binding contract will be adopted. Major terms set out in the contracts for general building or civil engineering works awarded and undertaken by our Group during the Track Record Period are summarised below:-

Site location and scope of works	The location of the work site at which the works are to be carried out and the scope of works are specified in individual contract.
Contract sum	The original contract amount at the date of acceptance of the works as specified in the contract, subject to any variation orders requested by the customer from time to time.
Term and completion	The contract period for us to complete the works as specified in individual contract. The completion date may be extended from time to time pursuant to the terms of the contract. During the Track Record Period, the contract periods of our projects were generally three years.
Delay and extension of time	The circumstances entitle us to have extension of time for completion of works and exempt us to pay liquidated damages.
Monthly statement and payment terms	We normally receive payment on a monthly basis. We shall submit to the customer at the end of each monthly period a statement showing the estimated value of the work done and any other sums due. Within a specific period set out in the contract from the date of delivery of the monthly statement, the customer shall certify and, within a further specific period, shall pay us accordingly.
Nomination of suppliers and/or subcontractors	Our customer may require us to procure construction materials or equipment and machinery from suppliers and/or to engage subcontractors nominated by the customer.
Variation orders and its valuation	The basis for the order of variation by the customer to be carried out by us. The works value under variation orders are based on the valuation principles as stipulated in the contract.
Liquidated damages	If completion to a project is delayed due to our fault, we are required to pay liquidated damages, typically calculated at an agreed rate per day multiplied by the number of days in delay.
Retention money	A portion of progress payment withheld by the customer for securing the due performance of the main contractor. The retention money for each project ranges from 1% to 10% of the total contract sum.



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Contract price fluctuation	Where contracts provide, any work done certified in any interim or final payments shall be adjusted according to any changes to the base index figure (at the time of tender) and the current index figures (at the time current in each certification of works done) listed in the “Index Numbers of the Costs of Labour and Materials used in Public Sector Construction Projects”.
Guaranteed maintenance period/ Defect liability period	The maintenance period generally ranges from 12 months to 24 months after practical completion of our contractual works.
Final payment certificate	Within 180 days after the date of maintenance certificate, the customer will issue a final payment certificate which states the balance due from the customer. Such balance will be paid within 28 days of the date of the final payment certificate.
Dispute resolution	If any dispute of any kind whatsoever shall arise between our customer and us in connection with or arising out of the contract, it shall be referred to arbitration in accordance with and subject to the provisions of the Arbitration Ordinance (Chapter 341 of the Laws of Hong Kong).

### Project management

On award of a contract, we will implement project administration to ensure the contract is executed effectively and efficiently. We will assign a project team normally consists of a project manager, site agent and engineers, general and site foremen, quantities surveyors and safety officer. All of them are led by a project manager for on-site supervision and overall coordination of the day-to-day operation of the project.

The management process includes devising detailed construction plan, procurement of materials, delegation of construction works to subcontractors, coordination with the customer or its consultants, and with subcontractors and suppliers, making application of interim and final payments to the customers and certification of payments to the subcontractors and to take charge in the overall management of these works. Our capacity to provide a full range of services gives us an advantage in acting as a main contractor for large and complex projects.

As far as a single general building or civil engineering project is concerned, basement excavations, earthworks and drainage works are normally involved and are more susceptible to heavy rain or typhoon. We would arrange for such works to be carried out in dry seasons as much as possible. For those activities which are not susceptible to heavy rains, such as formwork, concreting works and interior plastering works would be arranged to be carried out in rainy seasons. Furthermore, at any given period, we always undertake a number of construction projects of different stages of completion of works, which comprise various ongoing construction activities at different degrees of susceptibility to heavy rain or typhoon. On this basis, our Directors are of the view that our business and revenue are not subject to any seasonal fluctuation.

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### *Works programme*

A works programme will be prepared by site agents or engineers according to the contract requirements and the site activities in the works programme will be broken down into details such that individual tasks can be monitored. The works programme will show the sequence of the works and incorporate the key dates and milestone dates which will be closely monitored during the execution of the project.

Based on the works programme, the subcontracting schedule, the resource schedule, the method statement submission schedule, the design submission schedule and the material requirements/sample submission schedule will be worked out. The above schedules will be used to monitor the planning work and to ensure that the subcontracting work, the resources allocation, the submission works are prepared and proceeded in a timely manner.

### *Procurement of construction materials*

We adopted a centralised procurement and resource allocation system through which our purchasing department sources materials, invites quotations, conducts price evaluation and negotiation, undertakes procurement of construction materials and equipments, allocates resources for all projects and aligns demands for each project. This system enables us to (i) make bulk purchases in order to achieve cost savings; and (ii) to coordinate the allocation of our existing resources amongst different construction sites in order to maximise utilisation of resources.

The major purchases required for our business are construction materials, which mainly consist of concrete and steel sourced mainly in Hong Kong. For our projects, unless the customers require us to select suppliers nominated by them, we select our suppliers from our pre-qualified list of suppliers and only listed suppliers are invited to submit quotations or tenders. An annual performance appraisal will be conducted on each of our listed suppliers and we assess its overall performance including quality, safety, environmental friendliness and timeliness of delivery. Generally, we select suppliers from the approved list based on their past performances and their capacities to comply with the specified project requirements. We implement regular assessment of each supplier during the course of a project to ensure quality of its products. Generally, our suppliers offer us credit terms of 30 days after receipt of invoices or demand notes. In cases where we purchase certain construction materials for the use of our subcontractors, the relevant costs of the materials will be deducted accordingly from the subcontracting fees in accordance with the relevant subcontracting agreements/arrangements. We have maintained good working relationship with our suppliers and do not foresee any difficulties in sourcing materials in the future.

### *Procurement and leasing of equipment and machineries*

Most of our construction and maintenance projects for general building and civil engineering works require the use of equipment and machineries, such as tower crane, mobile crane and crane truck, excavators, air compressors and pneumatic breakers, generators and water bowsers, etc. Depending on the type of equipment and machinery, frequency of usage and costs, we may purchase or lease equipment and machinery for our own use or the use of our subcontractors.

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Depending on the specification of the equipment and machineries required by our subcontractors, we may supply the purchased or leased equipment and machineries to our subcontractors free of charge or for an agreed fee or rate pursuant to which the relevant costs will be deducted accordingly from the subcontracting fees.

For each of the three years ended 31 December 2014 and the six months ended 30 June 2015, we acquired new equipment and machineries in the amount of approximately HK\$3.49 million, HK\$0.65 million, HK\$1.00 million and HK\$0.13 million, respectively. As at 30 June 2015, our equipment and machineries had a total net book value of approximately HK\$2.91 million.

### *Subcontracting*

We generally act as the main contractor but depending on the terms of the awarded contracts, availability of our internal resources, cost effectiveness, licensing/ specialist requirements, level of complexity, we will engage or outsource to subcontractors to carry out certain part of the works by entering into separate legally binding contracts with our subcontractors.

For each of the three years ended 31 December 2014 and the six months ended 30 June 2015, the subcontracting fees paid to our subcontractors amounted to approximately HK\$1,727.94 million, HK\$1,577.23 million, HK\$1,917.49 million and HK\$929.07 million, representing approximately 68.3%, 61.6%, 66.5% and 66.8% of our total actual costs, respectively.

#### i) Our subcontractors

Our subcontractors range from sole proprietorships with several employees to sizeable companies qualified under the List of Approved Contractors and/or the Specialist List. While we have not entered into any long-term agreement with our subcontractors, we engage them on a project basis. Nevertheless, we believe we have maintained good relationships with our subcontractors. As at Latest Practicable Date, we have approximately 2,350 subcontractors on our system, of which approximately 630 were active and participated in our existing projects. Among these active subcontractors, approximately 80 of them have working relationships with us for more than ten years. We consider such long-standing relationships with subcontractors enable us to have comprehensive assessment of the subcontractors over years, ensuring the quality of works in the long run. We plan to increase the amount of works that we subcontract in order for us to focus our resources on higher value-added tasks, to promote efficiency in our works and to better manage the projects. With the relatively large pool of approved subcontractors in our pre-qualified list, our Directors do not foresee any difficulties in finding substitute subcontractors, if necessary.

For any given project, we select subcontractors based on a number of factors including requirements in the main contract with our customer, previous cooperation experience and our valuation of their performance from the list of pre-qualified subcontractors maintained by us. Subsequent inclusion of new subcontractors will subject to our approval based on their financial stability, quality, past performance and capability to meet our required quality, schedule, costs and safety requirements. As at the Latest Practicable Date, all of our subsisting subcontractors were Independent Third Parties, save for those subcontractors which have been disclosed in the section

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headed “Connected transactions” in this prospectus. Project owners also typically require us to obtain their consent before we subcontract and they may also require us to use their nominated subcontractors under the contracts. For our projects, unless the customers require us to select subcontractors nominated by them, we select subcontractors from our pre-qualified list of subcontractors.

### ii) Control over our subcontractors

Pursuant to either the contracts or applicable laws, we remain liable to the project owners for the performance of our subcontractors. In order to ensure the works of our subcontractors meet the requirements as prescribed in the contracts, we (i) provide them with our internal guidelines on safety and environmental issues and hold regular meetings with them to update their knowledge on such issues; and (ii) assess regularly the performance of our subcontractors during the course of our projects. We also have project managers or site engineers to conduct daily site visits to ensure general compliance by our subcontractors in all respects. In addition, our safety officers and environmental officers conduct regular site visits to uphold our safety and environmental requirements, maintain records of non-compliance regarding safety, environmental and other issues of our subcontractors. Furthermore, we will conduct an annual performance appraisal on our listed subcontractors and we mainly assess their overall performances including workmanship, progress control, safety, environment/ pollution control, organisation and resources.

We are committed to prohibiting recruitment of illegal workers and when recruiting employees, we will check the identification documents provided by the candidates. During the Track Record Period, no illegal workers have been reported in our construction sites. For the workers employed by our subcontractors, our contracts with our subcontractors have expressed provisions to prohibit them from hiring any illegal workers and we require our subcontractors to check the identity documents of the workers to ensure that no illegal workers are hired in our construction sites. We have established and have been operating a security control system in all of our construction sites. Our security control system includes a smart card system or hand palm verification system at the entrance/exit gate of our construction sites. This system can identify the identities of the personnel working, entering and leaving the sites. The times of entering/leaving the sites are then recorded onto our on-site computer. If there is any person with suspicious identity at the site, that person will not be allowed to enter our construction site. This arrangement could avoid, to a large extent, any employment of illegal workers on site and incidentally any future disputes with subcontractors in respect of the number of workers and the working hours for each worker claiming for labour wages.

During the Track Record Period, we were prosecuted by relevant authorities in Hong Kong as a result of non-compliance by our subcontractors with laws, rules or regulations in respect of safety and environmental, respectively. For details of the non-compliance incidents, please refer to the section headed “Business — Legal proceedings and non-compliance” in this prospectus.

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iii) Major terms of subcontracting agreement

The contractual terms and engagement period with our subcontractors vary in accordance with the main contracts with our customers. The following sets out principal terms and conditions in our contracts with subcontractors:

- (a) subcontracting fee which is generally determined based on among other things, our tender price, our cost estimation, the complexity of the works and project and the duration of the project;
- (b) rights and obligations of the parties;
- (c) deduction of costs of material and equipments from the subcontracting fee;
- (d) scope of works for the subcontractor;
- (e) requirement of having obtained the relevant qualifications (if required for the particular project);
- (f) restrain the subcontractor from further assignment or subcontracting of works without our permission;
- (g) adoption of retention money;
- (h) subcontractor's obligation of maintaining works in good repair and condition; and
- (i) termination clauses whereby we may terminate the subcontract forthwith (i) without cause by giving written notice to the subcontractor such that the subcontractor will be entitled to remuneration for its works already done; or (ii) with cause by giving notice to the subcontractor such that we will reserve the rights to seek for remedies.

Although we enter into written contracts with our subcontractors to govern each of our rights and obligations, it is still inevitable for us to have arguments. The arguments during the Track Record Period with our subcontractors were mainly arisen from the fact that parties had different views and interpretation to certain documents exchanged or agreements entered between the parties. Our Directors believe that even though we have occasional disagreements with a handful of our subcontractors, the relationship with our subcontractors in large still remain strong and such disagreements had not adversely affected our business operations or financial conditions. In any case, we have no difficulties to source any subcontractor for our projects. In order to protect ourselves and/or to avoid arguments with our subcontractors, we have adopted various measures as follows:

- (a) maintaining the option of requiring banks or insurance company of our subcontractors to provide guarantees for our subcontractors' contractual performance;
- (b) seeking legal advice in case of ambiguity or uncertainty in contracts;

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- (c) attending training programmes and courses on general law of contract, etc.;
  - (d) use of standard form contracts and keep abreast of latest judgment from the courts;
  - (e) making periodic reports to our senior management in case of uncertainty in the agreements;
  - (f) instructing qualified lawyers to handle our litigations or legal proceedings; and
  - (g) requiring our deputy directors of the quantity surveying division (reporting to and led by directors of relevant members of our Group) to closely monitor the tactics adopted by handling lawyers of our litigations and/or arbitrations.
- iv) Anti-corruption and ethical commitments to subcontractors

We have ethical commitments to our subcontractors and advise our staff not to solicit or accept any advantage or bribes from our subcontractors or suppliers. From time to time, especially during festive seasons, we will issue written reminders to our subcontractors and suppliers for reminding them not to give any advantage or bribes to our staff and encouraging them to report any solicitation of advantage or bribes. We will also require our staff to declare any conflict of interest and to avoid creating any possible conflict of interest while handling with our subcontractors and suppliers.

During the Track Record Period, our Directors confirm that we or our subcontractors had not encountered any difficulties in recruiting workers to work for our projects in Hong Kong and Macau. Given the variety of works undertaken by us, we may involve technical staff and labour in a wide variety of specialised skills at each construction stage. Subcontracting provides a flexible means of meeting fluctuating workload and maximising the utilisation of expertise in the industry.

Taking into consideration the measures taken by our Group as set out above, our Directors consider that our corporate policies and internal controls on subcontracting are effective.

*Guaranteed maintenance period*

Our customers would normally require a guaranteed maintenance period, during which we are responsible to rectify construction defects (other than normal wear and tear). The length of guaranteed maintenance period generally ranges from 12 months to 24 months after practical completion of the works, depending on the nature and the scale of the project. We normally maintain a back-to-back guaranteed maintenance period in our subcontracts from our subcontractors. We are liable to rectify all defective works during the guaranteed maintenance period, if any. Our site management conducts review regularly to the extent on the defective works identified. The costs for repairs and maintenance are accounted for as part of our budgeted construction costs.

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### *Progress payment and retention money*

We normally receive progress payment from customers on a monthly basis and occasionally on a milestone basis with reference to the value of works done. Generally, the authorised person, such as the architects or quantity surveyors employed by the customers, would issue a progress certificate certifying the works progress in the preceding month. It normally takes at least 21 days for Hong Kong Government's projects and 30 days for private sector projects for such certificates to be issued. The customers then effect payment with reference to such certificate. Payments are generally made at least 21 days after the issue of the progress certificate from public and private customers.

In most contracts, there is a contract term for the customers to hold up a retention money from the progress payment. The retention money for each project ranges from 1% to 10% of the total contract sum. Generally, in private contracts, the first half of the retention money is released upon the issue of certificate of completion of the project and the second half of the retention money is released to us upon the issue of certificate of completion of making good defect after the expiry of the guaranteed maintenance period. However, in most of Hong Kong Government contracts, the retention money is released only upon the issue of certificate of completion of making good defect after the expiry of the defective liability period.

Similarly, we normally pay our subcontractors on a monthly basis with reference to the value of the works done and if the main contract adopts milestone payment, we will, to the extent practicable, seek payment term for subcontractors on similar basis. Each of our subcontractors is required to submit a request for payment to us at the middle or the end of each month. Once we have verified the subcontractor's request against the actual works done or their payment entitlement according to the milestone payment term, we will release the relevant proportion of the subcontracting amounts but hold up a retention money. Payments are generally made within one month after the subcontractor's request. The retention money from subcontractors would normally not exceed 5% to 10% of the total subcontract sums and sometimes, we do not require to hold up retention money from our subcontractors, depending on the nature of the subcontract works being involved.

### *Performance bonds/Liquidated damages*

In order to secure due and timely performance of the main contractor, it is normal for customers to request the main contractor to take out performance bonds issued by a bank or an insurance company in favour of the customers and to include a liquidated damages clause in relation to the main contractor's late completion of works. The liquidated damages are calculated at an agreed rate per day multiplied by the number of days from the prescribed or extended date of completion to the certified date of completion of the works.

Generally, the amount of performance bonds required for each project taken out by us would not exceed 10% of the total contract sums and the performance bonds normally expire after the issuance of practical certificate of completion. As at each of the three years ended 31 December 2014 and the six months ended 30 June 2015, our Group has taken out performance bonds issued by financial

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institutions in the aggregate amount of HK\$251.54 million, HK\$166.44 million, HK\$96.70 million and HK\$139.62 million, respectively. We believe that we have a reputation for completing projects on schedule, and during the Track Record Period, no performance bond had been called by our customers by reason of any delay in completion of our projects.

### OUR TOP FIVE CUSTOMERS

Our top five customers, where various departments of the Hong Kong Government were considered individually, collectively accounted for approximately 60.8%, 63.3%, 67.0% and 68.1%, respectively of our revenue for each of the three years ended 31 December 2014 and for the six months ended 30 June 2015. During the Track Record Period, there had been no dispute with our customers which had a material adverse impact on our business operations and we have no reliance on any single customer.

The following tables set out the profile of our top five customers for the Track Record Period, all of which are based in Hong Kong:

#### For the year ended 31 December 2012

No.	Name of customer	Revenue	% of total revenue	Types of work provided	Business relationship since	Principal business
		<i>HK\$'000</i>	<i>(%)</i>			
1	Customer A	494,038	17.6	General building and civil engineering	2005	The Hong Kong Government owned statutory body for the operation and development of the Hong Kong International airport
2	Customer B	389,587	13.9	Civil engineering	1989	The Hong Kong Government department providing wastewater and stormwater drainage services
3	Customer C	382,537	13.6	General building	1990	The Hong Kong Government department responsible for the upkeep and development of government-owned and government-funded facilities
4	Customer D	261,254	9.3	General building	2003	Developer of a theme park and hotel in Lantau, Hong Kong
5	Customer E	178,800	6.4	General building and civil engineering	1994	Railway operator and property developer



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### For the year ended 31 December 2013

No.	Name of customer	Revenue	% of total revenue	Types of work provided	Business relationship since	Principal business
		<i>HK\$'000</i>	<i>(%)</i>			
1	Customer A	536,745	18.9	General building and civil engineering	2005	The Hong Kong Government owned statutory body for the operation and development of the Hong Kong International airport
2	Customer C	386,538	13.6	General building	1990	The Hong Kong Government department responsible for the upkeep and development of government-owned and government-funded facilities
3	Customer B	373,920	13.2	Civil engineering	1989	The Hong Kong government department providing wastewater and stormwater drainage services
4	Customer F	251,461	8.9	Civil engineering	1989	The Hong Kong Government department providing services on public road system
5	Customer E	247,790	8.7	General building and civil engineering	1994	Railway operator and property developer

### For the year ended 31 December 2014

No.	Name of customer	Revenue	% of total revenue	Types of work provided	Business relationship since	Principal business
		<i>HK\$'000</i>	<i>(%)</i>			
1	Customer E	555,222	20.2	General building and civil engineering	1994	Railway operator and property developer
2	Customer D	414,931	15.1	General building	2003	Developer of a theme park and hotel in Lantau, Hong Kong
3	Customer C	316,346	11.5	General building	1990	The Hong Kong Government department responsible for the upkeep and development of government-owned and government-funded facilities
4	Customer G	286,852	10.4	Civil engineering	1989	The Hong Kong Government department providing services in land and infrastructures, port and marine, geotechnical and environment and sustainability

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No.	Name of customer	Revenue	% of total revenue	Types of work provided	Business relationship since	Principal business
		<i>HK\$'000</i>	<i>(%)</i>			
5	Customer F	270,400	9.8	Civil engineering	1989	The Hong Kong Government department providing services on public road system

### For the six months ended 30 June 2015

No.	Name of customer	Revenue	% of total revenue	Types of works provided	Business relationship since	Principal business
		<i>HK\$'000</i>	<i>(%)</i>			
1	Customer D	204,996	18.0	General building	2003	Developer of a theme park and hotel in Lantau, Hong Kong
2	Customer H	167,000	14.6	General building	2009	Management of Hong Kong public hospitals
3	Customer G	165,612	14.5	Civil engineering	1989	The Hong Kong Government department providing services in land and infrastructures, port and marine, geotechnical and environment and sustainability
4	Customer C	134,379	11.8	General building	1990	The Hong Kong Government department responsible for the upkeep and development of government-owned and government-funded facilities
5	Customer F	105,272	9.2	Civil engineering	1989	The Hong Kong Government department providing services on public road system

None of our Directors, their respective close associates or any Shareholders (which to the best knowledge of our Directors), who owns 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 customers during the Track Record Period.

Our Directors confirmed none of our customers was our major supplier during the Track Record Period.

## SUPPLIERS AND SUBCONTRACTORS

In most of our construction and maintenance projects, we act as the main contractor and engage subcontractors to undertake general building and civil engineering works. Depending on the requirements of the projects, we would purchase construction materials for the use of our subcontractors from our suppliers. Our major suppliers are mainly suppliers of concrete and steel.

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Save as disclosed in this prospectus, all of our major suppliers and subcontractors are Independent Third Parties.

### ***Our Top Five Subcontractors***

During the Track Record Period, subcontracting payment attributable to our top five subcontractors, all of which are Independent Third Parties, collectively accounted for approximately 24.9%, 25.2%, 23.9% and 26.5%, respectively of our total subcontracting fee in each of three years ended 31 December 2014 and the six months ended 30 June 2015 and payment made to the largest of which accounted for approximately 7.7%, 7.4%, 6.8% and 7.8%, respectively of our total subcontracting fee in each of three years ended 31 December 2014 and the six months ended 30 June 2015.

The following tables set out the profile of our top five subcontractors for the Track Record Period, all of which are based in Hong Kong:

### **For the year ended 31 December 2012**

No.	Name of subcontractor	Subcontracting fee	% of total subcontracting fee	Services sourced	Business relationship since	Principal business
		<i>HK\$'000</i>	<i>(%)</i>			
1	Subcontractor A	132,694	7.7	Electrical works	2008	Builders works contracting
2	Subcontractor B	105,286	6.1	Bored pile construction	1999	Underground engineering contracting
3	Subcontractor C	71,568	4.1	Mechanical, electrical and plumbing works	2007	Mechanical, electrical and plumbing works contracting
4	Subcontractor D	67,286	3.9	Road maintenance	2009	Road maintenance works contracting
5	Subcontractor E	52,716	3.1	Construction management	1999	Builder works contracting
		<u>429,550</u>	<u>24.9</u>			
	Overall subcontracting fee	<u>1,727,936</u>				

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### For the year ended 31 December 2013

No.	Name of subcontractor	Subcontracting fee	% of total subcontracting fee	Services sourced	Business relationship since	Principal business
		<i>HK\$'000</i>	<i>(%)</i>			
1	Subcontractor A	115,985	7.4	Electrical works	2008	Builders works contracting
2	Subcontractor D	92,542	5.9	Road maintenance	2009	Road maintenance works contracting
3	Subcontractor C	79,612	5.0	Mechanical, electrical and plumbing works	2007	Mechanical, electrical and plumbing works contracting
4	Subcontractor F	58,568	3.7	Building maintenance	2008	Building maintenance works contracting
5	Subcontractor G	49,998	3.2	Structural works	2003	Structural works contracting
		<u>396,705</u>	<u>25.2</u>			
	Overall subcontracting fee	<u>1,577,233</u>				

### For the year ended 31 December 2014

No.	Name of subcontractor	Subcontracting fee	% of total subcontracting fee	Services sourced	Business relationship since	Principal business
		<i>HK\$'000</i>	<i>(%)</i>			
1	Subcontractor A	129,771	6.8	Electrical works	2008	Builders works contracting
2	Subcontractor D	94,743	4.9	Road maintenance	2009	Road maintenance works contracting
3	Subcontractor C	92,105	4.8	Mechanical, electrical and plumbing works	2007	Mechanical, electrical and plumbing works contracting
4	Subcontractor H	76,164	4.0	Mechanical, electrical and plumbing works	2013	Mechanical, electrical and plumbing works contracting
5	Subcontractor F	65,502	3.4	Building maintenance	2008	Building maintenance works contracting
		<u>458,285</u>	<u>23.9</u>			
	Overall subcontracting fee	<u>1,917,486</u>				

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**For the six months ended 30 June 2015**

No.	Name of subcontractor	Subcontracting fee	% of total subcontracting fee	Services sourced	Business relationship ship	Principal business
		<i>HK\$'000</i>	<i>(%)</i>			
1	Subcontractor A	72,317	7.8	Electrical works	2008	Builders works contracting
2	Subcontractor D	69,670	7.5	Road maintenance	2009	Road maintenance works contracting
3	Subcontractor I	37,602	4.0	Metal works	2007	Metal works contracting
4	Subcontractor J	33,839	3.6	Fitting out works	2001	Fitting out works contracting
5	Subcontractor C	33,458	3.6	Mechanical, electrical and plumbing works	2007	Mechanical, electrical and plumbing works contracting
		<u>246,886</u>	<u>26.5</u>			
	Overall subcontracting fee	<u>929,069</u>				

None of our Directors, their respective close associates or any Shareholders (which to the best knowledge of our Directors) own more than 5% of the issued share capital of our Company as at the Latest Practicable Date had any interest in our top five subcontractors during the Track Record Period.

During the Track Record Period, we had not experienced any significant disruption in the provision of works by our subcontractors. We have maintained long standing business relationships with our subcontractors, and some of our subcontractors whom we had engaged during the Track Record Period have been working with us for over ten years. We have not entered into any long term agreement with our subcontractors, as we usually enter into subcontractor contracts on a project basis which cover the contract period for the relevant project.

### ***Our Top Five Suppliers***

The major purchases for our business are concrete and steel, which are sourced mainly in Hong Kong from our suppliers, who are Independent Third Parties. During the Track Record Period, purchases from our largest supplier accounted for approximately 16.5%, 20.6%, 20.5% and 10.9% of our total purchase costs, respectively in each of three years ended 31 December 2014 and the six months ended 30 June 2015 and purchases from our top five suppliers collectively accounted for approximately 46.2%, 52.9%, 53.8% and 33.4%, respectively in each of three years ended 31 December 2014 and the six months ended 30 June 2015 of our total purchase costs.

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The following tables set out the profile of our top five suppliers for the Track Record Period, all of which are based in Hong Kong:

### For the year ended 31 December 2012

No.	Name of supplier	Purchased amount	% of total purchase costs	Products sourced	Business relationship since	Principal business
		<i>HK\$'000</i>	<i>(%)</i>			
1	Supplier A	60,775	16.5	Concrete	2005	Supplier of concrete products
2	Supplier B	38,514	10.4	Steel	1991	Supplier of steel products
3	Supplier C	25,230	6.8	Steel	2009	Supplier of steel products
4	Supplier D	23,094	6.3	Concrete	2006	Supplier of concrete products
5	Supplier E	22,694	6.2	Steel	2009	Supplier of steel products
		<u>170,307</u>	<u>46.2</u>			
	Total purchase costs	<u>368,400</u>				

### For the year ended 31 December 2013

No.	Name of supplier	Purchased amount	% of total purchase costs	Products sourced	Business relationship since	Principal business
		<i>HK\$'000</i>	<i>(%)</i>			
1	Supplier E	89,643	20.6	Steel	2009	Supplier of steel products
2	Supplier B	62,621	14.4	Steel	1991	Supplier of steel products
3	Supplier F	45,364	10.4	Concrete	1989	Supplier of concrete products
4	Supplier D	24,942	5.7	Concrete	2006	Supplier of concrete products
5	Supplier G	7,884	1.8	Concrete	1989	Supplier of concrete products
		<u>230,454</u>	<u>52.9</u>			
	Total purchase costs	<u>435,934</u>				

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### For the year ended 31 December 2014

No.	Name of supplier	Purchased amount	% of total purchase costs	Products sourced	Business relationship since	Principal business
		<i>HK\$'000</i>	<i>(%)</i>			
1	Supplier E	80,978	20.5	Steel	2009	Supplier of steel products
2	Supplier F	50,382	12.7	Concrete	1989	Supplier of concrete products
3	Supplier B	29,931	7.6	Steel	1991	Supplier of steel products
4	Supplier G	27,755	7.0	Concrete	1989	Supplier of concrete products
5	Supplier D	23,929	6.0	Concrete	2006	Supplier of concrete products
		<u>212,975</u>	<u>53.8</u>			
	Total purchase costs	<u>396,021</u>				

### For the six months ended 30 June 2015

No.	Name of supplier	Purchased amount	% of total purchase costs	Products sourced	Business relationship since	Principal business
		<i>HK\$'000</i>	<i>(%)</i>			
1	Supplier E	17,254	10.9	Steel	2009	Supplier of steel products
2	Supplier G	13,701	8.6	Concrete	1989	Supplier of concrete products
3	Supplier D	8,315	5.3	Concrete	2006	Supplier of concrete products
4	Supplier H	7,482	4.7	Roofing	2010	Supplier of roofing products
5	Supplier F	6,221	3.9	Concrete	1989	Supplier of concrete products
		<u>52,973</u>	<u>33.4</u>			
	Total purchase costs	<u>158,556</u>				

For a sensitivity analysis of the actual costs incurred by our Group, please refer to the section headed “Financial information — Description of selected income statement items — Direct costs and actual costs incurred” in the prospectus.

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None of our Directors, their respective close associates or any Shareholders (which to the best knowledge of our Directors) own more than 5% of the issued share capital of our Company as at the Latest Practicable Date had any interest in our top five suppliers during the Track Record Period.

During the Track Record Period, we had not experienced any significant disruption delay or shortage in the supply of construction materials by our suppliers. We have maintained long standing business relationship with our suppliers, and some of our suppliers whom we procured construction materials during the Track Record Period have been working with us for over 20 years. We have not entered into any long term agreement with our suppliers, as we usually enter into supply contract on a project basis which covers the contract period for the relevant project.

Our Directors confirmed none of our suppliers was our major customer during the Track Record Period.

### **Our business partners in form of Joint Venture/ Joint Operation**

During the Track Record Period, we had undertaken certain projects through our two Joint Ventures (namely, SFK Kun Fai and Tak Wa) and two Joint Operations. It has been our Group's strategy to cooperate with Independent Third Parties to carry out sizeable projects in Hong Kong or Macau in order to take advantage of pooling together the respective resources, expertise and experience.

#### **(i) *Joint Ventures***

We had established three Joint Ventures, namely, SFK-Kun Fai, Tak Wa and Kong Sing to undertake construction projects in Macau. Kong Sing was subsequently disposed of on 10 October 2013. Our partner to our Macau Joint Ventures, Mr. Chum Pak Tak has extensive experience in the construction industry in Macau. The operations of such Joint Ventures are governed by the by-laws and articles of association of these Joint Ventures.

The profits attributable to our Macau Joint Ventures which are recognised as our share of profits less losses of joint ventures amounted to approximately HK\$0.7 million, HK\$2.9 million and HK\$0.8 million for each of the three years ended 31 December 2014 respectively. For the six months ended 30 June 2015, the losses attributable to our Macau Joint Ventures amounted to approximately HK\$0.9 million.

#### **(ii) *Joint Operations***

We have set up two Joint Operations, namely, SFKBJV and FSFKJV as the main contractors for the tendering for and execution of three projects in Hong Kong during the Track Record Period.

SFKBJV was set up by SFK Civil and Biwater Man Lee Limited ("**Biwater**"). Biwater, an Independent Third Party, is an electrical and mechanical engineering contracting company incorporated in Hong Kong in 1980 and has been mainly engaged in the design, installation, testing and commissioning of electrical and mechanical engineering project for 25 years. An agreement was



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entered into between SFK Civil and Biwater in December 2010 for the tendering for and execution of the contract for the Stonecutters Island sewage treatment works for Drainage Services Department. Pursuant to this agreement, the participation shares for SFK Civil and Biwater is 66.16% and 33.84%, respectively.

FSFKJV was set up by SFK Civil and Fujita Corporation (“**Fujita**”). Fujita, an Independent Third Party, is a construction company incorporated in Japan in 1910 and registered in HK Companies Registry as an overseas company. Fujita has been engaged in the planning, design and execution of all types of construction and civil engineering projects for 115 years. Two agreements were entered in 2011 and 2012 between SFK Civil and Fujita for the tendering for and execution of the above two contracts of the Airport Authority, respectively. Pursuant to these agreements, the participation shares for SFK Civil and Fujita is 50.00% and 50.00%, respectively.

In general, pursuant to these agreements, the rights to assets, obligations to liabilities and sharing of revenue, expenses and profits shall be determined according to the respective percentage of participation shares under the Joint Operation. Furthermore, these agreements also set out other terms including but not limited to, administration of the Joint Operations, joint and severability liability of the parties to the employer, indemnity of each party to the other and the resolution of disputes.

The total revenue recognised from the projects undertaken by SFKBJV and FSFKJV during Track Record Period for our share of participation were approximately HK\$746.51 million, HK\$777.03 million, HK\$400.64 million and HK\$97.29 million and accounted for approximately 26.61%, 27.37%, 14.56% and 8.53%, respectively of our total revenue for each of the three years ended 31 December 2014 and the six months ended 30 June 2015.

### Inventory

In most of our construction and maintenance projects, we act as the main contractor and delegate most of the general building and civil engineering works to our subcontractors. Depending on the requirements of the projects, we would purchase construction materials and lease equipment for the use of our subcontractors. We did not maintain any inventory because construction materials are usually delivered to our construction sites directly by our suppliers and the cost of them were recognised in the relevant project costs. Any unutilised construction materials after completion of a project would not be retained by our Group. Our customers would certify the materials delivered to the construction sites either based on the estimated value of the works executed or based on the estimated value of materials for inclusion in the works and pay us accordingly within a specified period of time upon delivery of the materials.

### QUALITY CONTROL

Our Directors believe that our results and hence our profits depend on our ability to meet our customers’ and the end-users’ requirements in all respects. In pursuit of quality excellence, we have set up a quality management team to establish and implement a quality management system in

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accordance with the requirements of ISO9001:2008. Our senior managements have demonstrated our strong commitment in continuous improvement and providing customer-focused services by closely monitoring our performance in this respect. Our quality management team comprises three members who have been working with us for an average of approximately 11 years. Each of our project team is responsible for the actual execution of the quality control processes, which include non-conformity control, internal audit, rejection rate from our customers and handling of customer's complaints. Renewal audits to our projects show that we have maintained an overall and continual effectiveness of our quality management system.

Please refer to the section headed "Business — Major qualifications, certifications and awards" in this prospectus for further details of our ISO certifications.

## **INSURANCE**

For some of our projects in Hong Kong (e.g. several projects involving attractions of a theme park in Lantau Island and a railway extensions project), our customers would procure insurance policies, in respect of contractors' all risks (including third party liability) and employees' compensation directly, to cover any risks in the construction projects against our Group and our subcontractors. For any projects in Hong Kong which our customers have not taken out insurance policies, we have to take out insurance policies to cover such contractors' all risks (including third party liability) and employees' compensation as required under the Employees' Compensation Ordinance for the construction projects to cover accidents and injuries of our employees and workers of subcontractors. All the Employees' compensation insurance policies that our customers procured or we procured have been extended to cover any persons worked in our construction site including self-employed or sole proprietors.

During the Track Record Period and as at the Latest Practicable Date, we had also maintained insurance coverage for the operation of our business, against, among other things, accidents and injuries of our employees working at our office premises. The total insurance cost incurred by us amounted to approximately HK\$32.09 million, HK\$33.96 million, HK\$36.35 million and HK\$16.30 million, respectively for each of the three years ended 31 December 2014 and the six months ended 30 June 2015. During the Track Record Period, no member of our Group was required to make any additional payment for settlement of claims because of inability of our insurers or insufficient coverage in the insurance policies taken out by us or by our customers. Taking into account the industry practice, market availability, the relevant contract terms and the applicable laws and regulations of the regions on where we have business operation, our Directors believe that we have obtained adequate insurance coverage for the operation of our business in Hong Kong and Macau during the Track Record Period and as at the Latest Practicable Date.

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### EMPLOYEES

As at Latest Practicable Date, we had 1,336 full-time and 105 part-time employees. A breakdown of our employees by function and geographical location as at the Latest Practicable Date is set forth below:

Function	Number of employees		
	Hong Kong	Macau	Sub-total
Executive Directors, senior management and heads of departments .....	33	3	36
<b>Business divisions</b>			
General building and civil engineering works for construction and maintenance projects .....	574	33	607
Housing management services.....	469	—	469
<b>Supporting departments</b>			
Accounts and administration .....	30	9	39
Quality, environment and safety.....	101	1	102
Procurement and others .....	176	12	188
<b>Total</b> .....	<b>1,383</b>	<b>58</b>	<b>1,441</b>

### Training and recruitment policy

We entered into separate labour contracts with our employees in accordance with the applicable labour laws of Hong Kong and Macau. The remuneration offered to employees generally includes salaries, medical benefits and bonuses. In general, we determine salaries of our employees based on each employee's qualification, position and seniority.

In order to promote employee loyalty and retention, we provide our employees with technical and operational on-job trainings covering various aspects of our operations including contract law, and workplace and occupational safety.

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### Professionals

As at 30 June 2015, 64 members of our staff <sup>(Note)</sup> have professional qualifications such as engineer, surveyor and accountant. The following table sets out details of professional qualifications of our staff:

Licence/qualification	Applicable jurisdiction	Number of qualifications
<b>General building and civil engineering works</b>		
Registered Professional Engineer of the Engineers Registration Board.....	Hong Kong	8
Member of The Hong Kong Institution of Engineers .....	Hong Kong	19
Member of the Institution of Civil Engineers.....	United Kingdom	11
Member of The Institution of Structural Engineers .....	United Kingdom	5
Member of The Institution of Engineers Australia .....	Australia	5
Member of the American Society of Civil Engineers .....	United States	5
Member of The Chartered Institute of Building .....	United Kingdom	9
Member of The Chartered Institution of Building Services Engineers .....	United Kingdom	4
Member of The Institution of Mechanical Engineers.....	United Kingdom	4
Chartered Building Professional of The Australian Institute of Building ...	Australia	4
Member of The Hong Kong Institute of Surveyors.....	Hong Kong	12
Professional Member of The Royal Institution of Chartered Surveyors .....	United Kingdom	15
Fellow of The Institution of Civil Engineering Surveyors.....	United Kingdom	10
Member of the Hong Kong Institute of Construction Managers.....	Hong Kong	9
<b>Others</b>		
Member of the Chartered Institute of Arbitrators .....	United Kingdom	1
Corporate Member of the Hong Kong Institute of Environmental Impact Assessment .....	Hong Kong	2
Fellow of The Association of Chartered Certified Accountants .....	United Kingdom	3
Certified Public Accountant of Hong Kong Institute of Certified Public Accountants .....	Hong Kong	3
Associate of the Institute of Chartered Accountants in England and Wales .....	United Kingdom	1
Certified Internal Auditor of The Institute of Internal Auditors.....	United States	1
Associate of The Hong Kong Institute of Chartered Secretaries .....	Hong Kong	1
Associate of The Institute of Chartered Secretaries and Administrators.....	United Kingdom	1
Member of the Hong Kong Institute of Utility Specialists (BIM Discipline) .....	Hong Kong	1
<b>Total</b> .....		134

*Note:* 40 of these employees have more than one qualification.

### Relationship with employees

Our Directors consider that we maintain good working relationships with our employees. We have not experienced any strikes, work stoppages or labour disputes which affected our operations during the Track Record Period and up to the Latest Practicable Date.

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### MAJOR QUALIFICATIONS, CERTIFICATIONS AND AWARDS

- (1) The following table sets out our Group's major contracting qualifications and licences in Hong Kong as at the Latest Practicable Date:

<b>Relevant authority</b>	<b>Description</b>	<b>Category</b>	<b>Qualification or status (Note 1)</b>	<b>Holder</b>	<b>Period of validity</b>
Works Branch	Approved contractors for public works	Buildings	Group B (on probation)	SFK Civil	<i>Note 2</i>
			Group C	SFK Construction	<i>Note 2</i>
		Port Works	Group C (on probation)	SFK Civil	<i>Note 2</i>
		Roads and Drainage	Group C	SFK Civil	<i>Note 2</i>
			Group B (on probation)	SFK Construction	<i>Note 2</i>
		Site Formation	Group C	Chit Cheung	<i>Note 2</i>
			Group C	SFK Civil	<i>Note 2</i>
		Waterworks	Group B (on probation)	Chit Cheung	<i>Note 2</i>
			Group C (on probation)	SFK Civil	<i>Note 2</i>
			Group A (on Probation)	Chit Cheung	<i>Note 2</i>
	Approved suppliers of materials and specialist contractors for public works	Land Piling (Hand dug caisson)	Group I	SFK Civil	<i>Note 2</i>
		Landslip preventive/ remedial works to slopes/retaining walls	—	SFK Civil	<i>Note 2</i>
		Specialised operations for highway structures	Class I	SFK Civil	<i>Note 2</i>
		Structural steelwork	—	SFK Civil	<i>Note 2</i>
		Electrical Installation	Group III (on Probation)	SFK E&M	<i>Note 2</i>

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Relevant authority	Description	Category	Qualification or status <i>(Note 1)</i>	Holder	Period of validity
Housing Authority	Building contractors of Housing Authority	Building (New works)	Group NW1	SFK Civil	<i>One year from 1 April 2015 to 31 March 2016</i>
		Building (New works)	Group NW2	SFK Construction	<i>One year from 1 April 2015 to 31 March 2016</i>
		Building (Maintenance)	Group M2	SFK Construction	<i>One year from 1 April 2015 to 31 March 2016</i>
	Decoration contractors of Housing Authority	Decoration contractor	Approved	SFK Construction	<i>(Note 2)</i>
	Suppliers for general goods and support services	General goods and support services	Approved	SFK Housing	<i>One year from March 2015 to February 2016</i>
Housing Society	Works managed by Housing Society	Contractor for building maintenance and improvement works	Approved	SFK Construction	<i>(Note 3)</i>
Buildings Department	Registered contractors	Building	Registered general building contractor	SFK Civil	<i>From 31 January 2013 to 6 November 2015 (Note 4)</i>
				SFK Construction	<i>From 31 January 2013 to 6 November 2015 (Note 4)</i>
				SFK Housing	<i>From 17 November 2014 to 1 December 2017 (Note 4)</i>
Electrical and Mechanical Services Department	Electrical works	—	Registered electrical contractors	SFK E&M	<i>From 13 November 2014 to 9 March 2018</i>
Government Property Agency	Cleaning works managed by Government Property Agency	Cleaning Contractor	Approved	SFK Housing	<i>(Note 5)</i>

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Relevant authority	Description	Category	Qualification or status <i>(Note 1)</i>	Holder	Period of validity
Hong Kong Police Force	Cleaning works managed by Hong Kong Police Force	Cleaning Contractor	Approved	SFK Housing	<i>(Note 6)</i>
Leisure and Cultural Services Department	Carpet Cleaning/ Maintenance Cleansing of Premise Public Cleansing and Waste Collection Waste Paper Collection Service	Registered supplier	Approved	SFK Housing	<i>(Note 7)</i>
Security Bureau	Security guarding services	Licensed Security Company	Type I	SFK Housing	<i>Five years from 4 April 2013 to 3 April 2018</i>
Airport Authority	Works managed by Airport Authority	Contractor	Approved	SFK Construction	<i>(Note 8)</i>
Urban Renewal Authority	Works managed by Urban Renewal Authority	Repair/ Maintenance works	Approved	SFK Construction	<i>(Note 9)</i>
Construction Industry Council	Works managed by the Construction Industry Council	Qualified vendor	Approved	SFK Housing	<i>(Note 10)</i>
MTRC	Qualified contractors for operations projects	Building and refurbishment works	Approved	SFK Construction	<i>From 7 October 2011 to 10 November 2016</i>
		Concrete repair and slope protection	Approved	SFK Civil	<i>From 7 October 2011 to 10 November 2016</i>

*Notes:*

1. Please refer to the section headed “Regulatory overview” in this prospectus for further details of the qualifications.
2. Unless the relevant qualification holder ceases to maintain the qualified status, the relevant qualification will not be revoked.

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3. This qualification was obtained on 6 April 2005 with no expiry date specified.
4. Pursuant to the Buildings Ordinance, the registration of a contractor will continue to be in force if it makes an application for renewal within the statutory time limit (i.e. not earlier than four months and not later than 28 days prior to the date of the expiry of the relevant registration) and pays the renewal fee until its application for renewal is finalised by the Building Authority (as defined in the Buildings Ordinance) even if the expiry date has elapsed.
5. This qualification was obtained on 30 January 2001 with no expiry date specified.
6. This qualification was obtained on 15 September 2005 with no expiry date specified.
7. This qualification was obtained on 23 March 2001 with no expiry date specified.
8. This qualification was obtained on 13 August 2004 with no expiry date specified.
9. This qualification was obtained on 23 October 2001 with no expiry date specified.
10. This qualification was obtained on 7 May 2014 with no expiry date specified.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group has obtained all necessary approvals, permits, licences and certificates that are material to our business operations from the relevant government authorities. Contractors qualified or licensed by the relevant authorities are subject to a regulatory regime which is put in place to ensure that standards of financial capability, expertise, management, environmental and safety are maintained by contractors which carry out Hong Kong Government works. The expected time to complete the renewal process is generally around one to four months and our Group intends to renew all existing licences before their respective expiry dates. We had not experienced any refusal of renewal of licences necessary for our daily operations or any non-compliance with relevant laws and regulations of Hong Kong which caused material disruption to our operations during the Track Record Period and up to the Latest Practicable Date. Our Directors do not expect any difficulty or legal impediment in obtaining the renewal licences. Please refer to the section headed “Regulatory overview” in this prospectus for summaries of the applicable laws and regulations of the construction industry of Hong Kong.

As advised by our Hong Kong Legal Counsel, during the Track Record Period and up to the Latest Practicable Date, we had obtained all licences, permit or certificates necessary to conduct our business operation in Hong Kong.

As advised by our Macau legal advisers, DCSM Law Office, during the Track Record Period and up to the Latest Practicable Date, we had made the necessary registration and obtained the necessary licences to carry out our business in Macau.



## BUSINESS

(2) *The following table sets out our Group's major certifications as at the Latest Practicable Date:*

<u>Year of first certification</u>	<u>Nature</u>	<u>Recipient</u>	<u>Description</u>	<u>Awarding organisation or authority</u>	<u>Period of validity</u>
1993	ISO9001: 2008 Quality Management System Accreditation	SFK Construction	Construction of buildings; construction of civil engineering works (roads and drainage); Building activities to keep, restore and improve the facilities of buildings and surroundings	Hong Kong Quality Assurance Agency	19 September 2015 to 18 September 2018
1996	ISO9001: 2008 Quality Management System Accreditation	SFK Civil	Construction of civil engineering works (site formation, waterworks, port works, roads and drainage); Design of civil engineering works(drainage); Design and construction of large diameter bored pile, mini-pile, steel H pile, hand-dug caisson, rock-socketed steel H pile in pre-bored hole and pile cap; construction of buildings; construction of landslip preventive and remedial works to slopes and retaining walls; Maintenance of civil engineering works	Hong Kong Quality Assurance Agency	30 September 2015 to 29 September 2018
1997	ISO9001: 2008 Quality Management System Accreditation	Chit Cheung	Construction of civil engineering works (port works, water works, site formation, roads and drainage); Construction of landslip preventive and remedial works to slopes and retaining walls	Hong Kong Quality Assurance Agency	14 March 2015 to 13 March 2018
2006	ISO9001: 2008 Quality Management System Accreditation	SFK Housing	Provision of cleaning, pest control, security guarding, facility and property management services	Accredited Certification International Limited	19 September 2015 to 19 September 2018
2006	ISO14001: 2004 Environment Management System Accreditation	SFK Housing	Provision of cleaning, pest control, security guarding, facility and property management services	Accredited Certification International Limited	19 September 2015 to 14 September 2018

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Year of first certification	Nature	Recipient	Description	Awarding organisation or authority	Period of validity
2008	OHSAS18001: 2007 Occupational Health and Safety Management System Accreditation	SFK Construction	To carry out the construction of building works; To carry out building activities to keep, restore and improve the facilities of buildings and surroundings	Accredited Certification International Limited	16 December 2014 to 20 December 2017
2008	OHSAS18001: 2007 Occupational Health and Safety Management System Accreditation	SFK Civil	To carry out the construction of building works	Accredited Certification International Limited	16 December 2014 to 20 December 2017
2009	ISO14001: 2004 Environmental Management System Accreditation	SFK Civil	To carry out the construction of building works; Maintenance of civil engineering works	Accredited Certification International Limited	16 December 2014 to 24 January 2018
2010	ISO14001: 2004 Environmental Management System Accreditation	SFK Construction	To carry out the construction of building works; To carry out building activities to keep, restore and improve the facilities of buildings and surroundings	Accredited Certification International Limited	30 November 2013 to 4 December 2016
2011	OHSAS18001: 2007 Occupational Health and Safety Management System Accreditation	SFK Housing	Provision of cleaning, pest control, security guarding, facilities and property management services	Accredited Certification International Limited	13 September 2014 to 24 September 2017
2014	ISO9001: 2008 Quality Management System Accreditation	SFK E&M	Supply, install and maintenance of electrical installation	Accredited Certification International Limited	6 September 2014 to 6 September 2017
2015	ISO50001: 2011 Energy Management System Accreditation	SFK Construction	To carry out the construction of building works	Accredited Certification International Limited	15 August 2015 to 15 August 2018

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- (3) The following table sets out the major awards and recognition obtained by us during the Track Record Period:

Year(s) of award	Nature	Recipient	Award	Awarding organisation or authority
2012	Social responsibility	Our Group	傑出企業社會責任獎 (Outstanding Corporate Social Responsibility Enterprise Award)*	The Mirror (Hong Kong)
	Safety	SFK Construction	Best Site Condition Award	MTRC
	Safety	SFK Construction	「建造業安全獎勵計劃2011/ 2012」裝修及維修工程組別金獎 (Gold Award, Renovation and Maintenance Works, Construction Industry Safety Award Scheme 2011-2012)*	Labour Department
	Safety	SFK Construction	Meritorious Award, Spot the Hazard Competition, Maintenance Contractors Safety Campaign 2011-2012	Airport Authority
	Environmental management	SFK Construction	Outstanding Environmental Management and Performance Merit Award, Considerate Contractors Site Award Scheme 2011	Development Bureau and Construction Industry Council
	Environmental management	SFK Construction	Considerate Contractors Site Silver Award, Considerate Contractors Site Award Scheme 2011	Development Bureau and Construction Industry Council
	Quality	SFK Construction	Merit Award, Hong Kong Non-Residential (Renovation and Revitalisation of Existing Building) Category, Quality Building Award 2012	Hong Kong Construction Association, Hong Kong Institute of Architects, Hong Kong Institute of Construction Managers, Hong Kong Institution of Engineers, Hong Kong Institution of Housing, Hong Kong Institution of Surveyors, Hong Kong Chapter of International Facility Management Association, Hong Kong Quality Assurance Agency and Real Estate Developers Association of Hong Kong

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Year(s) of award	Nature	Recipient	Award	Awarding organisation or authority
	Social responsibility	Our Group	香港星級品牌大獎2012(Hong Kong Star Brands Award 2012, Enterprise)*	Hong Kong Small and Medium Enterprises Association and Hong Kong Trade Development Council
	Safety	SFK Construction	Lowest Reportable Accident Frequency Rate Award	MTRC
	Environmental protection	SFKBJV	Merit Award, Construction, Yan Oi Tang Plastic Recycling Partnership Scheme 2012	Yan Oi Tong, Environment and Conservation Fund and Environmental Protection Department
2014	Quality	SFK Construction	Outstanding Contractor for District Term Contract — Bronze Award, Quality Public Housing Construction & Maintenance Awards 2014	Housing Authority
2015	Environmental management	SFK Construction	Considerate Contractors Site Award, 21st Considerate Contractors Site Award Scheme	Development Bureau and Construction Industry Council

\* Note: For identification purpose only

## INFORMATION TECHNOLOGY

We use a centralised computer system to manage our operations, including subcontracting management, project costing management, equipment management and purchase order management. The computer system also provides an information management platform to facilitate information sharing between our main offices and various construction sites.

In addition, the document management server provides a platform for automating processes to create a paperless environment to improve response time, reduce costs and filing space. It also allows us to handle a large volume of daily documents in order to improve our efficiency through enhanced collaboration and information/knowledge management. The remote user can access the system through the internet.

Furthermore, our Group has been studying ways to apply new technology for our projects. One area of technological advancement is the use of BIM in the construction industry. The Hong Kong Construction Industry Council is encouraging the industry to use BIM and has developed a BIM Standard in project execution plan for Hong Kong in 2014. Our Group has set up Build.it in June 2013

## **BUSINESS**

which positions itself as a BIM-centred construction information technology service provider and serves as the construction information technology consultancy to our Group as well as to government bodies, consultants, subcontractors and suppliers. BIM can give an overall effect of the construction project with 3-dimension projection and model. The 3-dimension projections and models can be downloaded onto mobile devices and use at the site by our workers, without the need to bring any physical drawings to site, which can be difficult and time consuming. More importantly, BIM can help to prevent conflicting designs and can identify any design faults at an early stage which would assist our Group in the tendering process. BIM can also assist in project management by monitoring the construction progress and control costs by generating the quantity of materials needed and assist our internal quantity surveying team in their work.

### **RESEARCH AND DEVELOPMENT**

During the Track Record Period and up to the Latest Practicable Date, we did not engage in any research and development activity.

### **COMPETITION**

Our Directors consider all the general building and civil engineering contractors actively operating in Hong Kong that possess the same contracting qualifications and licences to be our competitors. In construction and maintenance projects, our competitors include those companies that have been approved by the Housing Authority as building contractors under the Group M2 (maintenance) or Group NW2 (new works) or the Works Branch as Group C contractors under the buildings, port works, roads and drainage, site formation and waterworks categories. According to the Ipsos Report, we ranked tenth among all general building main contractors in Hong Kong in terms of revenue in 2014.

As at the Latest Practicable Date, there were 30 and 23 companies as Group M2 and NW2 category respectively and there were 58, 23, 57, 34 and 37 companies as Group C contractors under the buildings, port works, roads and drainage, site formation and waterworks categories, respectively.

The general building and civil engineering main contracting industries in Hong Kong are fragmented with a large number of participants of different sizes and are generally highly competitive. New participants may enter the industry if they have sufficient cash flow, the relevant knowledge and experience and the appropriate skills and machinery. For details of the competitive landscape of the construction industry, please refer to the section headed “Industry overview” in this prospectus. We are able to withstand the competition during economic turmoil in the past two decades (e.g. Asian financial crisis in 1998, severe atypical respiratory syndrome (SARS) in 2003 and US credit crisis in 2008 and 2011) and maintain a steady growth of our business because of our competitive strengths. Please refer to the section headed “Business — Competitive strengths” in this prospectus for details.

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### PROPERTIES

#### Hong Kong

As at the Latest Practicable Date, we leased from a connected person, namely, Great Eagle Group, (i) one property situated at Rooms 3207-10, 32/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong with a gross floor area of approximately 881.65 sq.m., which we used as our Hong Kong office premises and our principal place of business; and (ii) five car parking spaces situated in the Basement two of Great Eagle Centre at 23 Harbour Road, Wanchai, Hong Kong, for our employees' use. Please refer to the section headed "Connected transactions" in this prospectus for details of the tenancy arrangements between Great Eagle Group and our Group.


As at the Latest Practicable Date, we leased 14 properties from Independent Third Parties with an aggregate gross floor area of approximately 5,010.88 sq.m., which we mainly used as office premises for our subsidiaries in Hong Kong, warehouse and site office for our projects, and 22 car parking spaces.

#### Macau

As at the Latest Practicable Date, we leased one property from an Independent Third Party with a gross floor area of approximately 553.24 sq.m., which we mainly used as office premises for our operations in Macau.

As at the Latest Practicable Date, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01B of the Listing Rules to include in this prospectus any valuation reports. Pursuant to Section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

### INTELLECTUAL PROPERTY RIGHTS

We operate our business in Hong Kong with our trademark "" registered in Hong Kong. As at the Latest Practicable Date, our Group has also registered other trademarks in Hong Kong and the PRC and are the registered proprietor of certain domain names, particulars of which are set out in the section headed "Information about our business — Intellectual property rights of our Group" in Appendix IV to this prospectus.

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Our Directors believe that we have taken all reasonable measures to prevent any infringement of our own intellectual property rights. As at the Latest Practicable Date, we were not aware of (i) any pending or threatened claim against our Group for the actual or potential infringement of any intellectual property rights owned by any third party nor had our Group received any claim in relation to such material infringement; or (ii) any material infringement by any third party of any intellectual property rights owned by us that would constitute material adverse impact to our operations.

### OCCUPATIONAL SAFETY

Our Directors are of the view that safety, as part of loss control management, is a vital part of the construction business worldwide, and if not managed properly, it can be extremely costly not only in human terms, but also in monetary terms. Therefore, safety is treated as the highest priority during the delivery of our services and we are committed to providing a safe and healthy working environment for the benefit of our staff, all tiers of the subcontractors and the general public. Our Directors believe that our corporate image as a quality construction company could be enhanced through continual improvement in safety performance. We emphasise on hazard management and risk assessment. Our Directors require strict implementation of our safety system with supervision by our Group's or the subcontractors' management staff. Our safety system works in the following manner:

- in each construction project, we deploy qualified safety officer and safety supervisor, all of them have been registered under Factories and Industrial Undertakings (safety officers and safety supervisors) Regulations and approved by the Labour Department in Hong Kong, to monitor and implement our safety system;
- our safety officers or supervisors conduct regular safety inspections to ensure the construction activities or operations are conducted in safe and proper manners;
- we require our subcontractors to abide by all legislations, codes of practices and guidelines as well as all safety requirements stipulated in our safety manuals and project safety plans;
- we provide safety trainings and re-trainings to all workers at our construction sites on the applicable regulations and the proper safety precautions to be taken;
- non-conformities found during site inspections would be recorded and rectified immediately and any workers who committed such non-conformities would be warned accordingly; and
- during the course of project operation, we hold meetings with subcontractor representatives and workers to discuss safety issues and review their safety performance for ensuring the effectiveness and practicalities of the safety measures taken.

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Our Group's lost time injury frequency rate ("LTIFR") was approximately 5.7, 3.1, 2.9 and 2.1 per million of working hours for each of the three years ended 31 December 2014 and for the period from 1 January 2015 to the Latest Practicable Date, respectively. LTIFR is calculated as number of reportable injuries in a year multiplied by 1,000,000 and divided by the reported man-hours worked by all employees of our Group and our sub-contractors during the relevant period. Reportable injuries refers to accidents resulting in an injury with incapacity for more than three days.

For each of the three years ended 31 December 2014 and the six months ended 30 June 2015, our accident rates were 19.34, 11.37, 10.48 and 7.00 per 1,000 workers, respectively, whereas the industry average for 2012, 2013 and 2014, according to Labour Department were 44.30, 40.80 and 41.90 per 1,000 workers, respectively. We had reported all reportable work safety incidents to the Labour Department as required by the relevant laws and regulations. We will continue to put adequate resources and effort to uphold and improve our safety management system in order to reduce our risks related to safety issues. In addition, we have been granted a number of site safety awards in the past in recognition of our site safety performance. Please refer to the section headed "Business — Major qualifications, certifications and awards" in this prospectus for further details.

Nevertheless, we recorded one fatal accident occurred prior to the Track Record Period and another fatal accident occurred during the Track Record Period resulting in prosecutions which remained outstanding as at the Latest Practicable Date. Two workers of two different subcontractors were respectively involved in these two accidents. Our Directors consider that these two accidents were independent and isolated incidents.

### **Fatal accident occurred prior to the Track Record Period**

#### *Background*

In June 2011, SFK Civil was engaged by the Drainage Services Department under a maintenance contract to carry out closed-circuit television ("CCTV") surveillance work of the underground drains. Three underground drain workers of the subcontractor engaged by SFK Civil were at the scene to carry out the work. During the work, one of these workers went into the drains through a manhole and was believed to have been trapped by water in the drains. He was subsequently rescued by the emergency services but died afterwards.

The relevant works order issued under the maintenance contract with the Drainage Services Department required for carrying out, amongst other incidental works, CCTV surveillance work to the underground drains. Since those CCTV works usually carry out by way of placing a self-propelled wheels camera into the underground drains, the surveillance works would be monitored and recorded onto a DVD recorder with monitor stationed on ground. No worker was required to enter the drains to carry out the CCTV work. The deceased and the other two workers had received recognised safety training and possessed certificates as "Confined Space Safety Training Course for Certified Workers engaged in Drainage Services Department's Works". The deceased ought to possess necessary and sufficient knowledge to appreciate the risks and safety procedures in entering underground drains.



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### *Prosecutions against SFK Civil*

On 15 December 2011, eight summonses were issued under the Magistrates Ordinance (Chapter 227 of the Laws of Hong Kong) against SFK Civil in relation to the accident alleging the breach of Sections 6A(1), 6A(2)(a), 6A(3) and 13(1) of the Factories and Industrial Undertakings Ordinance and Sections 6(1)(a)(ii), 6(1)(a)(iii), 6(1)(b), 7(f)(ii), 9(b), 10(1), 11(1), 14(1)(a) and 14(1)(b) of the Factories and Industrial Undertakings (Confined Spaces) Regulation. SFK Civil submitted not guilty pleas to all those summonses. The summonses had been adjourned on 25 June 2012. Although either party is in liberty to apply for restoration, no such application had been made to restore the summons as at the Latest Practicable Date. For particulars of the eight summonses, please refer to the section headed “Business — Legal proceedings and non-compliance — Outstanding claims and litigations against our Group as at the Latest Practicable Date” in this prospectus.

### *Regulatory actions against SFK Civil*

A panel of enquiry was convened on 7 October 2014 in accordance with the Development Bureau Technical Circular (Works) No. 3/2009 to enquire whether or not SFK Civil had caused or contributed to the incident and if so, what sort of regulatory action to be taken. The panel of enquiry had concluded that the violations of the safe system of work could hardly be regarded as isolated acts due to the deceased’s mentality and the incident had reflected weakness in the supervision, management and implementation in the safe operation and management system. According to the recommendations from the panel after the enquiry by way of a letter from the Works Branch on 27 October 2014, the regulatory actions taken against SFK Civil was a voluntary suspension from tendering to public works under the category of “Roads and Drainage” for a period of seven months with effect from 3 November 2014 together with an independent safety audit be carried out to the project. For details of voluntary suspensions, please refer to the paragraph headed “Operating procedures — Tendering — Suspension from tendering for projects under the Works Branch” in this section. During the period of voluntary suspension from tendering, there were seven tenders under the “Road and Drainage” category available for tendering for Group C contractor in the Gazette. Our Group accepted the above recommended regulatory actions. The independent safety audit was conducted on 27 and 28 January 2015 by an accredited safety auditor who was selected by the Works Branch. On 13 February 2015, after the audit assessment, an audit report was issued by the accredited safety auditor and concluded the overall safety performance of SFK Civil was satisfactory and made several recommendations to our Group for improving the safety management. SFK Civil accepted all the recommendations and implemented the same as contained in the action plan for improvement. On 5 March 2015, SFK Civil submitted to the Works Branch the independent safety audit report together with the action plan for improvement for their formal approval. The Works Branch was satisfied of the improvement made by SFK Civil and uplifted the voluntary suspension on 3 June 2015. As the panel of enquiry is an administrative procedure for management of contractors and is not a legal proceeding, any recommendations or decisions from the panel carry no effect onto the trial to the aforesaid eight summonses.

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### *Our Hong Kong Legal Counsel's view*

As advised by our Hong Kong Legal Counsel, the maximum total possible penalty for the breach of the relevant regulations would be a fine of HK\$1,600,000 and the likely penalty would be a fine below HK\$390,000. Based on the understanding that (i) our Group had, so far as reasonably practicable, provided and maintained a safety system for underground drainage works; (ii) our Group had honestly and reasonably believed that the workers had done their job properly according to the established system of work and in compliance with the applicable laws and regulations; and (iii) the accident was caused by the intentional and deliberate deviation of established procedures by the deceased and the workers, our Hong Kong Legal Counsel is of the view that our Group has a reasonable chance of success in defending against the summonses.

### *Our Directors' view*

Our Directors are of the view that our safety management system, including a safety plan, annual safety training and supervision, was implemented which was in line with the industry practice and complied with the requirements in the Factories and Industrial Undertakings (Safety Management) Regulation and the Code of Practice on Safety Management issued by the Labour Department. We also regularly conduct internal safety audit to examine the established procedures for confined space entry. Our Directors are of the view that it was unreasonable for us to suspect there would have been any fault in the system before the accident happened and the fatal accident was caused by the workers who deviated from the nature of the works specified in the works order and from our established safety system.

Although SFK Civil was voluntarily suspended from tendering for public works under the "Roads and Drainage" category for a period of seven months with effect from 3 November 2014 to 3 June 2015 on the basis that:

- (i) SFK Civil could still tender for public works under other categories and for private works;
- (ii) other members of our Group who possess the requisite licences and qualifications could still tender for the projects under the same category; and
- (iii) after the seven months period of voluntary suspension, our Group had higher aggregate value of contracts in hand of approximately HK\$6,549.09 million as at 30 June 2015, comparing with approximately HK\$4,509.50 million as at 31 December 2014;

our Directors are of the view that such voluntary suspension did not have a material adverse impact on our Group's operations and financial position.

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### **Fatal accident occurred during the Track Record Period**

#### *Background*

On 21 March 2014, a worker, who was also the proprietor of the subcontractor of the subcontractor of SFK Construction we engaged, died as a result of a fire. SFK Construction was engaged by the Architectural Services Department under a maintenance contract to carry out the timber flooring works in a residential flat managed by the Architectural Services Department. On 21 March 2014, two workers engaged by a subcontractor of the subcontractor of SFK Construction, including the deceased, were at the scene to carry out the works. While the deceased, who was also the proprietor of the subcontractor of SFK Construction's subcontractor worked alone in grinding the completed timber flooring by a hand-held electrical grinder and was believed that his clothing caught fire. The proprietor subsequently died as a result of the serious burn to his body.

The relevant repair works usually requires to take out the damaged timber floor tiles and to replace with new floor tiles. New floor tiles will then be ground to provide a flush and smooth surface with adjoining floor tiles and be applied with several coats of Sanprene C-810 composed of acetone, ethylbenzene and xylenes to produce gross finish. The nature of such domestic works and the work place would normally pose no danger to life at all.

The deceased was a registered construction worker and had completed mandatory safety training course recognised by the Labour Department. The deceased was ought to possess sufficient knowledge to appreciate the risks and safety procedures in applying acetone. Although timber flooring repair involves the use of acetone, a flammable chemical, circumstantial evidence revealed that the incident did not involve any storage and/or application of an excessive amount of flammable chemicals at the scene. Neither did the incident involve any improper handling of faulty machinery and equipment.

#### *Prosecutions against SFK Construction*

On 20 September 2014, eight summonses were issued under Magistrates Ordinance (Chapter 227 of the Laws of Hong Kong) against SFK Construction in relation to breach of regulations 6(1)(c), and 16(1) Factories and Industrial Undertakings (Dangerous Substances) Regulations, Sections 6A(1), 6A(2)(a), 6A(2)(c), 6A(3) and 13(1) of the Factories and Industrial Undertakings Ordinance, and regulations 8(1) and 34(2) of the Factories and Industrial Undertakings (Safety Management) Regulation. For particulars of the eight summonses, please refer to the section headed "Business — Legal proceedings and non-compliance — Outstanding claims and litigations against our Group as at the Latest Practicable Date" in this prospectus.

#### *Our Hong Kong Legal Counsel's view*

As advised by our Hong Kong Legal Counsel, the total maximum possible penalty for the breach of the relevant regulations would be a fine of HK\$1,450,000 and the likely penalty would be a fine below HK\$280,000. Based on the understanding that (i) our Group had taken all precautions that were reasonably practicable within our power and control to avoid the accident and the commission of the

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offence; (ii) the accident was caused by the unsafe usage of equipment by the deceased and his own carelessness; and (iii) the system adopted by our Group has addressed foreseeable dangers concerned and has in fact been implemented and maintained, our Hong Kong Legal Counsel is of the view that our Group has a reasonable chance of success in defending against the summonses.

### *Our Directors' view*

Although a panel of enquiry may be convened after the industrial summonses in accordance with the Development Bureau Technical Circular (Works) No. 3/2009 to determine the cause of the accident and regulatory actions to be taken against SFK Construction, our Directors, based on the fact that there was no evidence showing the accident was caused by our fault, our previous experience with the regulatory action against SFK Civil in the fatal accident occurred before Track Record Period which is of similar magnitude and the corresponding guidelines provided for the regulatory action against contractors under the Development Bureau Technical Circular (Works) No. 3/2009, are of the view that any regulatory action recommended by the panel would unlikely be more severe than a voluntary suspension of tendering for public works of “Building” category for seven months together with an independent safety audit be carried out to the project. For details of voluntary suspensions, please refer to the paragraph headed “Operating procedures — Tendering — Suspension from tendering for projects under the Works Branch” in this section. As at the Latest Practicable Date, there is no indication as to when a panel of enquiry will be convened.

If the panel recommend a voluntary suspension of tender, SFK Construction would be suspended from tendering for public works under Group C of “Building” category for a period of time, the length of which is dependent on a number of factors including, but not limited to, the nature and severity of the offence. However, it normally takes a number of months for the panel to be convened and prior to the issuance of a decision by the panel, SFK Construction would not be suspended from tendering for new projects under the same category unless and until the panel has reached a decision. Notwithstanding that the fatal accident occurred in a project under the Architectural Services Department, SFK Construction had successfully tendered for and been awarded with a contract under the Architectural Services Department in July 2015.

To ensure that any possible suspension of tender would not have a material adverse impact on our Group in the future:

- (i) SFK Construction will continue to tender for public works under Group C of “Building” category prior to the possible suspension;
- (ii) we will tender for more contracts under other categories as well as for private works to maintain sufficient project pipeline in case a suspension from tender for public work under Group C of “Building” category is recommended by the panel; and
- (iii) we will also tender for smaller scale public works under Group B of “Building” category.

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During the Track Record Period, we have recognised HK\$539.02 million, HK\$540.98 million, HK\$484.58 million and HK\$301.38 million, respectively, from Group C public works of “Building” category, representing 19.2%, 19.1%, 17.6% and 26.4% of our revenue. Having taken into the consideration that, (i) we had a total of 21 projects for general building works and seven projects for civil engineering works on hand as at the Latest Practicable Date and are expected to recognise revenue of approximately HK\$6,302.79 million from these projects after the Track Record Period; (ii) if SFK Construction is prohibited from tendering for the public works of “Building” category, SFK Construction can still tender for projects under the Roads and Drainage category or tender for private works, such as projects for a theme park; and (iii) SFK Civil, a contractor approved in carrying out Group B (probation) public work of the “Building” category, can also tender for smaller scale public works of “Building” category, our Directors are of the view that any possible suspension of tendering as mentioned above would not have a material adverse impact on our operation and financial performance.

### **Post accidents actions**

After the occurrence of these fatal accidents, we had made certain ex-gratia payments to the family members of the deceased. Meanwhile, the lawful compensations plus the relevant legal expenses were fully covered by our insurance policies. As such, we did/would not incur any expenses in connection with the accidents. Our Directors confirmed that we have not experienced material interruption to our operations as a result of these accidents. Our Directors also believe that none of these accidents had and would have material adverse impact on our business, financial condition and results of operations. After the two fatal accidents, we had investigated the cause of these accidents and had also engaged an external safety consultant to conduct an independent safety investigation to review the relevant safety measures involved. Based on our findings and the recommendation of the external safety consultant, we had implemented a number of enhanced safety measures.

After the fatal accident in June 2011, we implemented the following enhanced safety measures in addition to our regular safety procedures to prevent future accidents of similar nature:

- (a) we had first suspended the workers and staff involved in the accident from carrying out any works under that particular contract and subsequently expelled them from working in our sites;
- (b) we held a special safety meeting to explain the improvement and enhancement measures to be implemented and revised the safety plan accordingly;
- (c) we provided additional trainings or re-trainings on confined space works to the workers under the contract; and
- (d) we issued a specific memorandum to subcontractors to remind all competent persons and qualified persons of their responsibilities and duties to the confined space works.

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After the fatal accident on 21 March 2014, we implemented the following enhanced safety measures in addition to our regular safety procedures to prevent future accidents of similar nature:

- (a) we initiated a checking on all electrical hand tools used in the project;
- (b) we issued a safety reminder and provided trainings on “Correct procedures for applying glossy polyurethane coating to wood flooring” to the staff working on site after the fatal accident and launched a safety campaign to increase safety awareness;
- (c) we explored the possibility to use alternative floor coating material to replace the material used in the fatal accident; and
- (d) we will assign a supervisor to oversee the floor coating application process for similar projects in the future.

### *Safety and health related prosecutions*

During the Track Record Period and up to the Latest Practicable Date, there have been 41 counts of prosecution against us as a result of violation of applicable laws or regulations in respect of safety and health in Hong Kong, such as the Factories and Industrial Undertakings Ordinance, arising out of 19 incidents. However, none of these prosecutions has led to a removal, downgrading or demotion of our Group’s qualifications or licences during the Track Record Period. Our Directors are of the view that general causes of deficiencies were negligence or inadvertency of the staff of our subcontractors rather than the staff of our Group. During the Track Record Period, the total amount of fine paid by us on legal proceedings in relation to safety and health was approximately HK\$346,600.

Our Directors, after reviewing the number of violations and claims after the implementation of rectification and internal control measures and remedial actions, are of the view that the rectification and internal control measures and remedial actions are effective.

Contractors qualified or licensed by the Works Branch are subject to a regulatory regime which is put in place to ensure that standards of financial capability, expertise, management and safety are maintained by contractors which carry out Hong Kong Government works. Please refer to the section headed “Regulatory overview” in this prospectus for details of categorisation of qualification or licence and a brief description of the regulating actions.

## ENVIRONMENTAL MATTERS

The construction industry inevitably has an impact on the environment and construction activities are the source of many environmental problems. Our construction business, whether in Hong Kong or Macau, is subject to certain local laws and regulations in relation to environmental protection. Please refer to the section headed “Regulatory overview” in this prospectus for further information about such laws and regulations. As advised by our Hong Kong Legal Counsel, we have obtained all the required permits and approvals for the projects carried out by us during the Track Record Period

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

We are committed to sustainable construction and minimisation of any adverse impact on the environment resulting from our business activities. In the course of delivery of our services, we shall:

- focus on prevention of pollution, waste minimisation and resource conservation as critical considerations within our core management process;
- comply with applicable legal requirements and other requirements which relate to its environment aspects; and
- establish, implement and maintain the environmental management system and strive for continual improvement in environmental performance.

Normally, our contracts with customers provide that we shall provide environmental plans for their approvals before commencements of works. In addition, in order to comply with the applicable environmental protection laws, we have established an environmental management system in accordance with ISO14001:2004 international standards and were awarded ISO14001 certification in 2006. We assign separate resources to update our environment management system and maintain our ISO14001 certification in order to reduce our risks related to environmental issues. We promote environment-friendly construction worksites and install facilities and put in place environment control measures at our construction sites as appropriate.

During the Track Record Period, there have three counts of prosecution against us as a result of violation of laws or regulations under the Noise Control Ordinance. The causes of these deficiencies were negligence or inadvertency of the staff of our subcontractors but not the staff of our Group. Two counts of prosecution arose from carrying construction activity without a valid construction noise permit and the third count of prosecution arose from the carrying out of construction work in breach of conditions of a construction noise permit. During the Track Record Period and up to the Latest Practicable Date, the total amount of fine paid by us for environmental related prosecution was HK\$120,000 in aggregate. To pursue compliance with the relevant environmental regulations on sites, we have taken steps to enhance our internal control measures, please refer to the paragraph headed "Legal proceedings and non-compliance — Environmental-related non-compliance" in this section for details. During the Track Record Period, we have not suffered, as a result of the said prosecution, from any termination of our operating licences, or being disqualified from tendering process. We will continue to ensure implementation of our policy on environmental management as mentioned above to avoid violation of applicable laws or regulations in respect of environment.



## BUSINESS

### LEGAL PROCEEDINGS AND NON-COMPLIANCE

#### Particulars of litigations, arbitrations and claims pending or threatened against our Group

In the ordinary course of our business, our Group had been subject to a number of claims and prosecutions, mainly related to (i) personal injuries suffered by our employees or our Group's subcontractors in accidents arising out of and in the course of their employment; and (ii) safety, health, environment and licensing-related violations. Our Directors are of the view that occurrence of personal injuries is not uncommon in the industry. In the past, there were accidents which occurred in connection with our construction and maintenance projects, which resulted in persons being injured during the Track Record Period and up to the Latest Practicable Date. All of the outstanding claims in relation to personal injury, safety and health are being handled by our Group's insurance companies. Our Directors are of the view that such claims are well covered by insurance and would not result in any material impact on the financial position or results and operations of our Group.

Our Directors confirm that all material information relating to all material litigation and potential claims against our Group have been disclosed in this prospectus and save as disclosed below, we have not been involved in any other litigation, proceedings, or claims during the Track Record Period and as at the Latest Practicable Date, the outcome of which we believe might, individually or taken as a whole, materially and adversely affect our business, operations or financial condition.

#### (a) Outstanding claims and litigations against our Group as at the Latest Practicable Date

1. Nature of incident	Contractual claim
Date of incident	8 May 2001
Name(s) of Plaintiff(s)/ Applicant(s)/Claimant(s)	Lee Siu Wah (deceased)
Name(s) of the Defendant(s)/ Respondent(s)	SFK Construction
Underlying causes	The plaintiff pledged his shares (the " <b>Pledged Shares</b> ") of a company known as Many Harvest Construction Company Limited (" <b>MHCCL</b> ") to SFK Construction as security for performance of a contract in relation to a Housing Authority project and allegedly SFK Construction had proceeded with the transfer and subsequent sale of the Pledged Shares without the knowledge and consent of the plaintiff.
Amount/estimated quantum of damages claimed (for civil claims)/maximum possible penalty (for criminal litigation)	Return of the Pledged Shares to the plaintiff, or equivalent market value and damages and/or account of proceeds due to the sale of Pledged Shares
Insurance coverage	Not applicable
Status	Remained outstanding as at the Latest Practicable Date ( <i>Note 1</i> )



## BUSINESS

2. Nature of incident	Eight criminal charges in relation to breach of Sections 6A(1), 6A(2)(a), 6A(3) and 13(1) of the Factories and Industrial Undertakings Ordinance and Sections 6(1)(a)(ii), 6(1)(a)(iii), 6(1)(b), 7(f)(ii), 9(b), 10(1), 11(1), 14(1)(a) and 14(1)(b) of the Factories and Industrial Undertakings (Confined Spaces) Regulation
Date of incident	17 June 2011
Name(s) of Plaintiff(s)/ Applicant(s)/Claimant(s)	Hong Kong Government
Name(s) of the Defendant(s)/ Respondent(s)	SFK Civil
Underlying causes	SFK Civil was alleged to have failed to (i) provide and maintain a system of work for underground drainage work, so far as was reasonable practicable, safe and without risks to health of the person; (ii) ensure that no worker entered into a confined space within the industrial undertaking unless a risk assessment report had been verified, a certificate had been issued, all recommendations in the risk assessment report had been complied with and effective steps had been taken to prevent an in-rush of free flowing solid or liquid in accordance with the Factories and Industrial Undertakings (Confined Spaces) Regulation; (iii) ensure that the person, entering in that particular confined space within the industrial undertaking was properly wearing an approved breathing apparatus of a type that gave appropriate protection given the nature of the confined space; (iv) formulate and implement appropriate procedures to deal with the serious and imminent danger, namely, drowning, to workers inside the confined space; and (v) provide, to all workers working within a confined space in the industrial undertaking or assisting with such work from immediately outside the confined space, such instructions, training and advice as were necessary to ensure the safety and health of all workers in the confined space. For details, please refer to the section “Business — Occupational safety — Fatal accident occurred prior to the Track Record Period” in this prospectus.
Amount/estimated quantum of damages claimed (for civil claims)/maximum possible penalty (for criminal litigation)	As advised by our Hong Kong Legal Counsel, the maximum total possible penalty for the breach of the eight criminal charges is a fine of HK\$1,600,000 and the likely penalty would be a fine below HK\$390,000

## BUSINESS

	Insurance coverage	Not applicable
	Status	<i>(Note 2)</i>
3.	Nature of incident	Motor vehicle-related claim
	Date of incident	23 February 2014
	Name(s) of Plaintiff(s)/ Applicant(s)/Claimant(s)	Lou Kin Cheong, David
	Name(s) of the Defendant(s)/ Respondent(s)	SFK E&M
	Underlying causes	Negligent driving by one of our employees, where SFK E&M was the registered owner of the relevant motor vehicle
	Amount/estimated quantum of damages claimed (for civil claims)/maximum possible penalty (for criminal litigation)	Quantum of damages claimed — Not stated
	Insurance coverage	The claim is covered by insurance
	Status	Remained outstanding as at the Latest Practicable Date
4.	Nature of incident	27 accidents resulting in outstanding personal injury claims and/or employees' compensation claims <i>(Note 3)</i>
	Date of incident	<i>(Note 3(i))</i>
	Name(s) of Plaintiff(s)/ Applicant(s)/Claimant(s)	<i>(Note 3(ii))</i>
	Name(s) of the Defendant(s)/ Respondent(s)	<i>(Note 3(iii))</i>
	Underlying causes	<i>(Note 3(iv))</i>
	Amount/estimated quantum of damages claimed (for civil claims)/maximum possible penalty (for criminal litigation)	<i>(Note 3(v))</i>
	Insurance coverage	All claims were/will be covered by insurance
	Status	<i>(Note 3(vi))</i>

## BUSINESS

5. Nature of incident	Eight criminal charges in relation to breach of regulations 6(1)(c) and 16(1) of the Factories and Industrial Undertakings (Dangerous Substances) Regulations, Sections 6A(1), 6A(2)(a), 6A(2)(c), 6A(3) and 13(1) of the Factories and Industrial Undertakings Ordinance, and regulations 8(1) and 34(2) of the Factories and Industrial Undertakings (Safety Management) Regulation
Date of incident	21 March 2014
Name(s) of Plaintiff(s)/ Applicant(s)/Claimant(s)	Hong Kong Government
Name(s) of the Defendant(s)/ Respondent(s)	SFK Construction
Underlying causes	SFK Construction was alleged to have failed to (i) label the dangerous mixture with the trade name of the mixtures and the particulars prescribed in accordance with Factories and Industrial Undertakings (Dangerous Substances) Regulations; (ii) provide and maintain a system that were, so far as was reasonably practicable, safe and without risks to health of the person employed; (iii) provide such information, instruction and training as was necessary to ensure, so far as was reasonably practicable, the health and safety at work of the persons employed; (iv) develop, implement and maintain in respect of the relevant industrial undertaking a safety management system which contained the elements specified in the Factories and Industrial Undertakings (Safety Management) Regulation. For details, please refer to the section “Business — Occupational Safety — Fatal accident occurred during the Track Record Period” in this prospectus.
Amount/estimated quantum of damages claimed (for civil claims)/maximum possible penalty (for criminal litigation)	As advised by our Hong Kong Legal Counsel, the maximum total possible penalty for the breach of the eight criminal charges is a fine of HK\$1,450,000 and the likely penalty would be a fine below HK\$280,000
Insurance coverage	Not applicable
Status	(Note 4)

## BUSINESS

*Notes:*

1. The proceedings have been taken over by the joint and several trustees for the property of Mr. Lee Siu Wah (the “**Trustees**”), who was declared bankrupt in June 2007, details of which are set out below:
  - (i) Mr. Lee Siu Wah (“**Mr. Lee**”) was the former director and shareholder of MHCCL.
  - (ii) A management agreement in relation to a Housing Authority project (the “**Contract**”) was entered into between SFK Construction and a company known as Grand Smart Engineering Limited (“**Grand Smart**”) in October 1999, under which Mr. Lee and the other had executed a deed of pledge (“**Deed of Pledge**”) and a deed of guarantee and indemnity as security for Grand Smart’s performance pursuant to the Contract.
  - (iii) In April 2001, Imperial Investment Limited acquired 50% shares in MHCCL (the “**Acquired Shares**”) from two other shareholders of MHCCL.
  - (iv) In May 2001, the Pledged Shares were transferred to SFK Construction.
  - (v) In September 2007, SFK Construction sold the Pledged Shares to Sun Fook Kong Construction (Concrete Product) Limited (“**SFK Concrete**”), an indirect wholly-owned subsidiary of SFK Group which does not form part of our Group, and the Pledge Shares remained in the hands of SFK Concrete as at the Latest Practicable Date.
  - (vi) The writ of summons, together with the statement of claim, were first served by Mr. Lee on SFK Construction on 15 November 2006. SFK Construction had duly filed and served the defence and counterclaim of approximately HK\$18.22 million on 17 January 2007 after the statement of claim was amended by Mr. Lee on 21 November 2006. The amended statement of claim was further amended on 4 May 2007.
  - (vii) Mr. Lee, a declared bankrupt, passed away on 11 October 2007. The Trustees filed a notice to act on 7 January 2008, and took out a summons on 8 January 2008 to seek leave from the court for filing & serving re-re-amended statement of claim. Leave had not been granted.
  - (viii) As stated on the intended filing of re-re-amended statement of claim, the Trustees sought for (a) a declaration that the registration of the Pledged Shares at the companies registry in May 2001 be cancelled or be rendered null void and of no legal effect and that Mr. Lee was the sole beneficial owner of the Pledged Shares; (b) damages for breach of the deed of pledge and conversion of the Pledged Shares; (c) damages for the alleged misrepresentations from SFK Construction that the execution of the instrument of transfer in respect of the Pledged Shares was merely procedural and the transfer of the Pledged Shares was a mistake and SFK Construction would arrange the cancellation; (d) an account or inquiry of all the Pledged Shares, including but not limited to the proceeds of the sale of the Pledged Shares, if any; and (e) alternatively, a fair consideration equivalent to the market value of the Pledged Shares or the sum no lesser than the actual amount paid by SFK Construction in relation to the Acquired Shares.
  - (ix) Since the summons took out on 8 January 2008 and up to the Latest Practicable Date, we had received 63 letters from the Trustees in relation to the matter. However, the Trustees had since taken no further action to restore the hearing and/or apply for summary judgment.
  - (x) There is no market value to the Pledged Shares as MHCCL is a private company and has ceased to carry on any business operation since 2004.

## BUSINESS

Having considered the background of the case, our Hong Kong Legal Counsel advised that SFK Construction has a good defence in the legal proceeding for the reasons being that (i) the transfer of the Pledged Shares from Mr. Lee to SFK Construction in May 2001 under the Deed of Pledge was legally valid; (ii) the disposal of the Pledged Shares from SFK Construction to third party in September 2007 was legally valid; and (iii) the Trustee's allegation against the no valuable considerations for the transfer of the Pledged Shares is untenable.

Based on the above, our Directors believe the likelihood of the Trustees succeeding in the claim or any further litigation against our Group is remote, and that the above dispute with Mr. Lee or the Trustees will not have any material adverse effect on the business operations and financial position of our Group. Even if we failed to establish our counterclaim of approximately HK\$18.22 million as stated above, we would only be required to return the Pledged Shares which were not held by any member of our Group as at the Latest Practicable Date. To further mitigate the associated potential risks involved, our Controlling Shareholders have, pursuant to the Deed of Indemnity, undertaken to indemnify our Group from any loss arising from the claim and to procure SFK Concrete to return the Pledged Shares to SFK Construction in the event that the court subsequently ordered a specific performance requiring the return of the Pledge Shares to the Trustees, such that SFK Construction shall be able to fulfil such court order to return the Pledged Shares.

2. The summonses had been adjourned indefinitely on 25 June 2012. Although either party has the liberty to apply for restoration, no such application had been made to restore the summonses as the Latest Practicable Date.
3. Among the 27 accidents which resulted in personal injury claims (“**PI Claims**”) and/or employees’ compensation claims (“**EC Claims**”) and remain outstanding as set out in the table above,

- (i) 11 arose from accidents occurred prior to 1 January 2012, nine from accidents occurred during the year ended 31 December 2012, five from accidents occurred during the year ended 31 December 2013, two from accidents occurred during the year ended 31 December 2014, nil from accidents occurred during the six months ended 30 June 2015 and nil from accidents occurred subsequent to 30 June 2015 and up to the Latest Practicable Date;
- (ii) 25 accidents were in relation to the employees of our Group or our subcontractors and the remaining two were in relation to third parties;
- (iii) our Group was joined as a defendant in the capacity as a main contractor in all 27 accidents;

(iv) Cause of accident	Number of accident
Injured whilst lifting or carrying	5
Slipped and fell	4
Fell from height	5
Struck by objects	7
Struck by moving vehicle in construction sites	2
Contact with moving machinery or object being machined	1
Others	3
	27

- (v) as the outstanding claims are being dealt with and handled by the insurers and their appointed solicitors, our Group did not incur legal expenses associated with the personal injury claims and employees’ compensation claims as such legal expenses will be covered by our insurance policies or recovered from our subcontractors. As at the Latest Practicable Date, based on the information provided by the solicitors appointed by the insurers and the damages that could be ascertained from the relevant statements of claim available to us on eight of the 23 outstanding personal injury claims and one of the ten outstanding employees’ compensation claims, the solicitors estimated that the aggregate damages claimed by the plaintiffs would be approximately HK\$17.2 million. Save for this, we are not in the position to assess the likely quantum of the other 24 outstanding claims which will be matters to be decided by the relevant courts; and

## BUSINESS

(vi)

Status of accident	Number of accident	Number of claims outstanding as at Latest Practicable Date	
		EC claims	PI claims
Both personal injury claim and employees' compensation claims filed by the relevant injured persons remained outstanding as at the Latest Practicable Date .....	6	6	6
The employees' compensation claims filed by the relevant injured persons were settled by insurers up to the Latest Practicable Date, while the personal injury claim remained outstanding as at the Latest Practicable Date .....	10	—	10
No employees' compensation claim was filed by the relevant injured persons since the injured persons were not our employees at the relevant time, while the personal injury claim remained outstanding as at the Latest Practicable Date .....	2	—	2
No employees' compensation claim was filed by the relevant injured persons as at the Latest Practicable Date, while the personal injury claim remained outstanding as at the Latest Practicable Date .....	5	—	5
No personal injury claim was filed by the relevant injured person as at the Latest Practicable Date, while the employees' compensation claim remained outstanding as at the Latest Practicable Date .....	2	2	—
The injured persons had informed us of their intentions to commence personal injury claims as at the Latest Practicable Date, while the employees' compensation claim remained outstanding as at the Latest Practicable Date .....	2	2	—
	<u>27</u>		

4. The hearings in relation to the eight summonses took place on 18 December 2014. SFK Construction submitted non-guilty plea to all those summonses. The cases were scheduled for mention on 23 July 2015, and were adjourned to 24 December 2015.

Of the 27 accidents which resulted in outstanding EC claims and/or PI claims, two of them has also resulted in convicted charges against our Group during the Track Record Period and up to the Latest Practicable Date. We have been fined HK\$32,000 for such convictions and the fine has been duly paid by us.

During the Track Record Period and up to the Latest Practicable Date, we were also involved in some litigation and arbitration proceedings (other than the personal injuries and employees' compensation cases) and other prosecutions as a result of violation of applicable laws and regulations in Hong Kong which our Directors consider to be immaterial to the operation and financial performance of our Group.

<b>BUSINESS</b>
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**(b) Potential claims and litigation against our Group as at the Latest Practicable Date**

Apart from those outstanding claims and litigations as set out in this section, our Group may face potential claims and litigations on the following incidents:

**(i) *Civil actions in respect of the two fatal accidents occurred prior to and during the Track Record Period***

As set out in the paragraph headed “Occupational safety” in this section, we face outstanding prosecutions against us in relation to two fatal accidents. In addition to these prosecutions, civil actions may be brought against our Group for compensation. However, as at the Latest Practicable Date, no relevant civil legal proceedings had been commenced against us.

**(ii) *A possible litigation in relation to claims on damages to properties when we carried out our project works***

We recorded a case involving water damage to one of the properties where we were carrying out renovation works for the residential building during the Track Record Period. We were claimed for compensation of HK\$415,000 on the damages. As at the Latest Practicable Date, no writ in relation to this incident has been served on us. Since we had not reported the claim to the relevant insurance company within the stipulated time frame, the claim would not be covered by our insurance policy. Our Directors considered that the claim amount or any settled amount, if we were required to pay at our own expense will be deducted from our fee to subcontractor for causing the alleged damage accordingly and will not adversely affect our financial position.

**(iii) *Further claims on our settled and outstanding claims and litigations***

In relation to those accidents as set out in incident numbered 4 in the table under “Outstanding claims and litigations against our Group as at the Latest Practicable Date” in this paragraph, we may face further claims on our settled and outstanding claims and litigation.

As at the Latest Practicable Date, we had a total of 14 potential personal injury claims and seven potential employees’ compensation claims. All injured persons have suffered insignificant bodily injuries and to the best knowledge of our Directors, all the claims have no material financial and operational impact on our Group. Since no civil action has commenced, the claims, when filed, will be handled by solicitors appointed by the insurers, we are not in a position to assess the likely quantum of such potential claims.

In any event, our Group has insurance coverage for its liabilities of all these accidents and as at the Latest Practicable Date, notices of the accidents had been given to the insurers. The mandatory insurance held by our Group covers up to HK\$200 million for each isolated incident. For the 21 potential claims, it is expected that the injured persons would be fully covered by the mandatory insurance held by our Group.

## BUSINESS

Save as disclosed in this prospectus, no other claim, litigation or arbitration of material importance was known to our Directors to be pending or threatened against any member of our Group during the Track Record Period and as at the Latest Practicable Date.

### **Non-compliance matters of our Group during the Track Record Period and up to the Latest Practicable Date**

Our Hong Kong Legal Counsel is of the view that, during the Track Record Period and up to the Latest Practicable Date, we had complied with all the applicable laws and regulations in Hong Kong in all material aspects for the business operation of our Group, save as disclosed in this prospectus and save for the systemic non-compliance incidents numbered 1 and 2 below. Our Macau legal advisers, DCSM Law Office are of the view that, during the Track Record Period and up to the Latest Practicable Date, we had complied with all the applicable laws and regulations and obtained all the relevant licences, permits and approvals required for our operations in Macau.

#### **Systemic non-compliances**

##### **1. *Safety and health-related non-compliance***

During the Track Record Period and up to the Latest Practicable Date, we were convicted to the offences under the following safety and health-related laws and regulations as set out below.

<b>Name of subsidiary</b>	<b>Date of non-compliance incident</b>	<b>Number of counts</b>	<b>Incident of non-compliance</b>	<b>Relevant laws and regulations</b>
SFK Construction	17 May 2012	1	Failed to take adequate steps to prevent a person on the site from falling from height of more than 2 metres	Regulations 38B(1), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations
	17 August 2012	1		
	13 September 2012	1		
	14 September 2012	1		
	27 November 2012	1		
	18 March 2013	1		
	18 June 2012	1	Failed to ensure workmen used the suitable goggles which were provided for the protection of that workman	Regulations 43(b), 68(1)(a) and 68(2)(b) of the Construction Sites (Safety) Regulations
	25 June 2012	1		
	27 June 2012	3		
	22 April 2013	1		
	18 June 2012	1	Failed to take all reasonable steps to ensure workmen who were not wearing suitable safety helmets did not remain on the site	Regulations 48(1)(b), 68(1)(a) and 68(2)(b) of the Construction Sites (Safety) Regulations
	27 June 2012	1		
	22 April 2013	1		



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Name of subsidiary	Date of non-compliance incident	Number of counts	Incident of non-compliance	Relevant laws and regulations
SFK Civil	27 November 2012	1	Failed to ensure that, so far as is reasonably practicable, suitable and adequate safe access to and egress from every place of work on the site is provided and properly maintained	Regulations 38A(2), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations
	27 June 2013	1	Larvae or pupae of mosquitoes were found on premise consisting of a building site of which there was an appointed contractor	Regulations 27(3) and 150 of the Public Health Municipal Services Ordinance
	16 March 2015 <sup>(3)</sup>	2	Failure to provide and maintain system of work for assembly that were safe and without risk to health	Sections 6A(1), 6A(2)(a)&(c), 6A(3) and 13(1) of the Factories and Industrial Undertakings Ordinance
	16 March 2015 <sup>(3)</sup>	3	Failed to identify and rectify the hazardous conditions of persons working at height	Regulations 38A(1)(a)-(c), 68(1)(a) and 68(2)(f) of the Construction Sites (Safety) Regulations
	2 August 2012 <sup>(1)</sup>	1	Failed to ensure that every dangerous part of the machinery was effectively guarded	Regulations 44(1)(c), 68(1)(a) and 68(2)(b) of the Construction Sites (Safety) Regulations
	14 August 2012 <sup>(2)</sup>	1	Failed to ensure that the lifting appliance was not used for raising, lowering or carrying persons other than in accordance with regulation 18B(1) of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations	Regulations 18B(2) and 19 of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations

## BUSINESS

Name of subsidiary	Date of non-compliance incident	Number of counts	Incident of non-compliance	Relevant laws and regulations
	28 October 2013 <sup>(1)</sup>	2	Failed to ensure (i) the double or multiple sling was not used in raising or lowering or as a means of suspension if the upper ends of the sling legs were not connected by means of a shackle, ring or link of adequate strength and (ii) the chain, rope or lifting gear had clearly and legibly marked on it its safe working load	Regulations 18(1)g, 18A(a) and 19 of the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations
	8 May 2013 <sup>(1)</sup>	1	Failed to take adequate steps to prevent a person on the site from falling from height of more than 2 metres	Regulations 38B(1), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations
	24 February 2014 <sup>(1)</sup>	2	Failed to ensure that, so far as is reasonably practicable, suitable and adequate safe access to and egress from every place of work on the site is provided and properly maintained	Regulations 38A(2), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations
		1	Failed to ensure that no material with sharp objects which was a source of danger to workmen were left on site when the sharp objects were a source of danger to workman employed there	Regulations 51(1), 68(1)(a) and 68(2)(b) of the Construction Sites (Safety) Regulations
		1	Failed to ensure workman used the suitable goggles which were provided for the protection of that workman	Regulations 43(b), 68(1)(a) and 68(2)(b) of the Construction Sites (Safety) Regulations

## BUSINESS

Name of subsidiary	Date of non-compliance incident	Number of counts	Incident of non-compliance	Relevant laws and regulations
	16 March 2015 <sup>(3)</sup>	2	Failure to provide and maintain system of work for assembly that were safe and without risk to health	Sections 6A(1), 6A(2)(a)&(c), 6A(3) and 13(1) of the Factories and Industrial Undertakings Ordinance
	16 March 2015 <sup>(3)</sup>	3	Failed to identify and rectify the hazardous conditions of persons working at height	Regulations 38A(1)(a)-(c), 68(1)(a) and 68(2)(f) of the Construction Sites (Safety) Regulations
Chit Cheung	5 March 2014	2	Failed to ensure that (i) the lifting appliance be marked with a clear indicator of safe working load; and (ii) the lifting appliance was used for carrying persons in accordance to regulation	Regulations 7J(1), 18(1)(b) and 19 Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations
	20 April 2015	1	Failed to take adequate steps to prevent a person on the site from falling from a height of more than two metres	Regulations 38B(1), 68(1)(a) and 68(2)(g) of the Construction Sites (Safety) Regulations

*Notes:*

1. The non-compliance incident arose from a project awarded to FSFKJV.
2. The non-compliance incident arose from a project awarded to SFKBJV.
3. As partners to the Joint Operation, both SFK Construction and SFK Civil were separately prosecuted for the same incident involving SFKJV.

The project manager and the foreman of the relevant sites were responsible for the supervision of the relevant construction and maintenance projects at the respective material times. The non-compliance incidents were inadvertent mistakes committed by the relevant workers of our subcontractors, but not by our direct employees.

A total sum of HK\$346,600 was imposed on us as fine for the 41 charges in relation to the breach of safety and health-related laws and regulations arising out of 19 incidents. As at the Latest Practicable Date, we had duly paid the fine and no provision had to be made.

## BUSINESS

Upon identification of the aforesaid incidents of non-compliances, our Group has taken steps to enhance our internal control measures to prevent recurrence of the non-compliances. Our internal control measures include, but not limited to:

- (a) the responsible project manager shall thoroughly investigate the primary and root causes of the incident and shall rectify any deficiencies (if found) and strengthen the safety training into that particular causes;
- (b) the safety manager shall conduct safety meeting with all project safety officers for bringing attentions of the incident and its detailed deficiencies or improvement measures required. Each project safety officer shall review and implement the relevant improvement measures within the site which the safety officer presided; and
- (c) the safety manager shall conduct safety project directors committee meeting for bringing attention to the high level management staff of the incidents and its detailed deficiencies or improvement measures required.

Our Group has designated Mr. Yung Kim Man, director of our safety and environmental construction and civil division, to monitor the overall compliance and implementation of the enhanced internal control measures. Please refer to the section headed “Directors and senior management — Board of Directors — Executive Directors” in this prospectus for the biographical details of Mr. Yung Kim Man.

### 2. *Environmental-related non-compliance*

During the Track Record Period and up to the Latest Practicable Date, we were found to have failed to comply with the following environmental laws and regulations as set out below.

Name of subsidiary	Date of non-compliance incident	Number of counts	Event of non-compliance	Relevant law and regulation
SFK Construction	26 February 2012	1	Used powered mechanical equipment for the purpose of carrying out construction work other than percussive piling in respect of which a construction noise permit was not in force	Sections 6(1)(a) and 6(5) of the Noise Control Ordinance
	7 April 2013	1	Carried out construction work otherwise than in accordance with the conditions of a construction noise permit in force	Sections 6(2)(b) and 6(5) of the Noise Control Ordinance

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Name of subsidiary	Date of non-compliance incident	Number of counts	Event of non-compliance	Relevant law and regulation
Chit Cheung	14 December 2014	1	Carried out percussive piling in respect of which a construction noise permit was not in force	Sections 6(3)(a) and 6(5) of the Noise Control Ordinance

The project manager and site general foreman of the relevant sites were responsible for the supervision of the relevant construction and maintenance projects at the respective material times. The non-compliance incidents were inadvertent mistakes committed by the relevant workers of our subcontractors but not by our direct employees.

An aggregated sum of HK\$120,000 was imposed on us as fine for the three charges in relation to the breach of environment-related laws and regulations. As at the Latest Practicable Date, we had duly paid the fine and no provision had to be made. Since the aggregated fine amounted to an insignificant amount and no further regulatory actions were taken, our Directors are of the view that there is no material impact on the financial position, operation and licences of our Group.

Upon identification of the aforesaid incidents of non-compliances, our Group has taken steps to enhance our internal control measures to prevent recurrence of the non-compliances. To pursue compliance with the relevant environmental regulations on sites, we have taken steps to enhance our internal control measures, which include but not limited to (i) conducting regular on-site inspections to our workers and subcontractors to ensure compliance with relevant environmental requirements; (ii) issuing memo and guidelines and providing induction trainings and toolbox talk to our workers and subcontractors so as to draw their attention to our environmental policy, our environmental management plan and applicable environmental laws and regulations; (iii) promoting the environmental awareness of our workers by displaying our environmental policy statements, posters, signs and non-compliance statistics at conspicuous locations, such as conference rooms and site entrances, and distributing bulletins or newsletters drawing attention to particular environmental issues; (iv) recognition and commendation of our workers and subcontractors with good performance on environmental nuisance abatement and waste management; (v) conducting regular meeting to discuss environmental issues; and (vi) in preventing from committing offences related to the Noise Control Ordinance, we have designed and implemented in Jan 2015 a permit to works system to ensure that (a) a valid construction noise permit (“CNP”) should be in place and (b) the conditions of a CNP is to be complied with, prior to commencement of any works using powered mechanical equipment or pile driving machine. A standard form “Permit to Conduct Restricted-hour Works and Percussive Piling” shall be filled in for applying any construction works to be conducted during restricted hours or involved percussive piling. Subcontractors are required to submit the filled form with details of the proposed construction work. Project environmental officer will check against the details and verify that there is a valid CNP in force and the proposed details are in line with the conditions of that CNP. The application requires the approval of the site agent and a photocopy of the approved form shall be displayed at a prominent location in the works area. Our Group has designated Mr. Yung Kim Man to monitor the overall compliance and implementation of the enhanced internal control measures. Please refer to the section headed “Directors and senior management — Board of Directors — Executive Directors” in this prospectus for the biographical details of Mr. Yung Kim Man.

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### **Indemnity by our Controlling Shareholders to our Company for any loss on the above outstanding litigation and non-compliance incidents**

Pursuant to the Deed of Indemnity, our Controlling Shareholders have undertaken to indemnify our Company against any losses, liabilities or damages suffered by or falling on any member of our Group in respect of and to the extent arising from or relating to the claims and non-compliance of any legal and/or regulatory requirements of any jurisdiction on or before the Listing Date. As such, our Directors consider that the outstanding claims and non-compliance incidents will not have a material impact on our Group's business, operation and financial position. For details of the Deed of Indemnity, please refer to the section headed "Other information — Tax and other indemnities" in Appendix IV to this prospectus.

### **VIEWS OF OUR DIRECTORS AND THE SOLE SPONSOR**

After considering the following facts and basis:

- (i) the voluntary suspension of a subsidiary of our Group from tendering did not have any material adverse impact on our Group's operation and financial position due to the reasons set out in the paragraph headed "Fatal accident occurred prior to the Track Record Period" in this section;
- (ii) the possible suspension of a subsidiary of our Group from tendering would not have any material adverse impact on our Group's operation and financial position due to the reasons set out in the paragraph headed "Fatal accidents occurred during the Track Record Period" in this section;
- (iii) enhanced safety measures were put in place and remedial actions were effectively carried out after the two fatal accidents;
- (iv) employee compensation and personal injury claims against our Group during the Track Record Period were fully covered by the insurance policies maintained by our Group; and
- (v) the total amount of fine paid by us during the Track Record Period and up to the Latest Practicable Date in relation to our safety and health related convictions was only approximately HK\$346,600 and that the said convictions did not result in the removal, downgrading or demotion of our qualifications or licences;

our Directors are of the view, and the Sole Sponsor concurs, the fatal accidents, the convictions in relation to the breach of safety and health-related laws and regulations, and the accidents which resulted in personal injury claims and/or employees' compensation claims disclosed in this section would not have material adverse impact on our Group's operation and financial position.

As set out in the paragraphs headed "Occupational safety", "Environmental matters" and "Legal proceedings and non-compliance" in this section, our Group has laid down and implemented additional safety measures to enhance internal control measures in order to monitor ongoing compliance with the relevant laws and regulations to prevent the recurrence of non-compliance

## BUSINESS

incidents in the future. On the basis that (i) our accident rates had been lower than the industry average and had been decreasing during the Track Record Period; (ii) we had a low number of environmental-related non-compliance incidents during the Track Record Period; and (iii) we have been continuously accredited and re-accredited with ISO 14001 and OHSAS 18001 qualifications in respect of the our environmental management system and occupational safety and health management system, our Directors believe, and the Sole Sponsor concurs that, these measures are adequate and effective to promote a safer and healthier environment for the workers at our construction sites and to prevent recurrence of the non-compliance incidents.

Furthermore, our Directors are of the view, and the Sole Sponsor concurs, that given the litigations, prosecutions and past non-compliance incidents did not involve any dishonesty on the part of our Directors or cast any doubt on their integrity or competence, they do not affect (i) their suitability to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules; or (ii) our Company's suitability of Listing under Rule 8.04 of the Listing Rules.

### **TREASURY MANAGEMENT, RISK MANAGEMENT AND CORPORATE GOVERNANCE**

#### *Treasury management*

We generally fund our project expenditure with internal resources and by bank loans if necessary. Our accounts department is responsible for the day-to-day monitoring and management of our Group's cash inflows and outflows when conducting our business. The objective of our treasury management policy is to, even under adverse conditions, (i) ensure proper and efficient fund collection and deployment such that there is no shortfall in cash which may interrupt our Group's daily business operations; and (ii) meet all our payment obligations and fund our projects on a timely basis. In general, our Group maintains adequate liquidity which is sufficient to cover our operating cash outflows, including but not limited to all project expenditures and administrative operating expenses. In the event of any potential liquidity shortfall, our accounts department will respond by making reasonable arrangements, such as drawdown of bank loans, to meet our working capital needs and fulfil our payment obligations.

With our internal resources and bank facilities readily available for drawdown, our Group had not experienced any shortfall in cash resources for meeting our liquidity needs during the Track Record Period and up to the Latest Practicable Date.

#### *Risk management*

Other than workplace safety, we have established a set of risk management and internal control policies and measures covering other aspects of our operations, including but not limited to:

- (a) revenue and receipts;
- (b) capital expenditure management;
- (c) purchases, expenses and payments;

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- (d) human resources and payroll;
- (e) treasury management; and
- (f) financial reporting.

For details of the major risks identified by our management, please refer to the section headed “Risk factors — Risks relating to our Group” in this prospectus.

*Corporate governance*

We have adopted or will adopt the following corporate governance and internal control measures to monitor the ongoing implementation of our risk management policies and corporate governance measures after Listing, prevent recurrence of non-compliance with applicable laws and regulations and recurrence of non-compliance incidents:

- (a) we will establish an audit committee prior to the Listing, which will establish formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations;
- (b) our internal control measures, policies and procedures which were codified, adopted and implemented by us, have been updated and revised;
- (c) subject to recommendation from our audit committee, we will appoint external internal control adviser to perform periodic review of our internal control system to evaluate the effectiveness and formulate plans and recommendations for improvement of our internal control measures and policies;
- (d) our Group will appoint Mr. Lam Wai Ki, Davie, a member of our senior management, as compliance officer. He will be responsible for, among other things, the oversight of compliance of applicable laws and regulations;
- (e) our Group has appointed Mr. Yeung Cho Yin, William as our chief financial officer and Ms. Tang Yuen Wah, Rity as our company secretary. Details of which are set out in the section headed “Directors and senior management — Senior management” in this prospectus;
- (f) we have appointed Innovax Capital as our compliance adviser upon the Listing to provide advice to our Directors and management team in respect of matters relating to the Listing Rules; and
- (g) each of our Directors has received and reviewed a training memorandum prepared by our Hong Kong legal advisers and attended a training session conducted by our Hong Kong legal advisers in relation to responsibilities and duties of directors of a listed company in Hong Kong.



## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### OVERVIEW

Our Controlling Shareholders are SFK Group, Good Target and Mr. Lo. Immediately upon completion of the Global Offering and the Capitalisation Issue, Mr. Lo will, via Good Target, Ocean Asset and SFK Group, indirectly and beneficially own in total 75% of the issued share capital of our Company taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme. Good Target was incorporated in the BVI on 8 May 1997 and is an investment holding company. Ocean Asset was incorporated in the BVI on 28 July 2004 and is an investment holding company. As at the Latest Practicable Date, both Good Target and Ocean Asset were wholly owned by Mr. Lo. SFK Group was incorporated in the BVI on 8 June 1999 and is an investment holding company. As at the Latest Practicable Date, SFK Group was owned as to approximately 71.39% by Good Target and 18.94% by Ocean Asset.

Apart from our business relating to construction and maintenance projects in Hong Kong and construction projects in Macau, our Controlling Shareholders and their associates are currently operating other businesses via Great Eagle Group, which is principally engaged in property development, hotels and properties leasing, and SFK Group Companies, which are principally engaged in property development, equities investment, design of minor works, cyclical inspection and building safety inspection (the “**Excluded Businesses**”) and such Excluded Businesses will not form part of our Group after Listing. As at the Latest Practicable Date, Mr. Lo, who is a deputy managing director and an executive director of Great Eagle, was deemed to be interested in approximately 33.75% of the issued share capital of Great Eagle. In addition, as at the Latest Practicable Date, Mr. Lo, who is a director of SFK Group, was interested in approximately 90.33% of the issued share capital of SFK Group.

None of our Controlling Shareholders is interested in any business which is, whether directly or indirectly, in competition with our business. To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-Competition in favour of our Company to the effect that each of them will not, and will procure each of their respective close associates (other than members of our Group) not to, directly or indirectly, participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

### DELINEATION OF BUSINESS

Operations of our Group are independent and separate from the businesses operated by the companies which are excluded from our Group (the “**Excluded Group**”). Our Directors are of the view that there is a clear delineation between the Excluded Businesses and our business, as a result of which none of the Excluded Businesses would compete, or is expected to compete, directly or indirectly, with our core business. None of the members of the Excluded Group is engaged in any business relating to construction and maintenance projects in Hong Kong and construction projects in Macau that competes or may compete with us. The Excluded Businesses were not injected into our Group as our Directors are of the view that such businesses neither form part of our core business nor are in line with our strategy to maintain our position as one of the leading general building main contractors in Hong Kong.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### *Design of minor works, cyclical inspection and building safety inspection business of the Excluded Group*

Fujitac, being a member of the Excluded Group, is a company principally engaged in the design of minor works and cyclical inspection and building safety inspection by an inspector registered with the Buildings Department, whereas our Group is principally engaged in the construction and maintenance projects and thus the nature of business between Fujitac and our Group is different and can be clearly differentiated. Unlike our Group, Fujitac is not a contractor registered with the Buildings Department or an approved contractor under the List of Approved Contractors. Given that Fujitac is not eligible to tender for any public works contract and maintenance works from the Buildings Department, our Directors are of the view that the business carried on by Fujitac will not have any direct or indirect competition with our business.

Our Group is principally engaged in construction and maintenance projects in Hong Kong and construction projects in Macau, whereas the Excluded Businesses comprise principally property development, hotels and properties leasing and equities investment. Given the different nature of our business and the Excluded Businesses, our Directors do not expect there to be any overlap or competition of the Excluded Businesses and our business after Listing.

### NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders has undertaken to us in the Deed of Non-Competition that he/it will not, and will procure his/its close associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business that directly or indirectly competes, or may compete, with our business or undertaking (the “**Restricted Activity**”), or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by our Group from time to time except where our Controlling Shareholders hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not control 10% or more of the board of directors of such company.

Further, each of our Controlling Shareholders has undertaken to procure that if any new business investment or other business opportunity relating to the Restricted Activity (the “**Competing Business Opportunity**”) is identified by or made available to him/it or any of his/its close associates, he or it shall, and shall procure that his or its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Competing Business Opportunity to our Company by giving written notice (the “**Offer Notice**”) to our Company of such Competing Business Opportunity within 30 business days of identifying the target company (if relevant) and the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity;

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- upon receiving the Offer Notice, our Company shall seek approval from our Board or a board committee (in each case comprising only independent non-executive Directors) which has no interest in the Competing Business Opportunity (the “**Independent Board**”) as to whether to pursue or decline the Competing Business Opportunity (any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity);
- the Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group’s strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisors and legal advisors to assist in the decision-making process in relation to such Competing Business Opportunity;
- the Independent Board shall, within 30 business days of receipt of the written notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity;
- our Controlling Shareholders shall be entitled but not obliged to pursue such Competing Business Opportunity if he/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 days’ period mentioned above; and
- if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by our Controlling Shareholders, he/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their close associates cease to hold, whether directly or indirectly, 30% of our Shares or our Shares cease to be listed on the Stock Exchange.

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-Competition includes the following provisions:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
- each of our Controlling Shareholders has undertaken to us, and will procure his/its relevant close associates that he/it or any of his/its close associates will provide all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-Competition;

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- we will disclose the review by our independent non-executive Directors on the compliance with and the enforcement of, the Deed of Non-Competition and the decisions on matters reviewed by our independent non-executive Directors (including the reasons for not taking up the Competing Business Opportunity referred to our Company) either through our annual report or by way of announcement to the public in compliance with the Listing Rules;
- each of our Controlling Shareholders will make an annual declaration on the compliance with the Deed of Non-Competition in our annual report in accordance with the principle of voluntary disclosure in the corporate governance report; and
- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of Deed of Non-Competition, he/it may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Bye-laws.

## INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates (other than our Group) after Listing for the following reasons:

### **Management Independence**

We have our own management team with substantial experience and expertise in the building construction and civil engineering independent from the Controlling Shareholders or their respective close associates (other than members of our Group). The principal businesses of Great Eagle Group are property development, hotels and properties leasing whereas SFK Group Companies are principally engaged in property development and equities investment.

Our Directors are satisfied that we can manage our business independently of Great Eagle Group and SFK Group Companies, the Controlling Shareholders and their respective subsidiaries particularly with respect to the following factors:

#### *(a) Board structure*

The Board comprises seven Directors, amongst them three are independent non-executive Directors who have extensive experience in different areas or professionals and are appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Directors believe that the presence of the Directors from different background provides a balance of opinion. Furthermore, the Board acts collectively by majority decisions in accordance with the Bye-laws and the applicable laws, and no single Director is supposed to have any decision-making unless authorised by the Board.

Save for Mr. Chan, none of our Directors or senior management currently holds any directorship or senior management role in Good Target, Great Eagle Group or SFK Group Companies. Mr. Chan is a director and (in the case of PRC-established companies) legal representative for most of SFK Group Companies. Mr. Chan does not expect to devote substantial time in the management of SFK Group Companies going forward save for attending the board meetings of certain members of SFK Group Companies from time to time. It is expected that Mr. Chan will spend substantially most of his working time in the operations of our Group after Listing.

### *(b) Disclosure of interest*

According to the Bye-laws, if any Director is in any way, directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company, he will have to declare the nature of his interest to the Board at his earliest convenience.

### *(c) Participation in board meetings and voting therein*

According to the Bye-laws, each Director is entitled to one vote in meetings of the Board and a simple majority is required to approve any business considered therein. Except in certain circumstances as set out in the Bye-laws, Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Bye-laws) is materially interested, and if he shall do so his vote shall not be counted (nor is he counted in the quorum for that resolution).

As far as Mr. Chan is concerned, he will voluntarily abstain from voting in any resolution of the Board approving any business or transactions between our Group and SFK Group Companies.

In the event that Mr. Chan is required to absent himself from any board meeting on any matter which may give rise to a potential conflict of interest with the SFK Group Companies, our remaining Directors will have sufficient expertise and experience to fully consider any such matter. Notwithstanding the directorship of Mr. Chan in most of SFK Group Companies, our Directors, including the independent non-executive Directors, are of the view that our Board is able to manage our business on a full time basis independently from SFK Group Companies for the following reasons:

- (i) none of our businesses undertaken or carried on by SFK Group Companies competes with our core business, and there are adequate corporate governance measures in place to manage the existing and potential conflicts of interest. Therefore, the dual roles assumed by Mr. Chan will not affect the requisite degree of impartiality of our executive Directors in discharging their fiduciary duties owed to our Company;

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ii) we have three independent non-executive Directors, and certain matters of our Company, including matters referred to in the Deed of Non-competition, details of which are set out in the section headed “Relationship with our Controlling Shareholders — Non-competition undertakings” above, must always be referred to the independent non-executive Directors for their review. This helps to enhance the independence of our management from that of SFK Group Companies;
- (iii) in the event of a conflict of interests, Mr. Chan will abstain from voting, will not be present in the relevant Board meetings and will be excluded from deliberation by our Board. Hence, Mr. Chan will not be able to influence our Board in making decisions on matters in which he is, or may be, interested. We believe all of our Directors, including the independent non-executive Directors, have the requisite qualifications, integrity and experience to maintain an effective board and observe their fiduciary duties in the event of a conflict of interests. Please refer to the section headed “Directors and Senior Management — Board of directors — Independent non-executive Directors” in this prospectus for a summary of the relevant experience and qualifications of our Directors; and
- (iv) save as disclosed herein, our daily operations will be managed by our senior management team, none of whom currently holds any senior managerial position or directorship position within SFK Group Companies.

### *(d) Participation in general meetings and voting therein*

The Bye-laws do not impose any restriction on Shareholders to attend general meetings of our Company nor to vote at any resolution proposed therein; however where our Company has knowledge that any Shareholder, under the Listing Rules, is required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted. Any transaction between us and Great Eagle Group or SFK Group Companies shall be governed by Chapter 14A of the Listing Rules, which provides that certain categories of connected transactions shall be subject to independent Shareholders’ approval.

As a director of SFK Group, Mr. Lo has the right to attend any general meeting of our Company if so authorised by SFK Group. Mr. Lo shall not vote at any resolution proposed at a general meeting in approving any contract or arrangement or other proposal in which he or his associates including Great Eagle Group and SFK Group Companies has any material interest when independent Shareholders’ approval is required under Chapter 14A of the Listing Rules.

### **Operational Independence**

Save for our office premises which are leased from Moon Yik, we operate independently from our Controlling Shareholders and their respective close associates as (a) there will be no difficulty for us in relocating to alternative premises; (b) we have established our business independent of that of our Controlling Shareholders; and (c) the business nature of the Great Eagle Group is distinct from that of our Group. We have independent access to our customers and suppliers and are also in

## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

possession of all relevant licences necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently from our Controlling Shareholders.

Although we entered into certain transactions which will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules after Listing, such transactions have been entered into and will continue to be entered into on normal commercial terms and in the ordinary course of business of our Company. The details of the connected transactions that will continue after Listing are set out in the section headed “Connected transactions” in this prospectus.

### **Financial Independence**

All loans, advances and balances due from our Controlling Shareholders and their respective close associates had been fully settled and all loans, advances and balances due to our Controlling Shareholders had been fully repaid. All share pledges and guarantees provided by/to our Controlling Shareholders and their respective close associates on our Group’s borrowing had been fully released. Accordingly, we believe we are able to maintain financial independence from our Controlling Shareholders and their respective associates. In addition, we have our own internal control and accounting systems, accounts department for cash receipts and payment and independent access to third-party financing.

### **CORPORATE GOVERNANCE MEASURES**

Our Controlling Shareholders and their respective close associates may not compete with us as provided in the Deed of Non-Competition. Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act as our Shareholders’ and our best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the Global Offering, we have amended our Bye-laws to comply with the Listing Rules. In particular, our Bye-laws provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself from the board meetings on matters in which such Director or his close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

- (c) we are committed that our Board should include a balanced composition of executive and independent non-executive Directors. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors and Senior Management — Board of Directors — Independent non-executive Directors” in this prospectus; and
- (d) we have appointed Innovax Capital as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and corporate governance.



## CONNECTED TRANSACTIONS

### OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, our Directors, substantial shareholders and chief executive or those of our subsidiaries (other than the directors, substantial shareholders and chief executive of our insignificant subsidiaries), any person who was our Director or a director of our subsidiaries within 12 months preceding the Listing Date and any of their associates will become a connected person of our Company upon Listing. Upon Listing, our transactions with such connected persons will constitute connected transactions under Chapter 14A of the Listing Rules.

During the Track Record Period, we have entered into certain related party transactions and such transactions had been discontinued or ceased prior to Listing. Our Directors confirm that after Listing, the following transactions between our Group and the relevant connected persons will continue, which will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

**(A) Continuing connected transactions which are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement**

**(1) *Tenancy Agreement in respect of Office Premises, Master License Agreement in respect of Car Parking Spaces and Renewed Tenancy Agreement in respect of Office Premises and Car Parking Spaces***

On 20 December 2012, SFK Management as tenant entered into a tenancy agreement (the “**Tenancy Agreement**”) with Moon Yik as landlord, pursuant to which Moon Yik agreed to lease to SFK Management properties situated at Suites 3201-2, 3206-10, 32nd Floor, Great Eagle Centre (the “**Building**”), 23 Harbour Road, Wanchai, Hong Kong (the “**Office Premises**”), with a total GFA of approximately 881.64 sq.m. for office use. The Office Premises is used as our head office. The Tenancy Agreement has a term of three years commenced from 1 April 2013 and ending on 31 March 2016 at a monthly rental (exclusive of government rates, air-conditioning charge and service charge in relation to the management of the Office Premises) of HK\$569,400, a monthly air-conditioning charge of HK\$30,747.60 (subject to adjustment) and a monthly service charge of HK\$43,179.50 (subject to adjustment). Our expenses under the Tenancy Agreement (including the air-conditioning charge and the service charge) for each of the three years ended 31 December 2014 and the six months ended 30 June 2015 were HK\$5,280,229, HK\$7,190,856, HK\$7,855,442 and HK\$3,948,219, respectively.

Our Directors estimate that the annual caps under the Tenancy Agreement will be HK\$8,295,000 and HK\$2,285,000<sup>(1)</sup> for each of the two years ending 31 December 2016, respectively. Such estimate is based on (a) the rental of the Office Premises, the air-conditioning charge and the service charge payable to Moon Yik under the Tenancy Agreement; (b) possible adjustment in the air-conditioning charge (due to increase in the operating cost of air cooling services of the Building) and service charge (due to increase in the management fee of the Building); and (c) and other outgoings related to the services or facilities provided to SFK Management in relation to the Office Premises.

## CONNECTED TRANSACTIONS

The rental to be paid to Moon Yik under the Tenancy Agreement was negotiated on an arm's length basis with reference to the advice of an independent property valuer advising on the lease arrangement under the Tenancy Agreement that the valuer had carried out necessary research and enquiries and advised that the rental was at current market level at the relevant time and the terms of the Tenancy Agreement were considered as fair and reasonable. The Tenancy Agreement was entered into on normal commercial terms. The rental to be paid under the Tenancy Agreement is to be reviewed every three years, taking into account the market conditions and the prevailing market rent at the relevant time and no less favourable than that offered to Independent Third Parties.

Knight Frank has reviewed the terms of the Tenancy Agreement and confirmed such terms are on normal commercial terms under the prevailing market condition and the agreed monthly rental payable by our Group is fair and reasonable.

Historically, Moon Yik as licensor has granted a license to SFK Management for the use of five car parking spaces (numbers B2-03, B2-06, B2-11, B2-32 and B2-38) (the **"Car Parking Spaces"**) within the car park situated in Basement 2 of the Building, together with the right to use the entrance and drive-ways in the Building so far as the same are necessary to the enjoyment of the Car Parking Spaces. On 21 May 2015, SFK Management as licensee entered into a master license agreement (the **"Master License Agreement"**) with Moon Yik as licensor, to govern the use of the Car Parking Spaces together with the right to use the entrance and drive-ways in the Building so far as the same are necessary to the enjoyment of the Car Parking Spaces. The Master License Agreement has a term commenced from 1 May 2015 and ending on 31 March 2016 at an aggregate monthly license fee of HK\$19,700, subject to renewal on such terms and conditions to be determined by both parties. Our expenses under the Master License Agreement for each of the three years ended 31 December 2014 and the six months ended 30 June 2015 were HK\$96,000, HK\$135,000, HK\$213,000 and HK\$118,200, respectively.

Our Directors estimate that the annual caps under the Master License Agreement will be HK\$236,400 and HK\$59,100<sup>(2)</sup> for each of the two years ending 31 December 2016, respectively.

The fees to be paid to Moon Yik under the Master License Agreement were negotiated on an arm's length basis and reflected the prevailing market fee of similar properties, taken into account the actual condition of the locations where the Car Parking Spaces are situated. The Master License Agreement was entered into on normal commercial terms.

Knight Frank has reviewed the terms of the Master License Agreement and confirmed that such terms are on normal commercial terms under the prevailing market condition and the agreed monthly license fee payable by our Group is fair and reasonable.

On 21 September 2015, SFK Management and Moon Yik entered into a renewed tenancy agreement (the **"Renewed Tenancy Agreement"**) to renew the Tenancy Agreement and the Master License Agreement. Pursuant to the Renewed Tenancy Agreement, Moon Yik agreed to (a) lease to SFK Management the Office Premises for a term of three years commencing from 1 April 2016 and ending on 31 March 2019 at a monthly rental (exclusive of government rates, air-conditioning charge

## CONNECTED TRANSACTIONS

and service charge in relation to the management of the Office Premises) of HK\$596,731.20, a monthly air-conditioning charge of HK\$34,923.20 (subject to adjustment) and a monthly service charge of HK\$53,713.40 (subject to adjustment); and (b) grant to SFK Management a license to use the Car Parking Spaces during the term of the Renewed Tenancy Agreement at the prevailing monthly license fee (subject to adjustment as Moon Yik or the carpark manager of the Car Parking Spaces may prescribe from time to time).

Our Directors estimate that the annual caps under the Renewed Tenancy Agreement will be HK\$7,130,000, HK\$9,701,000, HK\$9,990,000 and HK\$2,516,000<sup>(3)</sup> for each of the four years ending 31 December 2019, respectively. Such estimate is based on (a) the rental of the Office Premises, the license fees of the Car Parking Spaces, the air-conditioning charge and the service charge under the Renewed Tenancy Agreement; (b) possible adjustment in the license fees of the Car Parking Spaces, the air-conditioning charge (due to increase in the operating cost of air cooling services of the Building) and the service charge (due to increase in the management fee of the Building); and (c) and other outgoings related to the services or facilities provided to SFK Management in relation to the Office Premises.

In order to ensure that there will not be any disruption to the operation of our head office, our Directors consider that it is necessary to start negotiating and renew the Tenancy Agreement a few months ahead of the expiry of the Tenancy Agreement such that in case the Tenancy Agreement cannot be renewed and relocation is required, sufficient time would be given to our Group to identify alternate suitable premises and arrange logistics and administrative matters for the relocation. Accordingly, our Directors consider that it is fair and reasonable and in the interests of our Group and our Shareholders as a whole for SFK Management and Moon Yik to enter into the Renewed Tenancy Agreement about six months prior to the expiry of the Tenancy Agreement.

The fees to be paid to Moon Yik under the Renewed Tenancy Agreement were negotiated on an arm's length basis taken into account the market conditions and the prevailing market rates and fees of similar properties in the vicinity. The Renewed Tenancy Agreement was entered into on normal commercial terms.

Knight Frank has reviewed the terms of the Renewed Tenancy Agreement and confirmed such terms are in normal commercial terms under the prevailing market condition and the agreed monthly rental of the Office Premises payable by our Group is fair and reasonable.

Moon Yik is an indirect wholly-owned subsidiary of Great Eagle and Mr. Lo, our Controlling Shareholder, is the deputy managing director, an executive director and a controlling shareholder of Great Eagle. As such, Moon Yik is a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Tenancy Agreement, the Master License Agreement and the Renewed Tenancy Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

## CONNECTED TRANSACTIONS

Since each of applicable percentage ratios (other than the profits ratio) for (a) the Tenancy Agreement and the Master License Agreement on an aggregated basis; and (b) the Renewed Tenancy Agreement on a standalone basis is expected to be more than 0.1% but less than 5% on an annual basis, the transactions contemplated under (a) the Tenancy Agreement and the Master License Agreement on an aggregated basis; and (b) the Renewed Tenancy Agreement on a standalone basis are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

*Notes:*

- (1) Given that the term of the Tenancy Agreement commenced on 1 April 2013 and will expire on 31 March 2016, the annual cap for the year ending 31 December 2016 was determined based on the fees payable for the period from 1 January 2016 to 31 March 2016.
  - (2) Given that the term of the Master License Agreement commenced on 1 May 2015 and will expire on 31 March 2016, the annual cap for the year ending 31 December 2016 was determined based on the fees payable for the period from 1 January 2016 to 31 March 2016.
  - (3) Given that the term of the Renewed Tenancy Agreement will commence on 1 April 2016 and will expire on 31 March 2019, the annual cap for the year ending 31 December 2016 was determined based on the fees payable for the period from 1 April 2016 to 31 December 2016 and the annual cap for the year ending 31 December 2019 was determined based on the fees payable for the period from 1 January 2019 to 31 March 2019.
- (2) ***Fujitac Master Consultancy Services Agreement in respect of the provision of consultancy services to SFK Construction***

On 19 November 2015, SFK Construction entered into a master consultancy services agreement (the “**Fujitac Master Consultancy Services Agreement**”) with Fujitac, pursuant to which Fujitac agreed to provide consultancy services to SFK Construction for a term commencing from 1 July 2015 to 31 December 2017. The total service fees paid to Fujitac by us for each of the three years ended 31 December 2014 and the six months ended 30 June 2015 were approximately nil, nil, HK\$10.5 million and HK\$7.5 million, respectively.

The consultancy services provided by Fujitac include the following:

- (i) preparation of cyclical inspection and building safety inspection report by an inspector registered with the Buildings Department;
- (ii) design and construction of minor works or prescribed repairs to which the construction works or repairs shall be carried out by a registered contractor with the Buildings Department; and
- (iii) provision of building safety inspection report and key asset information report.

## CONNECTED TRANSACTIONS

Our Directors estimate that the annual caps under the Fujitac Master Consultancy Services Agreement will be HK\$8.6 million<sup>(4)</sup>, HK\$13.0 million and HK\$2.7 million for the three years ending 31 December 2017, respectively. Such estimate is based on the actual tender price.

Fujitac is an indirect wholly-owned subsidiary of Sun Fook Kong Properties Limited, which in turn is wholly-owned by SFK Group, our Controlling Shareholder. As such, Fujitac is a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Fujitac Master Consultancy Services Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

The Fujitac Master Consultancy Services Agreement is a framework agreement which provides the mechanism for the provision of the consultancy services described therein. It is envisaged that from time to time and as required, individual service agreements may be required to be entered into between SFK Construction and Fujitac. Each individual service agreement will set out the relevant consultancy services provided by Fujitac and the service fee. The individual service agreements may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the Fujitac Master Consultancy Services Agreement. As the individual service agreements are simply further elaborations on the Fujitac Master Consultancy Services Agreement, they do not constitute new categories of connected transactions as far as Listing Rules are concerned.

Fujitac has an employee who is an inspector registered with the Buildings Department and has provided the consultancy services to SFK Construction under the Fujitac Master Consultancy Services Agreement. Fujitac, being a service provider, has been cooperating well with us since October 2012 and had won the tender through open tender procedures under the individual services agreements.

The service fees to be paid to Fujitac under the Fujitac Master Consultancy Services Agreement were negotiated on an arm's length basis through open tender procedures under the individual services agreements. The bases of selection included pricing, compliance with service specifications, service standard and the tenderers' availability.

Since each of the applicable percentage ratios (other than the profits ratio) for the Fujitac Master Consultancy Services Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transactions contemplated under the Fujitac Master Consultancy Services Agreement are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

*Note (4):* Given that the term of the Fujitac Master Consultancy Services Agreement commenced on 1 July 2015, the annual cap for the year ending 31 December 2015 was determined based on the fees payable for the period from 1 July 2015 to 31 December 2015.

## CONNECTED TRANSACTIONS

**(B) Continuing connected transactions which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements**

**(3) *Cleaning Services Contracts in respect of the provision of cleaning services to Great Eagle Group***

On 17 April 2015, SFK Housing entered into the following cleaning services contracts (the “Cleaning Services Contracts”) with GEPM and Longworth:

Date of contract	Parties	Scope of services	Term	Fees	Annual cap for the year ending 31 December 2015 <sup>(5)</sup>	Annual cap for the year ending 31 December 2016	Annual cap for the year ending 31 December 2017 <sup>(5)</sup>
					'000	'000	'000
17 April 2015	— GEPM (for and on behalf of the owners of Great Eagle Centre at 23 Harbour Road, Wanchai, Hong Kong (“ <b>Great Eagle Centre</b> ”)) — SFK Housing	Provision of cleaning and pest control services by SFK Housing in relation to Great Eagle Centre of which Great Eagle Group is the majority owner	1 May 2015 - 30 April 2017	Basic fees of HK\$321,837 per month (subject to any additional service fee for other related services provided by SFK Housing)	2,960	4,440	1,480
17 April 2015	— GEPM (for and on behalf of the owners of Great Eagle Centre and Harbour Centre at 25 Harbour Road, Wanchai, Hong Kong (“ <b>Harbour Centre</b> ”)) — SFK Housing	Provision of cleaning and pest control services by SFK Housing in relation to the development common areas within Great Eagle Centre and Harbour Centre	1 May 2015 - 30 April 2017	Basic fees of HK\$93,254 per month (subject to any additional service fee for other related-services provided by SFK Housing)	860	1,290	430
17 April 2015	— GEPM (for and on behalf of the owners of the public car parks at 4/F-7/F within Great Eagle Centre and Harbour Centre (“ <b>Eagle Harbour Public Car Parks</b> ”)) — SFK Housing	Provision of cleaning and pest control services by SFK Housing in relation to Eagle Harbour Public Car Parks	1 May 2015 - 30 April 2017	Basic fees of HK\$17,909 per month (subject to any additional services fee for other related services provided by SFK Housing)	165	250	90

## CONNECTED TRANSACTIONS

Date of contract	Parties	Scope of services	Term	Fees	Annual cap for the year ending 31 December 2015 <sup>(5)</sup>	Annual cap for the year ending 31 December 2016	Annual cap for the year ending 31 December 2017 <sup>(5)</sup>
					'000	'000	'000
17 April 2015	— Longworth (for and on behalf of the owners of the high block of Langham Place at 555 Shanghai Street, Mongkok, Kowloon, Hong Kong (the “ <b>High Block of Langham Place</b> ”)) — SFK Housing	Provision of cleaning works and periodical deep cleaning services by SFK Housing in relation to the High Block of Langham Place of which Champion REIT is the majority owner	1 May 2015 - 30 April 2017	Basic fees of HK\$761,264 per month (subject to any additional service fee for other related services provided by SFK Housing)	7,000	10,500	3,500
17 April 2015	— GEPM (for and on behalf of the owners of the Langham Place Retail Tower, Carpark and Other Portions) — SFK Housing	Provision of cleaning works and periodical deep cleaning services by SFK Housing in relation to (a) the Langham Place Retail Tower, and Carpark that are wholly owned by Champion REIT; and (b) other portions of which mainly consist of the footbridges, tunnel, development common areas and common areas serving the Langham Place Retail Tower and High Block of Langham Place	1 May 2015 - 30 April 2017	Basic fees of HK\$1,824,978 per month (subject to any additional services fee for other related services provided by SFK Housing)	17,520	26,280	8,760

*Note (5):* Given that the terms of the Cleaning Services Contracts commenced on 1 May 2015 and will expire on 30 April 2017, the annual caps for the year ending 31 December 2015 were determined based on the fees receivable for the period from 1 May 2015 to 31 December 2015 and the annual caps for the year ending 31 December 2017 were determined based on the fees receivable for the period from 1 January 2017 to 30 April 2017.

The total service fees we received from the Great Eagle Group for each of the three years ended 31 December 2014 and the six months ended 30 June 2015 were HK\$16.4 million, HK\$13.2 million, HK\$13.5 million and HK\$11.1 million, respectively.

Our Directors estimate that the annual caps under the Cleaning Services Contracts will be HK\$28,505,000, HK\$42,760,000 and HK\$14,260,000 for each of the three years ending 31 December 2017, respectively. Such estimate is based on (a) the basic monthly fee pursuant to the Cleaning



## CONNECTED TRANSACTIONS

Services Contracts; and (b) the estimated expenses for additional cleaning and related services which may be requested from time to time by GEPM and/or Longworth from SFK Housing in ancillary to the services to be provided under the Cleaning Services Contracts.

GEPM and Longworth are indirect wholly-owned subsidiaries of Great Eagle and Mr. Lo, our Controlling Shareholder, is the deputy managing director, an executive director and a controlling shareholder of Great Eagle. As such, GEPM and Longworth are connected persons of our Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Cleaning Services Contracts will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

SFK Housing has extensive experience in providing comprehensive cleaning services to commercial complexes and is a service provider who has been cooperating well with Great Eagle Group for years. SFK Housing had won the tender through open tender procedures under the Cleaning Services Contracts.

The service fees to be paid by GEPM and Longworth under the Cleaning Services Contracts were negotiated on an arm's length basis through open tender procedures under the Cleaning Services Contracts. The bases of selection included pricing, compliance with service specifications, service standards, manpower management and training, health/safety plan and track records of the service providers.

Since one of the applicable percentage ratios (other than the profits ratio) for the Cleaning Services Contracts is expected to be more than 5% on an annual basis, the transactions contemplated under the Cleaning Services Contracts are subject to the reporting, annual review, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### WAIVERS

The transactions described in paragraphs 1 (for the Tenancy Agreement and the Master License Agreement on an aggregated basis and for the Renewed Tenancy Agreement on a standalone basis) to 3 above constitute non-exempt continuing connected transactions under the Listing Rules. The applicable percentage ratios are defined in Rule 14.07 of the Listing Rules. The transactions described in paragraphs 1 (for the Tenancy Agreement and the Master License Agreement on an aggregated basis and for the Renewed Tenancy Agreement on a standalone basis) and 2 above would be subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under the Listing Rules as the percentage ratios (other than the profits ratio) calculated with reference to the proposed annual caps for each of the years shown above are more than 0.1% but less than 5% on an annual basis. The transactions described in paragraph 3 above would be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules as the percentage ratios (other than the profits ratio) calculated with reference to the proposed annual caps for each of the year shown above are more than 5% on an annual basis.



## **CONNECTED TRANSACTIONS**

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement and (where applicable) independent shareholders' approval requirements of the Listing Rules in respect of the continuing connected transactions as disclosed in paragraphs 1 (for the Tenancy Agreement and the Master License Agreement on an aggregated basis and for the Renewed Tenancy Agreement on a standalone basis) to 3 subject to (a) the above non-exempt continuing connected transactions will be carried out in compliance with the requirements of the Listing Rules and we shall comply with the relevant requirements for continuing connected transactions in accordance with Chapter 14A of the Listing Rules; and (b) the aggregate value of each of these non-exempt continuing connected transactions for each of the financial years ending 31 December 2019 will not exceed the relevant annual caps set forth above.

### **DIRECTORS' VIEW**

Our Directors, including the independent non-executive Directors, consider that all the continuing connected transactions above and their respective annual caps are fair and reasonable, and that such transactions have been entered into in the ordinary and usual course of the business of our Group, on normal commercial terms and are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

### **SOLE SPONSOR'S VIEW**

The Sole Sponsor is of the view that the continuing connected transactions as disclosed in paragraphs 1 (for the Tenancy Agreement and the Master License Agreement on an aggregate basis and for the Renewed Tenancy Agreement on a standalone basis) to 3 in this section have been entered into in the ordinary and usual course of business, are on normal commercial terms, are fair and reasonable and in the interests of our Group and our Shareholders as a whole. The Sole Sponsor is also of the view that the respective annual caps are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

## DIRECTORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

Our Board currently consists of seven Directors, comprising four executive Directors, and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for exercising other powers, functions and duties as conferred by our Memorandum and Bye-laws. We have entered into service agreements with each of our executive Directors. We have also entered into letters of appointment with each of our independent non-executive Directors.

The table below shows information in respect of members of the Board and senior management of our Company:

#### Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Existing Position in our Group	Roles and Responsibilities
Mr. Chan Ki Chun (陳麒淳) (formerly known as Chan Kin Chung (陳建中))	59	1 March 1989	24 October 2007	Chairman, managing director of our Group and executive Director	Overseeing and planning the business strategies and the overall management of our Group
Mr. Chan Chor Tung (陳楚東)	58	23 April 1990	1 July 2014	Executive Director and director of our construction and civil division	Overseeing, planning, estimating, tendering and subcontracting of our projects
Mr. Yung Kim Man (容劍文)	54	22 October 1990	1 July 2014	Executive Director and construction director of our construction and civil division	Overall monitoring and management of projects in our construction and civil division and safety and environmental issues
Mr. Yeung Cho Yin, William (楊楚賢)	53	15 November 1993	1 January 2015	Executive Director and chief financial officer	Overall financial and accounting management of our Group
Mr. Lam Leung Tsun (林良俊)	58	19 November 2015	19 November 2015	Independent non-executive Director	Supervising and providing independent advices to the Board
Mr. Jim Fun Kwong, Frederick (詹勳光)	68	19 November 2015	19 November 2015	Independent non-executive Director	Supervising and providing independent advices to the Board

## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as Director	Existing Position in our Group	Roles and Responsibilities
Mr. Chan Kim Hung, Simon (陳劍雄)	59	19 November 2015	19 November 2015	Independent non-executive Director	Supervising and providing independent advices to the Board

### Members of our senior management

Name	Age	Date of joining our Group	Date of appointment as senior management	Existing Position in our Group	Roles and Responsibilities
Mr. Lee Wai Shing (李偉誠)	61	23 November 1989	1 July 1990	Managing director of our construction and civil division	Overseeing the building, civil and maintenance operations of our Group
Mr. Fung Kit Man (馮傑民)	58	5 June 2001	1 April 2002	Construction director of our construction division	Overall management of projects in our construction division
Mr. Lam Wai Ki, Davie (林偉麒)	55	1 January 1988	1 June 2007	Deputy director of our quantity surveying division	Overall monitoring and management of quantity surveying, contractual disputes and litigation matters in our construction division
Mr. Szeto Chi Wing (司徒志榮)	49	17 July 1989	1 June 2007	Deputy director of our quantity surveying division	Overall monitoring and management of quantity surveying, contractual disputes and litigation matters in our civil division
Mr. Tsoi Chiu Yin (蔡超然)	48	1 October 1992	1 January 2008	Deputy director of our estimating and subcontracting division	Overall management of our estimating and subcontracting division
Mr. Au Man Kiu, Derek (區敏翹)	56	11 May 1990	1 April 2002	Project director	Overall management of projects in our civil division

## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Date of appointment as senior management	Existing Position in our Group	Roles and Responsibilities
Mr. Kwok Chi Wah, Andrew (郭志華)	46	1 December 1990	1 January 2010	Project director	Overall monitoring and management of projects in our building maintenance, housing services and property management division
Ms. Lee Yeuk Lui, Rosa (李若蕾)	43	27 August 2007	27 August 2007	Senior financial manager	Overseeing the financial management and accounting of our Group
Ms. Tang Yuen Wah, Rity (鄧婉華)	56	11 January 1995	1 September 2006	Senior administration manager and company secretary	Overseeing the personnel, office administration, company secretarial and insurance matters of our Group

### Executive Directors

**Mr. Chan Ki Chun (陳麒淳)** (formerly known as Chan Kin Chung (陳建中)), aged 59, was appointed as our Director and chairman of the Board on 24 October 2007 and has been an executive Director since then. Mr. Chan is also the managing director of our Group and a director of various of our subsidiaries. He is primarily responsible for overseeing and planning the business strategies and the overall management of our Group. Mr. Chan has over 36 years of experience in the construction industry and has participated in various foundation, substructures, building works, drainage and bridge works. Mr. Chan joined us in March 1989 as a chief project manager (civil division) of SFK Construction and was appointed as a director of SFK Civil in January 1993 and SFK Construction in January 1995. He has participated in various significant projects of our Group including the Central Reclamation Phase II, the West Kowloon Corridor and the Hong Kong Disneyland Resort project. Prior to joining us, Mr. Chan joined OVE ARUP & Partners Hong Kong Limited, a company which provides consulting services in building design, civil engineering and industrial construction where he was primarily responsible for civil engineering related works, from June 1979 to February 1989.

Mr. Chan is a member of the Institution of Civil Engineers in the United Kingdom since December 1984 and the Hong Kong Institution of Engineers since October 1985. He was accredited as a registered professional engineer in civil and geotechnical engineering by Hong Kong Engineers Registration Board in January 1991. Mr. Chan received a bachelor's degree in civil engineering from the University of Alberta in Canada in May 1979.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Chan Chor Tung (陳楚東)**, aged 58, was appointed as our Director on 1 July 2014 and has been an executive Director since then. He is a director of our construction and civil division since June 2007 and is primarily responsible for overseeing, planning, estimating, tendering and subcontracting of our projects. He is also a director of several of our subsidiaries and Joint Ventures. Mr. Chan has over 25 years of experience in the building and construction industry. Mr. Chan joined us in April 1990 as a senior estimator of SFK Civil. Prior to joining us, Mr. Chan served as a civil engineering estimator of Shui On Civil Contractors Limited, a building contractor company, and was primarily responsible for negotiation, planning and programming for tendering from 1989 to 1990.

Mr. Chan is a member of the Chartered Institution of Civil Engineering Surveyors in the United Kingdom since October 2002, a member of the Royal Institution of Chartered Surveyors in the United Kingdom since November 2004 and a member of the Hong Kong Institute of Surveyors since July 2010. Mr. Chan received a bachelor's degree in civil engineering from the National Cheng Kung University in Taiwan in July 1978.

**Mr. Yung Kim Man (容劍文)**, aged 54, was appointed as our Director on 1 July 2014 and has been an executive Director since then. He is a construction director of our construction and civil division since January 2014 where he is primarily responsible for the overall monitoring and management of projects in the construction and civil division of our Group and safety and environmental issues. He is also a managing director of Chit Cheung since 1 June 2011 where he is responsible for its overall management and a director of High Regard, SFK Management, Build.it, SFK HK Themeworks and SFK Macau Themeworks. Mr. Yung has over 31 years of experience in the construction management and civil engineering industry. Mr. Yung joined us in October 1990 as a senior quantity surveyor. Prior to joining us, Mr. Yung worked with Cheng Kwan Construction Co., Ltd, a construction company from June 1984 to October 1990, where his last position was a site agent and he was primarily responsible for tendering, budgeting, subletting, subcontractors liaison, cost control and claim submissions.

Mr. Yung was elected as a member of the American Society of Civil Engineers since June 1998 and was accredited a member of the Hong Kong Institution of Engineers since May 2008. Mr. Yung received a diploma in civil engineering from the Hong Kong Baptist College (now known as the Hong Kong Baptist University) in July 1984, a bachelor's degree in building engineering (construction engineering and management) from the City University of Hong Kong in November 2006 and a master's degree of science in construction project management from the City University of Hong Kong in November 2008.

**Mr. Yeung Cho Yin, William (楊楚賢)**, aged 53, was appointed as our Director on 1 January 2015 and has been an executive Director since then. He is the chief financial officer of our Group since June 2007. He is also a director of Consent Consultants. He joined us as a chief accountant in November 1993 and since then he is primarily responsible for our overall financial and accounting management of our Group. Prior to joining us, Mr. Yeung served as an accountant of Kwan, Wong, Tan and Fong BDO (now known as Deloitte Touche Tohmatsu), Certified Public Accountants, from July 1987 to November 1993 where he specialised in their audit practice.

Mr. Yeung received a professional diploma in accountancy from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in November 1987.

## DIRECTORS AND SENIOR MANAGEMENT

### Independent Non-executive Directors

**Mr. Lam Leung Tsun** (林良俊), aged 58, was appointed as our independent non-executive Director on 19 November 2015. Mr. Lam was previously appointed as our independent non-executive Director in January 2008 in anticipation of the proposed listing of our Company and he subsequently resigned in July 2008 as the proposed listing did not proceed due to the volatile market conditions at that time. Mr. Lam serves as the general manager of Niche-Tech Kaiser (China) Limited since January 2013, an innovative technology company dedicated in the development, manufacture and marketing of high quality products for the semiconductor and microelectronics packaging material industries, where he is responsible for overseeing the operations of the company. Mr. Lam worked as the sales director of Chows Electronics (HK) Limited, which is principally engaged in advanced packaging materials for the semiconductor packaging industry, from April 2010 to July 2011. Mr. Lam was the general manager of Atmel Asia Limited, a subsidiary of Atmel Corporation (Nasdaq: ATML), a company listed on the NASDAQ Stock Exchange, which is principally engaged in the design and manufacture of electronic system solutions from April 2005 to April 2008, where he was responsible for overseeing the operations of the company.

Mr. Lam received a higher diploma in production and industrial engineering from the Hong Kong Polytechnic in Hong Kong (now known as Hong Kong Polytechnic University) in November 1978.

**Mr. Jim Fun Kwong, Frederick** (詹勳光), aged 68, was appointed as our independent non-executive Director on 19 November 2015. Mr. Jim is an experienced agent of a local securities company since May 2007. As a licensed representative of type 1 (dealing in securities) and type 2 (dealing in futures contracts) of the regulated activities as defined under the SFO, he joined such company in September 1996 and he is primarily responsible for dealing in securities and future contracts. Mr. Jim has over 38 years of experience in the financial services industry. Prior to joining this company, he served as an investment consultant in Sun Hung Kai Securities Limited, a stock brokerage company from August 1977 to September 1996, where he was primarily responsible for retail sales of securities and related products in the marketing department. He served as a staff accountant of Arthur Andersen & Co., an international audit firm where he was primarily responsible for providing services in auditing from November 1973 to April 1975.

Mr. Jim is a fellow member of The Hong Kong Institute of Certified Public Accountants since December 1978. He received a higher diploma in accountancy from the Hong Kong Technical College (subsequently known as the Hong Kong Polytechnic, now known as the Hong Kong Polytechnic University) in July 1969.

**Mr. Chan Kim Hung, Simon** (陳劍雄), aged 59, was appointed as our independent non-executive Director on 19 November 2015. Mr. Chan has retired since April 2006. Mr. Chan has over 25 years of experience in treasury and capital markets and had served various trading and managerial roles in Hong Kong and Singapore. He joined the Royal Bank of Scotland plc., (“RBS”) Hong Kong branch as a dealer in June 1981, and since then he began his 25 years of progressive career advancement within RBS’s treasury and capital markets/financial markets business in both Hong Kong branch and Singapore branch. Mr. Chan last held the position of Head of Treasury and Capital Markets, Hong Kong, prior to the relocation to the Singapore branch in October 1998. Subsequent to

## DIRECTORS AND SENIOR MANAGEMENT

transferring to the Singapore branch, Mr. Chan was the treasurer of Treasury and Capital Markets, Singapore in 1999, assuming full responsibility for the Singapore branch's treasury and capital market operations. Mr. Chan last held the position of the Head of Front Office Infrastructure prior to his retirement from RBS and returning to Hong Kong in May 2006.

Mr. Chan received a master's degree in business administration majored in investment and finance offered in Singapore and validated by the University of Hull in the United Kingdom in July 2002.

None of our Directors and senior management is personally related to any of our Directors, senior management, substantial shareholders or Controlling Shareholders. Save as disclosed above, none of our Directors hold other position with our Company or its subsidiaries.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no information relating to our Directors that is required to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules or any other matters concerning any Director that needs to be brought to the attention of the Shareholders as at the Latest Practicable Date. Save as disclosed above, none of our Directors has been a director of any other listed companies during the three years immediately preceding the date of this prospectus.

### SENIOR MANAGEMENT

**Mr. Lee Wai Shing (李偉誠)**, aged 61, is a managing director of our construction and civil division since January 2010 and is primarily responsible for overseeing the building, civil and maintenance operations of our Group in Hong Kong and Macau. He is also a director of several of our subsidiaries and Joint Ventures. Mr. Lee has over 33 years of experience in the building and construction industry and his areas of expertise include site formation, bridges, roads, drainage works and buildings. Mr. Lee joined us in November 1989 as a project manager of SFK Civil. Prior to joining us, Mr. Lee served as a section agent of Lilley Construction (Hong Kong) Limited, a construction company, from January 1986 to November 1989, where he was primarily responsible for the construction of phase I of the Kwun Tong Bypass and the Eastern Harbour Crossing in Hong Kong. He served as a site engineer from December 1980 to April 1982 and a site agent from April 1982 to February 1983 of McConnell Dowell Constructors (Asia) Limited, a company principally engaged in engineering, construction, building and maintenance, where he was primarily responsible for the formation of land for public housing estate and construction of footbridge. From July 1979 to November 1980, he served as an assistant engineer of Kumagai Gumi (Hong Kong) Limited (now known as HKC (Holdings) Limited), a civil engineering and building contractor, where he was primarily responsible for supervising construction works.

Mr. Lee was graduated from Shue Yan Secondary College (樹仁書院) after completing Form 6 in June 1975.

**Mr. Fung Kit Man (馮傑民)**, aged 58, is a construction director of our construction division since January 2010 and is primarily responsible for the overall management of projects in our construction division. He is also a director of SFK Construction, SFK Civil and Consent Consultants. Mr. Fung has over 22 years of experience in the construction industry. Mr. Fung joined us in June 2001



## DIRECTORS AND SENIOR MANAGEMENT

as a project manager. Prior to joining us, Mr. Fung served as a technical manager of Hanison Construction Company Limited, a construction company, from May 1999 to June 2001, where he was primarily responsible for project planning and temporary works design for the Housing Authority and the private sector. From January 1997 to July 1998, he served as a project manager of CITIC Hong Kong (Holdings) Limited, an investment holding company where he was primarily responsible for a project of luxury services apartment in China. From June 1996 to January 1997, he served as a project manager of UDL Contracting Limited, a contractor company, where he was primarily responsible for the construction of a workshop or office complex at Tseung Kwan O. From September 1990 to January 1992, he served as a project manager of Paul Y. Construction Co., Ltd., a construction company, where he was primarily responsible for the overall operation and management of construction projects. From March 1986 to November 1988, he served as a site manager of Sintec Construction Limited, a construction company, where he was primarily responsible for the construction of a 48-storey government office building in Wanchai. From January 1985 to March 1986, he served as an assistant engineer in P&T Civil Engineers Limited, a civil engineering company, where he was primarily responsible for the design of foundations for a highway project on the Hong Kong Island.

Mr. Fung is a member of the Institution of Structural Engineers in the United Kingdom since October 1993 and the Hong Kong Institution of Engineers since March 1995. He was admitted as a fellow member of the Chartered Institute of Building in United Kingdom since September 2000. Mr. Fung received a master's degree in civil and structural engineering from the University of Sheffield in the United Kingdom in February 1985 and a master's degree in construction management from the City University of Hong Kong in November 1995.

**Mr. Lam Wai Ki, Davie (林偉麟)**, aged 55, is a deputy director of our quantity surveying division since January 2014 and is primarily responsible for the overall monitoring and management of quantity surveying, contractual disputes and litigation matters in our construction division. He is also a director of Linktech. Mr. Lam has over 36 years of experience in the building and construction industry. Mr. Lam joined us in January 1988 as a quantity surveyor. Prior to joining us, Mr. Lam served as an assistant quantity surveyor in Shui Ho Construction Company, Limited, a construction company, from August 1985 to August 1988, where he was primarily responsible for quantity surveying works in building projects. From January 1984 to August 1985, he served as a quantity surveyor assistant of C.S. Toh & Sons & Associates, a quantity surveyor consultancy firm, where he was primarily responsible for quantity surveying consultancy works. From December 1979 to January 1984, he served as a quantity surveyor of Hang Sing Construction Company, Limited, a construction company, where he was principally responsible for quantity surveying works in private building projects.

Mr. Lam is a member of the Hong Kong Institute of Surveyors since March 2001 and the Royal Institution of Chartered Surveyors in the United Kingdom since January 2006. Mr. Lam received a higher certificate in building studies from the Hong Kong Polytechnic, (now known as the Hong Kong Polytechnic University) in November 1983 and a bachelor's degree in quantity surveying through distance learning from the University of Reading in the United Kingdom, which was taught in conjunction with the College of Estate Management in the United Kingdom in December 2003.



## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Szeto Chi Wing (司徒志榮)**, aged 49, is a deputy director of our quantity surveying division since January 2014 and is primarily responsible for the overall monitoring and management of quantity surveying, contractual disputes and litigation matters in our civil division. He is also a director of Chit Cheung and Linktech. Mr. Szeto has over 31 years of experience in the civil engineering industry and joined us in July 1989 as a project quantity surveyor. Prior to joining us, Mr. Szeto served as a supervisor of Halcrow Consulting Engineers and Architects, a consulting engineer and architectural company, from July 1988 to July 1989, where he was primarily responsible for supervising and inspection of the progress and quality of the works on site. From September 1984 to March 1988, he served as a site foreman and construction technician of Shui On Civil Contractors Limited, a building contractor company, where he was primarily responsible for directing and managing of the works activities on construction sites.

Mr. Szeto is a member of the Chartered Institute of Arbitrators (East Asia Branch) since June 2002 and a professional member of the Royal Institution of Chartered Surveyors in the United Kingdom since July 2006. Mr. Szeto received a bachelor's degree in quantity surveying from Napier University in the United Kingdom in July 1993 and a master's degree in arbitration and dispute resolution from the City University of Hong Kong in November 1999.

**Mr. Tsoi Chiu Yin (蔡超然)**, aged 48, is a deputy director of our estimating and subcontracting division since January 2014 and is primarily responsible for the overall management of our estimating and subcontracting division. He is also a director of Grand Win and Build.it. Mr. Tsoi has over 23 years of experience in the civil engineering and building construction industry. Mr. Tsoi joined us in October 1992 as an assistant quantity surveyor in our quantity surveying section.

Mr. Tsoi is a member of Australian Institute of Project Management since February 2003, a fellow member of Hong Kong Institute of Project Management since August 2003, a member of Chartered Institution of Civil Engineering Surveyors in the United Kingdom since April 2005 and a member of Hong Kong Institute of Surveyors since November 2013. Mr. Tsoi received a master's degree in project management from the University of South Australia in Australia in September 2002.

**Mr. Au Man Kiu, Derek (區敏翹)**, aged 56, is a project director of our Group since July 2007 and is primarily responsible for the overall management of projects in our civil division. He is also a director of Chit Cheung. Mr. Au has over 32 years of experience in the civil engineering industry and joined us in May 1990 as a site agent. Prior to joining us, Mr. Au served as a site agent of Kuly Construction and Engineering Company Limited, a company principally engaged in renovation in infrastructure and public utility plant, from April 1989 to April 1990, where he was primarily responsible for the executing and monitoring the project site activities. From February 1986 to April 1988, he served as a senior engineer of Lilley Construction (HK) Limited, a construction management company, where he was primarily responsible for site monitoring, quality control and project planning. From June 1982 to February 1986, he served as a site engineer of McConnell Dowell Construction (Asia) Limited, a company principally engaged in engineering, construction, building and maintenance, where he was primarily responsible for monitoring project operations, planning and site coordinating work. From November 1980 to September 1981, he worked at Shing Yip Engineering Company, an engineering company, as a site agent, where he was primarily responsible for ensuring site activities process effectively and meet the requirements.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Au is an associate member of The Hong Kong Institution of Engineers since July 1991. Mr. Au received a higher certificate in structural engineering from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in November 1982.

**Mr. Kwok Chi Wah, Andrew (郭志華)**, aged 46, is a project director of our Group since January 2012. He is primarily responsible for the overall monitoring and management of projects in our building maintenance, housing services and property management division. Mr. Kwok has over 25 years of experience in the building maintenance and properties management industry. Mr. Kwok joined us in December 1990 as an assistant cleaning officer where he was primarily responsible for the cleaning services affairs.

Mr. Kwok is a member of the Royal Institution of Chartered Surveyors in the United Kingdom since July 2011. Mr. Kwok has been elected as a fellow for Greater China Institute of Property Management in August 2015. Mr. Kwok received a master's degree in construction project management through distance learning from the University of Greenwich in the United Kingdom in January 2007.

**Ms. Lee Yeuk Lui, Rosa (李若蕾)**, aged 43, is the senior financial manager of our Group since August 2007. She is primarily responsible for the financial management and accounting of our Group. Ms. Lee has over 21 years of experience in accounting. Ms. Lee joined us in August 2007 as a senior financial manager. Prior to joining us, Ms. Lee worked at KPMG, an accounting firm principally engaged in providing assurance, tax, transaction and advisory services, from August 1994 to September 2006, where her last position held was senior manager and was primarily responsible for providing services in auditing.

Ms. Lee was admitted as a fellow of the Association of Chartered Certified Accountants in the United Kingdom in October 2002, a fellow of the Hong Kong Institute of Certified Public Accountants in October 2007 and an associate of the Institute of Chartered Accountants in England and Wales in October 2007. She was also admitted as a certified internal auditor by the Institute of Internal Auditors in January 2009. Ms. Lee received a bachelor's degree in business administration (honours) from the Chinese University of Hong Kong in December 1994.

**Ms. Tang Yuen Wah, Rity (鄧婉華)**, aged 56, is the senior administration manager and company secretary of our Group since January 2013. She is primarily responsible for the personnel, office administration, company secretarial and insurance matters of our Group. Ms. Tang has over 19 years of experience in business administration, human resources and company secretarial matters and joined us in January 1995 as an assistant administration manager.

Ms. Tang was admitted as an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom since April 2006 and an associate member of The Hong Kong Institute of Chartered Secretaries since April 2006. Ms. Tang received a bachelor's degree in business administration from the Royal Melbourne Institute of Technology University in Australia in August 2002 and a master's degree in professional accounting and information systems from the City University of Hong Kong in November 2006.

## **DIRECTORS AND SENIOR MANAGEMENT**

None of our senior management members has been a director of any other listed companies during three years immediately preceding the date of this prospectus.

### **COMPANY SECRETARY**

Ms. Tang Yuen Wah, Rity is our company secretary for the purposes of Rule 8.17 of the Listing Rules. For details of her background, please refer to the paragraph headed “Senior Management” of this section.

### **BOARD COMMITTEES**

#### **Audit committee**

Our Company has established the audit committee on 19 November 2015 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, namely Mr. Jim Fun Kwong, Frederick, Mr. Lam Leung Tsun and Mr. Chan Kim Hung, Simon. Mr. Jim Fun Kwong, Frederick has been appointed as the chairman of the audit committee, and is our independent non-executive Director with the appropriate professional qualifications. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, risk management and internal control systems of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

#### **Remuneration committee**

Our Company has established the remuneration committee on 19 November 2015 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph B.1 of the CG Code as set out in Appendix 14 to the Listing Rules. The remuneration committee has three members, namely Mr. Yeung Cho Yin, William, Mr. Chan Kim Hung, Simon and Mr. Jim Fun Kwong, Frederick. Mr. Chan Kim Hung, Simon has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on employee benefit arrangement.

#### **Nomination committee**

Our Company has established the nomination committee on 19 November 2015 with written terms of reference in compliance with paragraph A.5 of the CG Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of three members, namely Mr. Chan Ki Chun, Mr. Lam Leung Tsun and Mr. Chan Kim Hung, Simon. Mr. Chan Ki Chun has been appointed as the chairman of the nomination committee. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of members of our Board.

## **DIRECTORS AND SENIOR MANAGEMENT**

### **CORPORATE GOVERNANCE**

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the CG Code. Our Company is committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

Except for the deviation from provision A.2.1 of the CG Code, our Company's corporate governance practices have complied with the CG Code. Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Our Company does not have a chief executive officer and such role has been assumed by the managing director of our Group. Mr. Chan is the chairman and the managing director of our Company. In view of Mr. Chan has been assuming day-to-day responsibilities in operating and managing our Group since 1999, the Board believes that it is in the best interest of our Group to have Mr. Chan taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from provision A.2.1 of the CG Code is appropriate in such circumstances. Notwithstanding the above, the Board is of the view that this management structure is effective for our Group's operations and sufficient checks and balances are in place.

Our Directors are aware that upon Listing, we are expected to comply with such code provision. Any such deviation shall however be carefully considered, and the reasons for such deviation shall be given in our interim report and annual report in respect of the relevant period. We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole. Save as disclosed in the above, we will comply with the code provisions set out in the CG Code after the Listing.

### **COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT**

Our Directors and members of our senior management receive compensation from our Company in the form of salaries, bonuses and other benefits in kind such as contributions to pension plans. The aggregate remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Directors for each of the three years ended 31 December 2014 and the six months ended 30 June 2015 was approximately HK\$5,535,000, HK\$5,531,000, HK\$6,837,000 and HK\$3,959,000, respectively. Save as disclosed in this prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors for each of the three years ended 31 December 2014 and the six months ended 30 June 2015.

## **DIRECTORS AND SENIOR MANAGEMENT**

The aggregate amount of fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind paid to our five highest paid individuals in respect of each of the three years ended 31 December 2014 and the six months ended 30 June 2015 was approximately HK\$10,595,000, HK\$10,622,000, HK\$9,755,000 and HK\$5,300,000, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of each of the three years ended 31 December 2014 and the six months ended 30 June 2015. Further, none of our Directors had waived or agreed to waive any remuneration during the same periods.

Under the arrangement currently in force, the aggregate remuneration (including salaries, contributions to pension scheme, housing allowances and other allowances and benefit in kind) of our Directors for the year ending 31 December 2015 is estimated to be no more than HK\$7,300,000. Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from the remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

### **SHARE OPTION SCHEME**

Our Company has conditionally adopted the Share Option Scheme. For details of the Share Option Scheme, please refer to the section headed “Other information — Share Option Scheme” in Appendix IV to this prospectus.

### **COMPLIANCE ADVISER**

Our Company has appointed Innovax Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise our Company in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company under Rule 3.10 of the Listing Rules.

The term of the appointment of our compliance adviser shall commence on the Listing Date and end on the date on which our Company distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately prior to and following the completion of the Global Offering and the Capitalisation Issue (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Nature of Interest	Shares held immediately prior to the completion of the Global Offering and the Capitalisation issue <sup>(1)</sup>		Shares held immediately following the completion of the Global Offering and the Capitalisation Issue <sup>(1)</sup>	
		Number	Percentage	Number	Percentage
Mr. Lo .....	Interest of controlled corporations	100(L)	100%	300,000,000(L)	75%
Good Target <sup>(2)</sup> .....	Interest of a controlled corporation	100(L)	100%	300,000,000(L)	75%
Ocean Asset <sup>(2)</sup> .....	Interest of a controlled corporation	100(L)	100%	300,000,000(L)	75%
SFK Group <sup>(2), (3)</sup> .....	Beneficial owner	100(L)	100%	300,000,000(L)	75%

*Notes:*

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) Good Target and Ocean Asset are beneficially and wholly owned by Mr. Lo. By virtue of the SFO, Mr. Lo is deemed to be interested in the Shares held by SFK Group.
- (3) SFK Group is owned as to approximately 71.39% by Good Target, 18.94% by Ocean Asset, 3.54% by Growth Asset, 1.94% by Chief Champion Limited, 1.46% by Jemrick Holdings Limited, 1.06% by KSL Management Limited, 0.83% by LHS Management Limited, 0.46% by Worldrich Enterprises Limited, 0.22% by Easespeed Limited and 0.16% by Global Trinity Limited.

If the Over-allotment Option is fully exercised, beneficial interests of each of Mr. Lo, Good Target, Ocean Asset and SFK Group will be approximately 72.29%, 72.29%, 72.29% and 72.29%, respectively.

Except as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme), have beneficial interests or short

<b>SUBSTANTIAL SHAREHOLDERS</b>
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positions in any Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

## SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Global Offering (without taking into account the exercise of the Over-allotment Option or Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme) and the Capitalisation Issue (assuming the Over-allotment Option is not exercised):

		Nominal value
		HK\$
<b>Authorised share capital:</b>		
<u>10,000,000,000</u>	Shares of HK\$0.10 each	<u>1,000,000,000</u>
		Nominal value
		HK\$
<b>Issued and to be issued fully paid or credited as fully paid:</b>		
100	Shares in issue as of the date of this prospectus	10
299,999,900	Shares to be issued pursuant to the Capitalisation Issue	29,999,990
<u>100,000,000</u>	Shares to be issued under the Global Offering	<u>10,000,000</u>
<u>400,000,000</u>	Total	<u>40,000,000</u>

## ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering and the Capitalisation Issue are made. It takes no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option or 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.

## RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.



## SHARE CAPITAL

### GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total number of issued Shares of not more than the sum of:

- (1) 20% of the total number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme); and
- (2) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any option which may be granted under the Share Option Scheme.

This general mandate to issue Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its bye-laws to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "Further information about our Group — Resolutions in writing of our sole Shareholder passed on 19 November 2015" in Appendix IV to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total number of Shares of not more than 10% of the total number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Further information about our Group — Repurchases of our Shares" in Appendix IV to this prospectus.

## SHARE CAPITAL

This general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its bye-laws to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "Further information about our Group — Resolutions in writing of our sole Shareholder passed on 19 November 2015" in Appendix IV to this prospectus.

### SHARE OPTION SCHEME

Pursuant to the written resolutions of our sole Shareholder dated 19 November 2015, we conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the section headed "Other information — Share Option Scheme" in Appendix IV to this prospectus.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Companies Act and the terms of the Memorandum and the Bye-laws, our Company may from time to time by ordinary shareholders' resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce its share capital by shareholders' special resolution. For more details, please see the section headed "Bye-laws — Alteration of capital" in Appendix III to this prospectus.

Pursuant to the Companies Act and the terms of the Memorandum and the Bye-laws, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For more details, please see "Bye-laws — Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus.

## FINANCIAL INFORMATION

*You should read the following discussion and analysis of our results of operation and financial conditions together with our consolidated financial information at and for the three years ended 31 December 2014 and the six months ended 30 June 2015 and the accompanying notes included in the financial information section of Accountants' Report set out in Appendix I to this prospectus. The financial information has been prepared in accordance with HKFRSs.*

*The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by our Company in light of our experience and perception of historical trends, current conditions and expect future developments, as well as other factors that we believe are appropriate under the circumstances. Our actual results may differ from those anticipated in these forward-looking statements as a result of a number of factors which our Company has no control, for additional information, please refer to the section headed "Risk factors" in this prospectus.*

### OVERVIEW

We are a long established and one of the leading general building main contractors in Hong Kong and are principally engaged in construction and maintenance projects in Hong Kong and construction projects in Macau under our brand "SFK (新福港)". We are an approved contractor of the Hong Kong Government and we believe our proven construction track record and our good reputation in the general building and civil engineering main contracting industries position us well to maintain a sustainable business development. Apart from the business mentioned above, we also provide other services, which comprise housing management services, such as provision of cleaning services and security management services in Hong Kong. During the Track Record Period, there had not been any material change in the business focus of our Group.

During the Track Record Period, we have completed a total of 48 projects for general building works and 12 projects for civil engineering works, and the revenue attributable to our general building, civil engineering business amounted to approximately HK\$2,718.50 million, HK\$2,784.48 million, HK\$2,692.11 million and HK\$1,107.36 million, respectively, representing approximately 96.90%, 98.07%, 97.82% and 97.12% of our total revenue, respectively. Our general building and civil engineering business is and has been focused on both the public and private sectors in Hong Kong. For each of the three years ended 31 December 2014 and the six months ended 30 June 2015, we derived the majority of our revenue from Hong Kong, where we generated approximately 83.76%, 90.24%, 83.23% and 80.17%, respectively, from the public sector and approximately 16.24%, 9.76%, 16.77% and 19.83%, respectively, from the private sector. Please refer to the section headed "Business" in this prospectus for a detailed discussion of our business.

## FINANCIAL INFORMATION

### KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are subject to the influence of numerous factors, the principal of which are set out below:

- **growth in spending of the Hong Kong Government on construction projects in Hong Kong**

During the Track Record Period, the Hong Kong Government was our largest customer and we believe that substantial part of our future revenue will still be derived from our participation in Hong Kong Government projects. With the upcoming mega-sized infrastructure projects in Hong Kong, including the Ten Major Infrastructure Projects, our Directors are optimistic to participate in some of such projects as we are one of the few contractors on the List of Approved Contractors which have Group C qualifications in the five categories in the List of Approved Contractors.

- **subcontracting**

Subcontracting fees account for a significant portion of our direct costs and our gross profit is affected by the level of our direct costs. Our ability to manage and control the subcontracting fees will enhance our ability to improve our gross profit, especially given that the prices of our contracts are mainly determined by market conditions which are beyond our control.

- **failure to complete construction projects according to specifications, quality standards, safety measures or timetable**

We have to complete our projects in accordance with the specifications, quality standards, safety measures and timetable, which are the principal duties and responsibilities of main contractors. If we fail to comply with any of these requirements, we will be liable to pay penalties or damages and our results of operations and hence our profits will be adversely affected. We will continue to give full effort to ensure our current and future projects are completed in accordance with the specifications, quality standards, safety measures and timetable.

### BASIS OF PREPARATION AND PRESENTATION

Our financial information has been prepared in accordance with HKFRSs which requires our management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Our financial information is presented in Hong Kong dollars. The measurement basis used in the preparation of our financial information is the historical cost basis.

## FINANCIAL INFORMATION

All intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing our financial information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

### CRITICAL ACCOUNTING POLICIES, JUDGEMENT AND ESTIMATION

The discussion and analysis of our financial position and results of operations as included in this prospectus is based on the consolidated financial information prepared in accordance with the significant accounting policies set forth in note 1 in section B to the Accountants' Report set out in Appendix I to this prospectus, which conform with the generally accepted accounting policies in Hong Kong. Accounting methods, assumptions and estimates that underlie the preparation of our Group's consolidated financial information affect our financial position and results of operations reported. Such assumptions and estimates are made based on historical experience and various other assumptions that we believe to be reasonable, the results of which form the basis of judgments on our carrying amounts of assets and liabilities and our results. Results may differ under different assumptions or conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects that period, or in the period of the revision and further periods if the revision affects both current and future periods. We had not experienced any material deviation between our management's estimate and actual results and had not changed these estimates during the Track Record Period. Our management does not expect any material change in these estimates in the foreseeable future.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our consolidated financial information. We believe that the following accounting policies involve the most significant accounting judgments and estimates used in the preparation of its consolidated financial information:

#### **Critical accounting policies**

##### *Revenue recognition*

During the Track Record Period, our revenue was primarily derived from our general building and civil engineering. We also generated our revenue from (i) the provision of housing management services, such as provision of cleaning services and security management services; and (ii) consultancy services in the PRC.

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Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

*(i) Contract revenue*

When the outcome of a construction contract, construction design contract and consultancy service contract can be estimated reliably, revenue from a contract is recognised using the percentage of completion method, measured by reference to the percentage of contract revenue incurred to date to estimated total contract revenue for the contract.

When the outcome of a construction contract, construction design contract and consultancy service contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

*(ii) Provision of services*

Income from provision of services such as provision of cleaning services and security management services is recognised when the related services are rendered.

*(iii) Interest income*

Interest income is recognised as it accrues using the effective interest method.

*Construction contracts*

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the balance sheet as the “Gross amount due from customers for contract work” (as an asset) or the “Gross amount due to customers for contract work” (as a liability), as applicable. Progress billings not yet paid by the customer are included under “Trade and other receivables”. Amounts received before the related work is performed are included under “Trade and other payables”.

## FINANCIAL INFORMATION

### *Joint Ventures*

An investment in a Joint Venture is accounted for under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of our Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in our Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, our Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas our Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When our Group's share of losses exceeds its interest in the Joint Venture, our Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that our Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, our Group's interest is the carrying amount of the investment under the equity method together with our Group's long-term interests that in substance form part of our Group's net investment in the Joint Venture.

Unrealised profits and losses resulting from transactions between our Group and its Joint Ventures are eliminated to the extent of our Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in a Joint Venture becomes an investment in an associate or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when our Group ceases to have joint control over a Joint Venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

### *Joint Operations*

Our Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a Joint Operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity sells or contributes assets to a Joint Operation in which a group entity is a joint operator, our Group is considered to be selling or contributing assets to the other parties to the Joint Operation, and gains and losses resulting from the sale or contribution are recognised only to the extent of other parties' interests in the Joint Operation.

## FINANCIAL INFORMATION

When a group entity purchases assets from a Joint Operation in which a group entity is a joint operator, our Group does not recognise its share of the gains and losses until it resells those assets to a third party.

### *Trade and other receivables*

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

### *Impairment of assets*

#### *(i) Impairment of investments in equity securities and other receivables*

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of our Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in Joint Ventures accounted for under the equity method, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively



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where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When our Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

### *(ii) Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- investment in a subsidiary in the Company's statements of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

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### — Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

### — Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognised.

### *Trade and other payables*

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### *Property, plant and equipment*

We measure our property, plant and equipment at cost less accumulated depreciation and impairment losses. Our property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account their estimated residual value (if any), as follows:

— Machinery and equipment	5 years
— Motor vehicles	5 years
— Furniture and fixtures	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

## FINANCIAL INFORMATION

### Accounting judgements and estimates

In the process of applying our Group's accounting policies, we have made the following accounting judgements:

#### *(a) Construction contracts*

Revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on our recent experience and the nature of the construction activities undertaken by us, we make estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from/to customers for contract work will not include profit which our Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total costs or revenue may be higher or lower than estimated at the end of the reporting periods, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

#### *(b) Depreciation*

Property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives. Our Group reviews annually the estimated useful lives of the property, plant and equipment in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on our Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

#### *(c) Impairment of trade receivables*

We evaluate whether there is any objective evidence that trade receivables are impaired, and estimates allowances for doubtful debts as a result of the inability of the debtors to make required payments. We base the estimates on the ageing of the trade receivables balance, credit-worthiness of the customer and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

## FINANCIAL INFORMATION

### SELECTED ITEMS OF CONSOLIDATED INCOME STATEMENTS

#### RESULTS OF OPERATIONS

The following table sets out the consolidated results of our Group during the Track Record Period, which are extracted from, and should be read in conjunction with, the consolidated financial information provided in the Accountants' Report set out in Appendix I to this prospectus.

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
<b>Revenue</b> .....	2,805,456	2,839,206	2,752,162	1,235,396	1,140,172
Direct costs.....	(2,676,322)	(2,700,495)	(2,580,517)	(1,154,253)	(1,069,494)
<b>Gross profit</b> .....	129,134	138,711	171,645	81,143	70,678
Other revenue .....	2,210	3,341	5,035	3,015	284
Other net (loss)/income.....	(248)	63,784	(829)	(1,141)	(650)
Administrative expenses.....	(69,976)	(74,849)	(86,631)	(39,452)	(33,493)
<b>Profit from operations</b> .....	61,120	130,987	89,220	43,565	36,819
Finance costs .....	(1,358)	(3,865)	(2,476)	(2,351)	(328)
Share of profits less losses of joint ventures .....	719	2,905	772	1,538	(850)
<b>Profit before taxation</b> .....	60,481	130,027	87,516	42,752	35,641
Income tax .....	(9,880)	(10,578)	(15,410)	(7,225)	(6,813)
<b>Profit for the year/period.</b>	<u>50,601</u>	<u>119,449</u>	<u>72,106</u>	<u>35,527</u>	<u>28,828</u>
<b>Attributable to:</b>					
Equity shareholder of the Company .....	50,601	119,632	72,480	35,781	28,936
Non-controlling interests....	—	(183)	(374)	(254)	(108)
<b>Profit for the year/period</b>	<u>50,601</u>	<u>119,449</u>	<u>72,106</u>	<u>35,527</u>	<u>28,828</u>

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### DESCRIPTION OF SELECTED INCOME STATEMENT ITEMS

The following discussion is based on our historical results of operations and may not be indicative of our future operating performance.

#### Revenue

We generated revenue of approximately HK\$2,805.46 million, HK\$2,839.21 million, HK\$2,752.16 million and HK\$1,140.17 million for the years ended 31 December 2012, 31 December 2013 and 31 December 2014 and the six months ended 30 June 2015, respectively.

During the Track Record Period, the Hong Kong Government collectively was our largest customer and accounted for approximately 42.52%, 49.71%, 47.22% and 52.80%, respectively of our revenue.

#### *By business segment*

We derive our revenue mainly from our general building and civil engineering businesses and other services business. The following table sets out our revenue from different business segments during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2012		2013		2014		2014		2015	
	<i>HK\$'</i> <i>million</i>	%	<i>HK\$'</i> <i>million</i>	%	<i>HK\$'</i> <i>million</i>	%	<i>HK\$'</i> <i>million</i> (Unaudited)	%	<i>HK\$'</i> <i>million</i>	%
<b>General building .....</b>	1,556.24	55.47	1,429.39	50.34	1,691.66	61.47	754.46	61.07	738.25	64.75
<b>Civil engineering .....</b>	1,162.26	41.43	1,355.09	47.73	1,000.45	36.35	456.38	36.94	369.11	32.37
<b>Other services.....</b>	<u>86.96</u>	<u>3.10</u>	<u>54.73</u>	<u>1.93</u>	<u>60.05</u>	<u>2.18</u>	<u>24.56</u>	<u>1.99</u>	<u>32.81</u>	<u>2.88</u>
<b>Total .....</b>	<u>2,805.46</u>	<u>100.00</u>	<u>2,839.21</u>	<u>100.00</u>	<u>2,752.16</u>	<u>100.00</u>	<u>1,235.40</u>	<u>100.00</u>	<u>1,140.17</u>	<u>100.00</u>

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### *By customer category*

The following table sets forth our revenue attributable to each category of customers for the years indicated:

	Year ended 31 December						Six months ended 30 June			
	2012		2013		2014		2014		2015	
	<i>HK\$'</i> <i>million</i>	%	<i>HK\$'</i> <i>million</i>	%	<i>HK\$'</i> <i>million</i>	%	<i>HK\$'</i> <i>million</i>	%	<i>HK\$'</i> <i>million</i>	%
							<i>(Unaudited)</i>			
<b>Public sector</b>										
— Hong Kong Government <sup>(1)</sup> ....	1,192.90	42.52	1,411.43	49.71	1,299.60	47.22	621.45	50.30	602.04	52.80
— Hong Kong Government related organisations/institutional bodies <sup>(2)</sup> .....	1,156.88	41.24	1,150.67	40.53	990.99	36.01	438.17	35.47	312.04	27.37
<b>Private sector<sup>(3)</sup> .....</b>	<u>455.68</u>	<u>16.24</u>	<u>277.11</u>	<u>9.76</u>	<u>461.57</u>	<u>16.77</u>	<u>175.78</u>	<u>14.23</u>	<u>226.09</u>	<u>19.83</u>
<b>Total .....</b>	<u>2,805.46</u>	<u>100.00</u>	<u>2,839.21</u>	<u>100.00</u>	<u>2,752.16</u>	<u>100.00</u>	<u>1,235.40</u>	<u>100.00</u>	<u>1,140.17</u>	<u>100.00</u>

### *Notes:*

1. Hong Kong Government mainly consists of departments of the Hong Kong Government and the Housing Authority.
2. Hong Kong Government related organisations/institutional bodies mainly consist of Hong Kong authorities or institutions which operate under government funding with substantial government influence, such as a local railway operator and property developer, certain institutions responsible for operating hospitals, airport and educational institutions.
3. Private sector mainly consists of public utility companies, privately-owned companies and companies with government investment, such as a local real estate investment trust.

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### *By geographical locations*

The following table sets out our revenue from different geographic locations for the years indicated:

	Year ended 31 December						Six months ended 30 June			
	2012		2013		2014		2014		2015	
	<i>HK\$'</i> <i>million</i>	%	<i>HK\$'</i> <i>million</i>	%	<i>HK\$'</i> <i>million</i>	%	<i>HK\$'</i> <i>million</i>	%	<i>HK\$'</i> <i>million</i>	%
	<i>(Unaudited)</i>									
Hong Kong .....	2,751.46	98.08	2,826.48	99.55	2,734.61	99.36	1,233.67	99.86	1,140.17	100.00
Macau <sup>(Note)</sup> .....	—	—	—	—	—	—	—	—	—	—
PRC .....	54.00	1.92	12.73	0.45	17.55	0.64	1.73	0.14	—	—
Total .....	<u>2,805.46</u>	<u>100.00</u>	<u>2,839.21</u>	<u>100.00</u>	<u>2,752.16</u>	<u>100.00</u>	<u>1,235.40</u>	<u>100.00</u>	<u>1,140.17</u>	<u>100.00</u>

*Note:* Our 50 percent shares to the revenue attributable to our Macau Joint Ventures, namely, SFK Kun Fai, Tak Wa and Kong Sing, amounted to approximately HK\$219.01 million, HK\$303.71 million, HK\$129.75 million and HK\$68.67 million for each of the three years ended 31 December 2014 and the six months ended 30 June 2015, respectively. We recognised this portion of operation results in Macau in the accounts captions as “share of profits less losses of joint ventures”, but not as “revenue recognised”. During the Track Record Period, majority of our customers in Macau came from the private sector and we through our Joint Ventures, had undertaken five, four, four and five projects for each of the three years ended 31 December 2014 and the six months ended 30 June 2015, respectively.

### **Direct costs and actual costs incurred**

Our direct costs was recognised based on the latest available budgets of our general building and civil engineering contracts with reference to the stage of completion of each contract which requires our management’s best estimates and judgments. Construction costs are estimated by our management on the basis of quotation from time to time obtained and the experience of our management.

Our actual costs incurred in executing our construction and maintenance projects for general building and civil engineering works may vary from the assumptions underlying our budgets due to reasons such as unanticipated delay in project completion and the incurring of unforeseeable additional costs. During the Track Record Period, our direct costs incurred mainly comprised (i) subcontracting fees, (ii) purchase costs, (iii) staff costs and (iv) overheads. Subcontracting fees include the payments to subcontractors for carrying out the works as laid down in a subcontracting agreement, and exclude the costs incurred by us for procurement of raw materials and hire of plant and equipment on behalf of the subcontractors. Purchase costs include the costs for purchase of raw materials and equipment for own use, and the amounts for procurement of raw materials and plant hired on behalf of the subcontractors. Staff costs represent (i) salaries, wages and other benefits; and (ii) contributions to defined contribution retirement plan provided to our own employees. Overheads represent the costs in maintaining the site office at the construction sites.

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The following table sets out a breakdown of our actual costs incurred by nature during the Track Record Period:

	Year ended 31 December						Six months ended 30 June	
	2012		2013		2014		2015	
	<i>HK\$'000</i>	<i>% to our actual costs</i>	<i>HK\$'000</i>	<i>% to our actual costs</i>	<i>HK\$'000</i>	<i>% to our actual costs</i>	<i>HK\$'000</i>	<i>% to our actual costs</i>
Subcontracting								
fees .....	1,727,936	68.3	1,577,233	61.6	1,917,486	66.5	929,069	66.8
Purchase costs.....	368,400	14.5	435,934	17.0	396,021	13.7	158,556	11.4
Staff costs.....	297,668	11.8	313,598	12.3	362,648	12.6	195,871	14.1
Overheads .....	136,202	5.4	232,894	9.1	208,679	7.2	107,421	7.7
Total actual costs ..	<u>2,530,206</u>		<u>2,559,659</u>		<u>2,884,834</u>		<u>1,390,917</u>	
Add: Movement of gross amount due from customers for contract work ....	(142,772)		103,138		(185,319)		(43,778)	
Add: Movement of gross amount due to customers for contract work .....	186,849		64,841		(124,474)		(160,847)	
Add: Movement of accrued costs ....	<u>102,039</u>		<u>(27,143)</u>		<u>5,476</u>		<u>(116,798)</u>	
Total direct costs ..	<u><u>2,676,322</u></u>		<u><u>2,700,495</u></u>		<u><u>2,580,517</u></u>		<u><u>1,069,494</u></u>	



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The following tables are for reference only and illustrate the hypothetical fluctuations in our actual costs in relation to hypothetical percentage changes to subcontracting fees, purchase costs, staff costs and overheads on our net profit during the Track Record Period. Fluctuations are assumed to be 5%, 10% and 15% for each of the three years ended 31 December 2014 and the six months ended 30 June 2015, respectively, which correspond to the range of historical fluctuations of our actual costs during the Track Record Period.

### *Sensitivity analysis on subcontracting fees*

	Corresponding increase/(decrease) in net profit			Six months ended
	Year ended 31 December			30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Subcontracting fees				
increase/decrease by:				
+15% .....	(228,922)	(208,418)	(214,830)	(89,475)
+10% .....	(152,615)	(138,945)	(143,220)	(59,650)
+5% .....	(76,307)	(69,473)	(71,610)	(29,825)
0 .....	—	—	—	—
-5% .....	76,307	69,473	71,610	29,825
-10% .....	152,615	138,945	143,220	59,650
-15% .....	228,922	208,418	214,830	89,475

### *Sensitivity analysis on purchase costs*

	Corresponding increase/(decrease) in net profit			Six months ended
	Year ended 31 December			30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Purchase costs				
increase/decrease by:				
+15% .....	(48,807)	(57,605)	(44,369)	(15,270)
+10% .....	(32,538)	(38,403)	(29,579)	(10,180)
+5% .....	(16,269)	(19,202)	(14,790)	(5,090)
0 .....	—	—	—	—
-5% .....	16,269	19,202	14,790	5,090
-10% .....	32,538	38,403	29,579	10,180
-15% .....	48,807	57,605	44,369	15,270

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### *Sensitivity analysis on staff costs*

	Corresponding increase/(decrease) in net profit			Six months ended
	Year ended 31 December			30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff costs				
increase/decrease by:				
+15% .....	(39,436)	(41,439)	(40,630)	(18,864)
+10% .....	(26,291)	(27,626)	(27,087)	(12,576)
+5% .....	(13,145)	(13,813)	(13,543)	(6,288)
0 .....	—	—	—	—
-5% .....	13,145	13,813	13,543	6,288
-10% .....	26,291	27,626	27,087	12,576
-15% .....	39,436	41,439	40,630	18,864

### *Sensitivity analysis on overheads*

	Corresponding increase/(decrease) in net profit			Six months ended
	Year ended 31 December			30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Overheads				
increase/decrease by:				
+15% .....	(18,044)	(30,775)	(23,380)	(10,345)
+10% .....	(12,030)	(20,517)	(15,587)	(6,897)
+5% .....	(6,015)	(10,258)	(7,793)	(3,448)
0 .....	—	—	—	—
-5% .....	6,015	10,258	7,793	3,448
-10% .....	12,030	20,517	15,587	6,897
-15% .....	18,044	30,775	23,380	10,345

### **Gross profit and gross profit margin**

Our gross profit was approximately HK\$129.13 million, HK\$138.71 million, HK\$171.64 million and HK\$70.68 million for the years ended 31 December 2012, 31 December 2013 and 31 December 2014 and the six months ended 30 June 2015, respectively. Our gross profit margin was approximately 4.6%, 4.9%, 6.2% and 6.2% for the years ended 31 December 2012, 31 December 2013 and 31 December 2014 and the six months ended 30 June 2015, respectively.

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The following tables set forth our gross profit and gross profit margin by business segments during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2012		2013		2014		2014		2015	
	HK\$' million	Gross profit margin %	HK\$' million	Gross profit margin %	HK\$' million	Gross profit margin %	HK\$' million (unaudited)	Gross profit margin %	HK\$' million	Gross profit margin %
General building .....	71.04	4.6	72.68	5.1	124.18	7.3	58.10	7.7	47.17	6.4
Civil engineering ....	39.21	3.4	63.95	4.7	44.13	4.4	24.74	5.4	27.32	7.4
Other services.....	18.88	21.7	2.08	3.8	3.33	5.5	(1.70)	(6.9)	(3.81)	(11.6)
Total.....	<u>129.13</u>	<u>4.6</u>	<u>138.71</u>	<u>4.9</u>	<u>171.64</u>	<u>6.2</u>	<u>81.14</u>	<u>6.6</u>	<u>70.68</u>	<u>6.2</u>

The following tables set forth our gross profit and gross profit margin attributable to each category of customers during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2012		2013		2014		2014		2015	
	HK\$' million	Gross profit margin %	HK\$' million	Gross profit margin %	HK\$' million	Gross profit margin %	HK\$' million (unaudited)	Gross profit margin %	HK\$' million	Gross profit margin %
<b>Public sector</b>										
- Hong Kong										
Government <sup>(1)</sup> .....	69.02	5.8	107.09	7.6	66.12	5.1	36.79	5.9	33.91	5.6
- Hong Kong										
Government related										
organisations /										
institutional										
bodies <sup>(2)</sup> .....	33.00	2.9	37.80	3.3	68.54	6.9	32.63	7.4	29.93	9.6
<b>Private sector<sup>(3)</sup> .....</b>	<u>27.11</u>	<u>6.0</u>	<u>(6.18)</u>	<u>(2.2)</u>	<u>36.98</u>	<u>8.0</u>	<u>11.72</u>	<u>6.7</u>	<u>6.84</u>	<u>3.0</u>
	<u>129.13</u>	<u>4.6</u>	<u>138.71</u>	<u>4.9</u>	<u>171.64</u>	<u>6.2</u>	<u>81.14</u>	<u>6.6</u>	<u>70.68</u>	<u>6.2</u>

Notes:

1. Hong Kong Government mainly consists of departments of the Hong Kong Government and the Housing Authority.
2. Hong Kong Government related organisations/institutional bodies mainly consist of Hong Kong authorities or institutions which operate under government funding with substantial government influence, such as a local railway operator and property developer, certain institutions responsible for operating hospitals, airport and educational institutions.
3. Private sector mainly consists of public utility companies, privately-owned companies and companies with government investment, such as a local real estate investment trust.

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The gross profit attributable to projects awarded by the Hong Kong Government was significantly higher for the year ended 31 December 2013, when compared to that of the year ended 31 December 2012 and 31 December 2014 respectively. This was mainly attributable to the variation order of a project in year 2011 being agreed and settled by the Hong Kong Government in the year ended 31 December 2013. Accordingly, our gross profit margin attributable to projects awarded by the Hong Kong Government was relatively higher for the year ended 31 December 2013 when compared to that of each of the year ended 31 December 2012 and 31 December 2014 respectively.

The gross profit attributable to projects awarded by the Hong Kong Government amounted to approximately HK\$33.91 million for the six months ended 30 June 2015, which was about in line compared to that of approximately HK\$36.79 million for the six months ended 30 June 2014.

The gross profit attributable to projects awarded by the Hong Kong Government related organisations/institutional bodies increased for the year ended 31 December 2014 which was mainly attributable to the inclusion of a general building contract with higher gross profit margin in that year, namely, the police sports and recreation club enhancement works contract.

The gross profit attributable to projects awarded by the Hong Kong Government related organisations/institutional bodies amounted to approximately HK\$29.93 million for the six months ended 30 June 2015, which was about in line compared to that of approximately HK\$32.63 million for the six months ended 30 June 2014.

The gross loss of the private sector for the year ended 31 December 2013 was mainly due to the inclusion of a gross loss of approximately HK\$20.44 million from salt water supply system for Pok Fu Lam area — construction of service reservoirs, pumping stations and associated main laying project. The gross loss of this project resulted from the increase in budgeted costs in that year due to claims from subcontractors and additional overheads expenses.

The gross profit of the private sector decreased by HK\$4.88 million, or approximately 41.64%, from approximately HK\$11.72 million for the six months ended 30 June 2014 to approximately HK\$6.84 million for the six months ended 30 June 2015. The decrease was primarily due to the fact that certain general building contracts, including certain building projects carried out for a theme park, were substantially completed and hence the gross profit generated therefrom reduced accordingly.

### Other revenue

Other revenue mainly consisted of interest income. The increase from 2012 to 2014 was primarily associated with the increase in bank interest income arising from increase in average deposit placed with banks.

Other revenue for the six months ended 30 June 2015 decreased compared to that for the six months ended 30 June 2014, which was mainly due to the reduction in bank interest income as a result of decrease in average deposit placed with banks.

## FINANCIAL INFORMATION

### Other net income/(loss)

Other net income/(loss) mainly comprised net gain/(loss) on disposal of property, plant and equipment and net foreign exchange gain/(loss).

### Administrative expenses

Our administrative expenses mainly comprised staff costs and other miscellaneous administrative expenses. In general, our administrative expenses increased with the overall expansion of our operations. Our administrative expenses represented approximately 2.49%, 2.64%, 3.15% and 2.94% of our total revenue for each of the three years ended 31 December 2014 and the six months ended 30 June 2015, respectively.

The following table sets forth the breakdown of our administrative expenses for the years indicated:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Staff costs .....	43,683	46,126	41,246	23,620	15,307
Rent and rates .....	7,114	9,434	10,526	5,093	4,476
Depreciation.....	1,645	1,767	2,013	891	1,117
Auditors' remuneration.....	406	417	3,048	1,527	2,604
Legal and professional fees .....	2,239	2,266	1,926	1,083	1,026
Motor vehicles expenses.....	1,667	1,741	1,334	718	533
Tender expenses <sup>(1)</sup> .....	3,022	2,054	5,431	1,010	565
Repairs and maintenance .....	1,376	2,458	2,017	985	955
Office utility expenses .....	3,392	3,557	3,803	1,905	1,845
Others <sup>(2)</sup> .....	5,432	5,029	15,287	2,620	5,065
Total .....	<u>69,976</u>	<u>74,849</u>	<u>86,631</u>	<u>39,452</u>	<u>33,493</u>

Notes:

1. Our tender expenses mainly comprised the software licence fees and consultancy fee in tenders which require both technical proposal and tender prices.
2. Others mainly comprised entertainment expenses, insurance expenses, donations, bank charges, travelling expenses and listing expenses.

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Our staff costs for each of the three years ended 31 December 2014 and the six months ended 30 June 2015 amounted to approximately HK\$43.7 million, HK\$46.1 million, HK\$41.2 million and HK\$15.3 million, representing approximately 62.4%, 61.6%, 47.6% and 45.7% of our total administrative expenses. The decrease in our staff costs and the respective percentage to total administrative expenses for the year ended 31 December 2014 was mainly attributable to the transfer of certain managerial staff from head office administration level to project level as from second half of 2014 in order to better align with their job responsibilities in certain electrical and mechanical contracts carried out during the year. Their staff costs were recorded as direct costs instead of staff costs within administrative expenses, which explained the reduction in overall staff costs in 2014 and 2015 when compared to that of 2012 and 2013.

### Finance costs

Our finance costs primarily comprised bank interest expenses.

### Share of profits less losses of joint ventures

Our Joint Ventures are mainly formed to undertake general building projects. Share of profits less losses of joint ventures represented the aggregate share of our Joint Ventures' net profits attributable to our interests in those Joint Ventures. During the Track Record Period, our share of profits less losses mainly comprised our share of profit/loss of SFK Kun Fai.

### Income tax

Our income tax primarily comprised provision for Hong Kong current and deferred income tax expenses. Our effective tax rates, calculated as the income tax expense divided by the profit before income tax, were approximately 16.34%, 8.14%, 17.61% and 19.12% for each of the three years ended 31 December 2014 and the six months ended 30 June 2015, respectively.

Our Company and subsidiaries are incorporated in different jurisdictions, with different taxation requirements as illustrated as follows:

Pursuant to the laws and regulations of Bermuda and the BVI, our Group is not subject to any income tax in Bermuda and the BVI.

The statutory income tax rate of our Company's subsidiaries incorporated in Hong Kong is 16.5%. The provision for Macau profits tax was calculated progressively at tax rate ranging from 3% to 12% of the assessable profits.

The statutory income tax rate for all domestic enterprises and foreign-invested enterprises established in the PRC is 25%. Our subsidiaries in the PRC, Jiajing Enterprise and Guangzhou Jiajing, are recognised as foreign-invested enterprise and domestic enterprise, respectively, and are subject to the unified enterprise income tax rate of 25%.

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The income taxes imposed on our Group therefore consisted of Hong Kong profits tax imposed on our Hong Kong subsidiaries, Macau profits tax imposed on our Macau subsidiaries and PRC enterprise income tax imposed on our PRC subsidiaries. Except for these subsidiaries, no provision for income tax had been made during the Track Record Period as our Company, SFK Holdings, High Regard, Everfirst and Intercede did not have assessable profits subject to income tax during the Track Record Period.

Our Directors confirm that we have made all required tax filing in all relevant jurisdictions and paid all tax liabilities that have become due. We are not subject to any dispute or potential dispute with any tax authorities.

### REVIEW OF HISTORICAL RESULTS OF OPERATIONS

#### Six months ended 30 June 2015 compared with six months ended 30 June 2014

##### *Revenue*

Our revenue decreased by approximately HK\$95.23 million, or approximately 7.71%, from approximately HK\$1,235.40 million for the six months ended 30 June 2014 to approximately HK\$1,140.17 million for the six months ended 30 June 2015. The decrease in our revenue was mainly the combined effect of the reduction in general building business of approximately HK\$16.21 million and the reduction in civil engineering business of approximately HK\$87.27 million.

Revenue from general building business decreased by approximately HK\$16.21 million, or approximately 2.15%, from approximately HK\$754.46 million for the six months ended 30 June 2014 to approximately HK\$738.25 million for the six months ended 30 June 2015. The decrease was primarily due to the fact that certain general building contracts, including the police sports and recreation club enhancement works contract and certain building projects carried out for a theme park in Lantau Island (to build a central chiller plant), were substantially completed. This was partly offset by the inclusion of certain building projects carried out for a theme park (to build an attraction for the theme park).

Revenue from civil engineering business decreased by approximately HK\$87.27 million, or approximately 19.12%, from approximately HK\$456.38 million for the six months ended 30 June 2014 to approximately HK\$369.11 million for the six months ended 30 June 2015. The decrease was primarily due to the reduction in revenue of certain civil engineering contracts which were substantially completed, including the western apron expansion works of the airport and certain works under the Highways Department term contract. This was partly offset by the increase in revenue of certain civil engineering contract in accordance with the work progress, including Kai Tak Development — Reconstruction and upgrading of Kai Tak Nullah.

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Revenue from other services increased by approximately HK\$8.25 million, or approximately 33.59%, from approximately HK\$24.56 million for the six months ended 30 June 2014 to approximately HK\$32.81 million for the six months ended 30 June 2015. The increase was primarily due to the increase in revenue generated from the provision of cleaning services for Langham Place (new contract rate as from May 2015) and the provision of the facility management services for the Civil Aviation Department Headquarters (new contract rate as from December 2014).

### *Direct costs*

Direct costs decreased by approximately HK\$84.76 million, or approximately 7.34%, from approximately HK\$1,154.25 million for the six months ended 30 June 2014 to approximately HK\$1,069.49 million for the six months ended 30 June 2015. The direct costs as a percentage of revenue for the six months ended 30 June 2015 was about in line with that for the six months ended 30 June 2014.

### *Gross profit and gross profit margin*

Our overall gross profit decreased by approximately HK\$10.46 million, or approximately 12.89%, from approximately HK\$81.14 million for the six months ended 30 June 2014 to approximately HK\$70.68 million for the six months ended 30 June 2015.

Our overall gross profit margin for the six months ended 30 June 2015 amounted to 6.20%, which was about in line compared to that of 6.57% for the six months ended 30 June 2014.

Gross profit from general building business decreased by approximately HK\$10.93 million, or approximately 18.81%, from approximately HK\$58.10 million for the six months ended 30 June 2014 to approximately HK\$47.17 million for the six months ended 30 June 2015. This was mainly due to the decrease in gross profit of approximately HK\$8.10 million between periods for the police sports and recreation club enhancement works contract, which was completed in May 2015.

Gross profit from civil engineering business increased by approximately HK\$2.58 million, or approximately 10.43%, from approximately HK\$24.74 million for the six months ended 30 June 2014 to approximately HK\$27.32 million for the six months ended 30 June 2015. This was mainly due to the increase in gross profit of approximately HK\$9.58 million between periods for a civil engineering contract in accordance with the work progress, namely, Kai Tak Development — Reconstruction and upgrading of Kai Tak Nullah. This was partly offset by the decrease in gross profit of approximately HK\$4.73 million between periods for a civil engineering contract in accordance with the work progress, namely, the upgrading works for Stonecutters Island sewage treatment works.

Gross loss from other services increased by approximately HK\$2.11 million, or approximately 124.12%, from approximately HK\$1.70 million for the six months ended 30 June 2014 to approximately HK\$3.81 million for the six months ended 30 June 2015. The loss was primarily resulted from certain contracts for provision of cleaning services. The actual amounts paid to the cleaners exceeded our budgeted amounts, and our Group was required to pay wages even higher than



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Statutory Minimum Wage in order to recruit or retain the cleaners for undertaking the cleaning services. Whilst tendering for new contracts for provision of cleaning services, our Group has already taken into account the effects of new Statutory Minimum Wage which is re-fixed to HK\$32.5 per hour as from 1 May 2015. The gross loss recognised for provision of cleaning services in the six months ended 30 June 2014 was partially offset by HK\$1.17 million gross profit generated from consultant services provided in the PRC.

### *Other revenue*

Our other revenue decreased by approximately HK\$2.73 million, or approximately 90.70%, from approximately HK\$3.01 million for the six months ended 30 June 2014 to approximately HK\$0.28 million for the six months ended 30 June 2015. The decrease was mainly due to the decrease in bank interest income from approximately HK\$2.77 million to approximately HK\$0.25 million as a result of decrease in average deposit placed with banks.

### *Other net income/(loss)*

Our net loss for the six months ended 30 June 2015 amounted to approximately HK\$0.65 million, which was lower compared to our net loss of approximately HK\$1.14 million for the six months ended 30 June 2014. Our net loss for the six months ended 30 June 2015 comprised net foreign exchange loss of approximately HK\$1.48 million related to the exchange differences arose from translation of Renminbi deposits, which was offset by a net gain on disposal of property, plant and equipment of approximately HK\$0.42 million coupled with a net gain on de-registration of subsidiaries of approximately HK\$0.41 million.

### *Administrative expenses*

Our administrative expenses decreased by approximately HK\$5.96 million, or approximately 15.11%, from approximately HK\$39.45 million for the six months ended 30 June 2014 to approximately HK\$33.49 million for the six months ended 30 June 2015. The decrease was mainly attributable to the decrease in staff costs of approximately HK\$8.31 million between periods, as certain managerial staff was transferred from head office administration level to project level as from second half of 2014 in order to better align with their job responsibilities in certain electrical and mechanical contracts carried out in that year.

### *Finance costs*

Our finance costs decreased by approximately HK\$2.02 million, or approximately 85.96%, from approximately HK\$2.35 million for the six months ended 30 June 2014 to approximately HK\$0.33 million for the six months ended 30 June 2015. The decrease was primarily associated with the decrease in bank interest expenses arising from decrease in average bank loan balances.

## FINANCIAL INFORMATION

### *Share of profits less losses of joint ventures*

Our share of profits less losses of joint ventures was a net loss of approximately HK\$0.85 million for the six months ended 30 June 2015, compared to a net profit of approximately HK\$1.54 million for the six months ended 30 June 2014. The amount recorded in 2014 was mainly attributable to the inclusion of profits from SFK Kun Fai for the Cotai Casino, Exhibition and Hotel Complex projects which were substantially completed, hence the profits generated from these projects were reduced in 2015. After taking into account the administrative expenses incurred, it resulted in a net loss during the six months ended 30 June 2015.

### *Income tax*

Our income tax for the six months ended 30 June 2015 amounted to approximately HK\$6.81 million, which was about in line compared to that of approximately HK\$7.23 million for the six months ended 30 June 2014. The effective tax rate for the six months ended 30 June 2015 was 19.12%, which was higher compared to that of 16.90% for the six months ended 30 June 2014.

The relatively higher effective tax rate for the six months ended 30 June 2015 was mainly due to the inclusion of a HK\$2.34 million non-deductible listing expenses. Excluding this one-off item from the profit before income tax, our effective tax rate for the six months ended 30 June 2015 would be 17.94%.

### *Profit attributable to the equity shareholder of the Company*

Based on the above factors, profit attributable to the equity shareholder of our Company decreased by approximately HK\$6.84 million, or 19.12%, from approximately HK\$35.78 million for the six months ended 30 June 2014 to approximately HK\$28.94 million for the six months ended 30 June 2015.

### *Dividends*

We did not declare any dividend during the six months ended 30 June 2014 and 30 June 2015 respectively.

### **Year ended 31 December 2014 compared to year ended 31 December 2013**

### *Revenue*

Our revenue decreased by approximately HK\$87.05 million, or approximately 3.07%, from approximately HK\$2,839.21 million for the year ended 31 December 2013 to approximately HK\$2,752.16 million for the year ended 31 December 2014. The decrease in our revenue was mainly the combined effect of the reduction in civil engineering business of approximately HK\$354.64 million, which was partly offset by the increase in general building business of approximately HK\$262.27 million and also the increase in other services of approximately HK\$5.32 million.

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Revenue from general building business increased by approximately HK\$262.27 million, or approximately 18.35%, from approximately HK\$1,429.39 million for the year ended 31 December 2013 to HK\$1,691.66 million for the year ended 31 December 2014. The increase was primarily due to the inclusion of full year effect in 2014 of certain new general building contracts, namely, the police sports and recreation club enhancement works contract and certain building projects carried out for a theme park in Lantau Island (to build the administration building and a new attraction of the theme park). This was partly offset by the reduction in revenue of certain general building contracts which were in their completion stage, including certain building projects carried out for a theme park (to build an attraction for the theme park).

Revenue from civil engineering business decreased by approximately HK\$354.64 million, or approximately 26.17%, from approximately HK\$1,355.09 million for the year ended 31 December 2013 to HK\$1,000.45 million for the year ended 31 December 2014. The decrease was primarily due to the reduction in revenue of certain civil engineering contracts in accordance with the work progress and certain projects were substantially completed, including the upgrading works for Stonecutters Island sewage treatment works, western apron expansion works of the airport, certain works under the Highways Department term contract, and drainage improvement in northern Hong Kong island — western lower catchment works project. This was partly offset by the inclusion of full year effect in 2014 of certain civil engineering contract including Kai Tak Development — Reconstruction and upgrading of Kai Tak Nullah.

Revenue from other services increased by approximately HK\$5.32 million, or approximately 9.72%, from approximately HK\$54.73 million for the year ended 31 December 2013 to HK\$60.05 million for the year ended 31 December 2014. The relatively higher revenue from other services in 2014 was mainly explained by the inclusion of certain revenue generated as a result of consultancy services performed for projects carried out in Guangzhou and Foshan, the PRC.

### ***Direct costs***

Our direct costs decreased by approximately HK\$119.98 million, or approximately 4.44%, from approximately HK\$2,700.50 million for the year ended 31 December 2013 to approximately HK\$2,580.52 million for the year ended 31 December 2014. The direct costs as a percentage of revenue for the year ended 31 December 2014 was less than that for the year ended 31 December 2013.

### ***Gross profit and gross profit margin***

Our overall gross profit increased by approximately HK\$32.94 million, or approximately 23.75%, from approximately HK\$138.71 million for the year ended 31 December 2013 to approximately HK\$171.65 million for the year ended 31 December 2014. Certain general building contracts were approaching their completion stage and contributed profits during the year, namely, the police sports and recreation club enhancement works contract and a project carried out for a theme park (to build an attraction). In addition, there was an increase in profits generated from consultancy services performed for projects carried out in Guangzhou, the PRC.

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Our overall gross profit margin for the year ended 31 December 2014 amounted to 6.24%, compared to that of 4.89% for the year ended 31 December 2013. This was mainly attributable to the inclusion of a general building contract with higher gross profit margin in that year, namely, the police sports and recreation club enhancement works contract. This contract was in the completion stage and contributed approximately HK\$44.96 million gross profit with a gross profit margin of approximately 17% for the year ended 31 December 2014.

Gross profit from general building business increased by approximately HK\$51.50 million, or approximately 70.86%, from approximately HK\$72.68 million for the year ended 31 December 2013 to HK\$124.18 million for the year ended 31 December 2014. Gross profit margin also increased from approximately 5.08% for the year ended 31 December 2013 to approximately 7.34% for the year ended 31 December 2014. The increase was primarily attributable to the inclusion of a higher gross profit margin general building contract, namely, police sports and recreation club enhancement works contract as mentioned above.

Gross profit from civil engineering business decreased by approximately HK\$19.82 million, or approximately 30.99%, from approximately HK\$63.95 million for the year ended 31 December 2013 to HK\$44.13 million for the year ended 31 December 2014. Included in gross profit from civil engineering business for the year ended 31 December 2013 was approximately HK\$41.44 million from drainage improvement in northern Hong Kong island — western lower catchment works project resulting from the conclusion of certain variation orders during that year, with majority of the costs incurred being recorded in the previous years. This explained the relatively higher gross profit in 2013 compared to that in 2014. Gross profit margin from civil engineering business remained relatively stable between the years.

Gross profit from other services remained relatively stable between the years. Gross profit margin from other services was relatively higher in 2014 mainly due to the inclusion of higher profit margin consultancy services carried out mainly in Guangzhou, the PRC during that year.

### ***Other revenue***

Our other revenue increased by approximately HK\$1.70 million, or approximately 50.90%, from approximately HK\$3.34 million for the year ended 31 December 2013 to approximately HK\$5.04 million for the year ended 31 December 2014. The increase was primarily associated with the increase in bank interest income from approximately HK\$2.54 million to approximately HK\$4.72 million arising from increase in average deposit placed with banks.

### ***Other net income/(loss)***

Our net loss for the year ended 31 December 2014 amounted to approximately HK\$0.83 million, compared to our net income for the year ended 31 December 2013 of approximately HK\$63.78 million. Included in the year ended 31 December 2013 was a HK\$63.43 million gain on disposal of a subsidiary, SFK Macau. Our net loss for the year ended 31 December 2014 mainly comprised net

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foreign exchange loss of approximately HK\$1.19 million related to exchange differences arose from translation of Renminbi deposits, which was offset by a net gain on disposal of property, plant and equipment of approximately HK\$0.36 million.

### *Administrative expenses*

Our administrative expenses increased by approximately HK\$11.78 million, or approximately 15.74% from approximately HK\$74.85 million for the year ended 31 December 2013 to approximately HK\$86.63 million for the year ended 31 December 2014. The increase was mainly attributable to the inclusion of approximately HK\$9.26 million listing expenses during 2014.

### *Finance costs*

Our finance costs decreased by approximately HK\$1.39 million, or approximately, 35.92% from approximately HK\$3.87 million for the year ended 31 December 2013 to approximately HK\$2.48 million for the year ended 31 December 2014. The decrease was primarily associated with the decrease in bank interest expenses arising from decrease in average bank loan balances.

### *Share of profits less losses of joint ventures*

Our share of profits less losses of joint ventures decreased by approximately HK\$2.14 million, or approximately 73.54%, from approximately HK\$2.91 million for the year ended 31 December 2013 to approximately HK\$0.77 million for the year ended 31 December 2014. The amount recorded in 2014 was mainly attributable to the inclusion of profits from SFK Kun Fai for the Cotai Casino, Exhibition and Hotel Complex projects only; whereas the amount recorded in 2013 also included profits from SFK Kun Fai for the Macau hospital expansion works project, in addition to the Cotai Casino, Exhibition and Hotel Complex projects.

### *Income tax*

Our income tax increased by approximately HK\$4.83 million, or approximately 45.65%, from approximately HK\$10.58 million for the year ended 31 December 2013 to approximately HK\$15.41 million for the year ended 31 December 2014. Our effective tax rate increased from approximately 8.14% for the year ended 31 December 2013 to approximately 17.61% for the year ended 31 December 2014. The relatively low effective tax rate for the year ended 31 December 2013 was mainly due to the inclusion of a HK\$63.43 million non-taxable capital gain on disposal of a subsidiary, SFK Macau. Excluding this one-off item from the profit before income tax, our effective tax rate for the year ended 31 December 2013 would be 15.88%. The relatively high effective tax rate for the year ended 31 December 2014 was mainly due to the inclusion of a HK\$9.26 million non-deductible listing expenses. Excluding this one-off item from the profit before income tax, our effective tax rate for the year ended 31 December 2014 would be 15.92%.

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### *Profit attributable to the equity shareholder of the Company*

Based on the above factors, profit attributable to the equity shareholder of our Company decreased by approximately HK\$47.15 million, or approximately 39.41%, from approximately HK\$119.63 million for the year ended 31 December 2013 to approximately HK\$72.48 million for the year ended 31 December 2014.

### *Dividends*

We did not declare any dividend during the year ended 31 December 2014. We declared an interim dividend of HK\$200.00 million for the year ended 31 December 2013, which was distributed in December 2013.

### **Year ended 31 December 2013 compared to year ended 31 December 2012**

#### *Revenue*

Our revenue increased by approximately HK\$33.75 million, or approximately 1.20%, from approximately HK\$2,805.46 million for the year ended 31 December 2012 to approximately HK\$2,839.21 million for the year ended 31 December 2013. The increase in our revenue was mainly the combined effect of the increase in civil engineering business of approximately HK\$192.83 million, which was partly offset by the decrease in general building business of approximately HK\$126.85 million and also the decrease in other services of approximately HK\$32.23 million.

Revenue from general building business decreased by approximately HK\$126.85 million, or approximately 8.15%, from approximately HK\$1,556.24 million for the year ended 31 December 2012 to approximately HK\$1,429.39 million for the year ended 31 December 2013. This decrease was primarily due to the fact that certain general building contracts, including certain building projects carried out for a theme park, were substantially completed and hence the revenue generated therefrom dropped significantly, which was partly offset by the inclusion of full-year effect in 2013 of our SFKJV project of Ma On Shan line modification works which commenced works in August 2012.

Revenue from civil engineering business increased by approximately HK\$192.83 million, or approximately 16.59%, from approximately HK\$1,162.26 million for the year ended 31 December 2012 to approximately HK\$1,355.09 million for the year ended 31 December 2013. The increase was mainly attributable to the inclusion of certain new civil engineering contracts for the year ended 31 December 2013 such as the provision of barrier-free access facilities for highway structures, and Kai Tak Development — Reconstruction and upgrading of Kai Tak Nullah.

Revenue from other services decreased by approximately HK\$32.23 million, or approximately 37.06%, from approximately HK\$86.96 million for the year ended 31 December 2012 to approximately HK\$54.73 million for the year ended 31 December 2013. The relatively higher revenue from other services in 2012 was mainly explained by the inclusion of certain revenue generated as a result of consultancy services performed for projects carried out in Foshan and Jiangmen, the PRC, respectively.

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### *Direct costs*

Our direct costs increased by approximately HK\$24.18 million, or approximately 0.90%, from approximately HK\$2,676.32 million for the year ended 31 December 2012 to approximately HK\$2,700.50 million for the year ended 31 December 2013. Our direct costs remained relatively stable between the years.

### *Gross profit and gross profit margin*

Gross profit increased by approximately HK\$9.58 million, or approximately 7.42%, from approximately HK\$129.13 million for the year ended 31 December 2012 to approximately HK\$138.71 million for the year ended 31 December 2013. The increase in gross profit was mainly attributable to the increase in revenue for the year ended 31 December 2013 as compared to the year ended 31 December 2012.

Gross profit margin for the year ended 31 December 2013 amounted to approximately 4.89%, which was about in line compared to that for the year ended 31 December 2012 of approximately 4.60%.

Gross profit from general building business increased slightly by approximately HK\$1.64 million, or approximately 2.31%, from approximately HK\$71.04 million for the year ended 31 December 2012 to approximately HK\$72.68 million for the year ended 31 December 2013. This increase was primarily due to the inclusion of full-year effect in 2013 of our SFKJV project of Ma On Shan line modification works which commenced works in August 2012. Gross profit margin from general building business was approximately 4.56% for the year ended 31 December 2012, compared to approximately 5.08% for the year ended 31 December 2013. Our gross profit margin from general building business remained relatively stable between the years.

Gross profit from civil engineering business increased by approximately HK\$24.74 million, or approximately 63.10%, from approximately HK\$39.21 million for the year ended 31 December 2012 to approximately HK\$63.95 million for the year ended 31 December 2013. Gross profit margin from civil engineering business was approximately 3.37% for the year ended 31 December 2012, compared to approximately 4.72% for the year ended 31 December 2013. Included in gross profit from civil engineering business for the year ended 31 December 2013 was approximately HK\$41.44 million from drainage improvement in northern Hong Kong island — western lower catchment works project resulting from the conclusion of certain variation orders during that year, with majority of the costs incurred being recorded in the previous years. This was partly offset by the inclusion of a gross loss of approximately HK\$20.44 million from salt water supply system for Pok Fu Lam area — construction of service reservoirs, pumping stations and associated main laying project resulting from the increase in budgeted costs in that year due to claims from subcontractors and additional preliminary expenses.



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Gross profit from other services decreased by approximately HK\$16.80 million, or approximately 88.98%, from approximately HK\$18.88 million for the year ended 31 December 2012 to approximately HK\$2.08 million for the year ended 31 December 2013. Gross profit margin from other services was approximately 21.71% for the year ended 31 December 2012, compared to approximately 3.80% for the year ended 31 December 2013. Included in gross profit from other services for the year ended 31 December 2012 was approximately HK\$15.30 million relating to consultancy services and design work performed for projects carried out in the PRC, including Foshan and Heshan, in which the corresponding gross profit margin was generally higher when compared to the provision of housing management services in Hong Kong.

### *Other revenue*

Our other revenue increased by approximately HK\$1.13 million, or approximately 51.13%, from approximately HK\$2.21 million for the year ended 31 December 2012 to approximately HK\$3.34 million for the year ended 31 December 2013. The increase was primarily associated with the increase in bank interest income from approximately HK\$0.97 million to approximately HK\$2.54 million arising from increase in average deposit placed with banks.

### *Other net income/(loss)*

Our net loss for the year ended 31 December 2012 amounted to HK\$0.25 million, compared to our net income for the year ended 31 December 2013 of HK\$63.78 million. Our net loss for the year ended 31 December 2012 was attributed to the net effect of (i) foreign exchange loss; and (ii) gain on disposal of property, plant and equipment.

### *Administrative expenses*

Our administrative expenses increased by approximately HK\$4.87 million, or approximately 6.96%, from approximately HK\$69.98 million for the year ended 31 December 2012 to approximately HK\$74.85 million for the year ended 31 December 2013. The increase was mainly due to the increase in staff costs of approximately HK\$2.44 million as a result of average salary increment between years. In addition, rent and rates increased by approximately HK\$2.32 million due to an increase in our Hong Kong head office monthly rental charge at the Great Eagle Centre.

### *Finance costs*

Our finance costs increased by approximately HK\$2.51 million, or approximately 184.56%, from approximately HK\$1.36 million for the year ended 31 December 2012 to approximately HK\$3.87 million for the year ended 31 December 2013. The increase was primarily associated with the increase in bank interest expenses arising from increase in average bank loan balances.



<b>FINANCIAL INFORMATION</b>
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***Share of profits less losses of joint ventures***

Our share of profits less losses of joint ventures increased by approximately HK\$2.19 million, or approximately 304.17%, from approximately HK\$0.72 million for the year ended 31 December 2012 to approximately HK\$2.91 million for the year ended 31 December 2013. The increase was mainly attributable to the inclusion of profits from SFK Kun Fai for projects including Macau hospital expansion works, Cotai Casino, Exhibition and Hotel Complex.

***Income tax***

Our income tax increased by approximately HK\$0.70 million, or approximately 7.09%, from approximately HK\$9.88 million for the year ended 31 December 2012 to approximately HK\$10.58 million for the year ended 31 December 2013. This is consistent with the increasing trend of our profits, the reasons of which are explained above. Our effective tax rate for the year ended 31 December 2012 was approximately 16.34%.

***Profit attributable to the equity shareholder of the Company***

Based on the above factors, profit attributable to the equity shareholder of our Company increased by approximately HK\$69.03 million, or approximately 136.42%, from approximately HK\$50.60 million for the year ended 31 December 2012 to approximately HK\$119.63 million for the year ended 31 December 2013.

***Dividends***

We did not declare any dividend during the year ended 31 December 2012.

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### NET CURRENT ASSETS AND SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our current assets, current liabilities, and selected items of the consolidated statements of financial position as at the respective financial position dates indicated:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>				
Property, plant and equipment.....	21,069	19,956	30,300	27,557
Interest in joint ventures.....	51,312	16,771	3,748	2,898
Deferred tax assets .....	1,159	546	1,432	1,481
	<u>73,540</u>	<u>37,273</u>	<u>35,480</u>	<u>31,936</u>
<b>Current assets</b>				
Gross amount due from customers for contract work .....	501,627	398,489	583,808	627,586
Trade and other receivables .....	424,907	489,136	473,631	376,994
Current tax recoverable .....	5,723	3,283	4,240	3,512
Pledged deposits.....	8,840	8,762	16,126	20,353
Cash and cash equivalents .....	448,442	465,783	246,146	79,735
	<u>1,389,539</u>	<u>1,365,453</u>	<u>1,323,951</u>	<u>1,108,180</u>
<b>Current liabilities</b>				
Gross amount due to customers for contract work .....	391,955	456,796	332,322	171,475
Trade and other payables .....	673,902	659,949	726,656	519,048
Amounts due to immediate holding company .....	7,178	18,473	—	—
Amount due to a joint venture .....	—	—	697	730
Bank loans .....	90,848	44,851	—	115,000
Current tax payable .....	1,867	5,962	10,438	15,488
	<u>1,165,750</u>	<u>1,186,031</u>	<u>1,070,113</u>	<u>821,741</u>
<b>Net current assets</b> .....	<u>223,789</u>	<u>179,422</u>	<u>253,838</u>	<u>286,439</u>
<b>Total assets less current liabilities</b> .....	<u>297,329</u>	<u>216,695</u>	<u>289,318</u>	<u>318,375</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities.....	1,961	1,837	2,338	2,979
<b>NET ASSETS</b> .....	<u>295,368</u>	<u>214,858</u>	<u>286,980</u>	<u>315,396</u>

## FINANCIAL INFORMATION

### Interests in joint ventures

Interest in joint ventures represents our share of net assets in the respective Joint Ventures plus the current accounts due from joint ventures.

The balance decreased from approximately HK\$51.31 million as at 31 December 2012 to approximately HK\$16.77 million as at 31 December 2013. This was mainly attributable to the combined effect of a 50% share of MOP\$20.00 million dividend declared by SFK Kun Fai during 2013 and also the partial settlement of the current account due from this Macau Joint Venture during the year.

The balance further decreased from approximately HK\$16.77 million as at 31 December 2013 to approximately HK\$3.75 million as at 31 December 2014. This was mainly attributable to the combined effect of a 50% share of MOP\$10.00 million dividend declared by SFK Kun Fai during 2014 and also the partial settlement of the current account due from this Macau Joint Venture during the year.

The balance as at 30 June 2015 was about in line with that of 31 December 2014. The amounts represented our Group's share of net assets of our Joint Ventures, mainly SFK Kun Fai.

### Gross amount due from/to customers for contract work

Our revenue from projects is recognised based on the percentage of completion of the project, and this is determined after considering the relationship of value of work done to date to total contract value. There is normally a timing difference between the completion of site works and the issuance of progress claims and invoices to our customers. Gross amount due from customers for contract work represents the surplus derived when the contract costs incurred to date plus recognised profit less recognised losses exceed progress billings, while gross amount due to customers for contract work represents the surplus derived when the progress billings exceed contract costs incurred to date plus recognised profit less recognised losses.

	As at			
	31 December 2012	31 December 2013	31 December 2014	30 June 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross amount due from				
customers for contract work..	501,627	398,489	583,808	627,586
Gross amount due to customers				
for contract work.....	391,955	456,796	332,322	171,475

The gross amount due from/to customers for contract work are usually affected by our revenue, the volume and value of works we performed close to the end of each reporting period and the timing of receiving progress payments/making the progress certificates, and thus vary from period to period.

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Gross amount due from customers for contract work decreased from approximately HK\$501.63 million as at 31 December 2012 to approximately HK\$398.49 million as at 31 December 2013. The decrease was mainly attributable to the decrease in balances between years relating to certain maintenance projects for general building works, such as the term contract for minor works managed by Hospital Authority for Hong Kong East and West Clusters.

Gross amount due from customers for contract work increased from approximately HK\$398.49 million as at 31 December 2013 to approximately HK\$583.81 million as at 31 December 2014. The increase was mainly attributable to the inclusion of balances relating to certain new maintenance projects for general building works, such as the term contracts for the alterations, additions, maintenance and repair of buildings managed by the Architectural Services Department. In addition, there was an increase in balances between years relating to certain maintenance projects for general building works such as the provision of barrier-free access facilities in premises managed by Hospital Authority, where the contract costs incurred to date plus recognised profit less losses exceed the related progress billings.

Gross amount due from customers for contract work increased from approximately HK\$583.81 million as at 31 December 2014 to approximately HK\$627.59 million as at 30 June 2015. The increase was mainly attributable to the increase in balances between periods relating to certain civil engineering contracts including the Stonecutters Island sewage treatment works project, where the contract costs incurred to date plus recognised profit less losses exceed the related progress billings.

Gross amount due to customers for contract work increased from approximately HK\$391.96 million as at 31 December 2012 to approximately HK\$456.80 million as at 31 December 2013. The increase was partly attributable to the inclusion of balances relating to certain new civil engineering contracts for the year ended 31 December 2013 such as the provision of barrier-free access facilities for highway structures. In addition, the balances relating to certain projects increased between years where the related progress billings exceed contract costs incurred to date plus recognised profit less recognised losses, including our SFKJV project of Ma On Shan line modification works and certain civil engineering contract including the Stonecutters Island sewage treatment works project.

Gross amount due to customers for contract work decreased from approximately HK\$456.80 million as at 31 December 2013 to approximately HK\$332.32 million as at 31 December 2014. The decrease was mainly attributable to the decrease in balances between years relating to certain general building contracts such as our SFKJV project of Ma On Shan line modification works and certain civil engineering contracts including the Stonecutters Island sewage treatment works project, in which the contract payments certified by our customers were ahead to the then actual progress of work. When time elapsed with more progress of works was made, a considerable sum of money above that we received during the prior year would then be utilised on the contract works in subsequent year, leading to a reduction in balance of gross amount due to customers for contract work as at 31 December 2014.

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Gross amount due to customers for contract work decreased from approximately HK\$332.32 million as at 31 December 2014 to approximately HK\$171.48 million as at 30 June 2015. The decrease was mainly attributable to the completion of certain general building contracts during the six months ended 30 June 2015 leading to a reduction in the balance between periods, including certain building projects carried out for a theme park (to build the administration building) and the police sports and recreation club enhancement works contract.

### Trade and other receivables

Our trade and other receivables as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015 were approximately HK\$424.91 million, HK\$489.14 million, HK\$473.63 million and HK\$376.99 million, respectively, of which a breakdown is set out below:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade debtors .....	209,819	293,572	267,374	170,156
Deposits, prepayments and other receivables .....	15,741	12,019	35,000	36,555
Amount due from a fellow subsidiary.....	20,347	—	—	—
Amounts due from related companies .....	5,001	4,193	4,757	8,398
Amounts due from joint operation partners.....	6,712	8,425	7,554	406
Retentions receivable .....	167,287	170,927	158,946	161,479
	<u>424,907</u>	<u>489,136</u>	<u>473,631</u>	<u>376,994</u>

Except for the amounts (mainly represent retentions receivable) of HK\$114.04 million, HK\$98.55 million, HK\$119.71 million and HK\$83.65 million as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, respectively which are expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.

Trade debtors increased from approximately HK\$209.82 million as at 31 December 2012 to approximately HK\$293.57 million as at 31 December 2013. The increase in trade debtors for the year ended 31 December 2013 was mainly attributable to the inclusion of approximately HK\$100 million contract receivables near year end relating to western apron expansion works and midfield advanced works of the airport, which were subsequently settled in January 2014. Such contract receivables led to a higher trade debtors balance and a higher trade debtor turnover day for the year ended 31 December 2013 compared to that of 31 December 2012.

Trade debtors decreased from approximately HK\$293.57 million as at 31 December 2013 to approximately HK\$267.37 million as at 31 December 2014. This was mainly attributable to the combined effect of a reduction of approximately HK\$90.00 million contract receivables relating to western apron expansion works and midfield advanced works of the airport in accordance with the work progress, which was partly offset by an increase in contract receivables of approximately HK\$43.95 million relating to our SFKJV project of Ma On Shan line modification works in accordance with the work progress.

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Trade debtors decreased from approximately HK\$267.37 million as at 31 December 2014 to approximately HK\$170.16 million as at 30 June 2015. This was mainly attributable to the combined effect of a reduction of approximately HK\$87.42 million contract receivables relating to (i) our SFKJV project of Ma On Shan Line modification works of approximately HK\$33.37 million in accordance with the work progress, (ii) the police sports and recreation club enhancement works contract of approximately HK\$26.14 million which was completed in May 2015; and (iii) certain building projects carried out for a theme park (to build the administration building) of approximately HK\$27.91 million which was substantially completed.

All of the trade debtors were not impaired as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015.

The credit term offered by our Group was in accordance with the terms specified in each contract being entered into with relevant customers which was generally about 30 days. Generally, payments would be paid within 21 days from the date of issue of the payment certificate for the Hong Kong Government projects while it take around 30 days for private sector projects.

The ageing analysis of trade debtors and trade balance due from a fellow subsidiary and related companies that are neither individually nor collectively considered to be impaired are as follows:

	As at			
	31 December 2012	31 December 2013	31 December 2014	30 June 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired..	224,157	290,763	264,037	172,173
Within 1 month past due .....	6,600	5,461	4,363	4,530
Over 1 to 2 months past due ....	3,048	699	2,101	483
Over 2 to 3 months past due ....	949	486	1,107	426
Over 3 months past due .....	413	356	523	942
	<u>235,167</u>	<u>297,765</u>	<u>272,131</u>	<u>178,554</u>

The trade and other receivables there were neither past due nor impaired were related to a wide range of customers for whom there was no recent history of default. As at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, the trade and other receivables that were past due but not impaired were related to a number of independent customers with a good track record with our Group. Based on our experience, our Directors consider that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality of our customers and the balances are considered fully recoverable.

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Due to reasons disclosed above, our average trade debtor turnover days were 31 days, 38 days, 36 days and 28 days as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, respectively. The trade debtor turnover days for the years ended 31 December 2012, 2013 and 2014 is calculated based on the ending balance of trade receivables for the year divided by total revenue during the year and multiplied by 365 days. The trade debtor turnover days for the period ended 30 June 2015 is calculated based on the ending balance of trade receivable for the period divided by the total revenue during the period and multiplied by 181 days.

As detailed in the section headed “Business” in this prospectus, our contracts typically provide for a retention sum of 10% with each progress payment, up to a maximum of 5% of the contract value. Either half of this retention sum shall be released upon practical completion, and the balance amount shall be released upon final completion/expiry of the guaranteed maintenance period subject to the customers’ satisfaction of work, or all of the retention sum shall be released upon final completion/expiry of the guaranteed maintenance period subject to the customers’ satisfaction of work. In line with the progress of our projects, the balance of our retentions receivable increased from approximately HK\$167.29 million as at 31 December 2012 to approximately HK\$170.93 million as at 31 December 2013, decreased to approximately HK\$158.95 million as at 31 December 2014 and slightly increased to HK\$161.48 million as at 30 June 2015.

Approximately HK\$172.00 million or 96.33% of trade debtors as at 30 June 2015 had been subsequently settled as at 30 September 2015.

None of our Group’s customers has defaulted in their payment obligations during the Track Record Period and up to the Latest Practicable Date and the retention receivables were settled in accordance with the terms of the respective contracts.

### Trade and other payables

Our trade and other payables as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015 were approximately HK\$673.90 million, HK\$659.95 million, HK\$726.66 million and HK\$519.05 million, respectively, of which a breakdown is set out below:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade creditors.....	142,012	108,487	131,090	140,494
Accruals and other payables.....	355,512	310,732	327,772	203,290
Amounts due to joint operation partners .....	28,546	92,068	101,512	10,778
Retentions payable .....	147,832	148,662	166,282	164,486
	<u>673,902</u>	<u>659,949</u>	<u>726,656</u>	<u>519,048</u>

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Except for the amounts (mainly represent retentions payable) of HK\$58.06 million, HK\$70.84 million, HK\$100.36 million, HK\$100.12 million as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, respectively, all of the remaining balance are expected to be settled within one year.

Our trade creditors principally comprised payables to the suppliers of materials and the subcontractors of our Group. The balance as at 31 December 2012 amounted to approximately HK\$142.01 million and decreased to approximately HK\$108.49 million as at 31 December 2013 which was mainly attributable to a reduction in number of outstanding balances with suppliers and subcontractors for the general building business at 2013 year end compared to those as at 31 December 2012. On the other hand, the balance increased to HK\$131.09 million as at 31 December 2014 mainly due to the increase in number of outstanding balances with suppliers and subcontractors for the general building business at 2014 year end compared to those as at 31 December 2013. Our overall trade creditors balance as at 30 June 2015 was about in line compared to those as at 31 December 2014.

Accruals and other payables mainly comprised provision for staff costs, accrued project costs and other payables. The balance decreased from HK\$355.51 million as at 31 December 2012 to HK\$310.73 million as at 31 December 2013, and increased to HK\$327.77 million as at 31 December 2014 and then decreased to HK\$203.29 million as at 30 June 2015. This was mainly attributable to the movement in accrued project costs for contracts between years.

Amounts due to joint operation partners mainly comprised balance with our Joint Operation partner, Biwater Man Lee Limited, for their electrical and mechanical works performed for the upgrading works for Stonecutters Island sewage treatment works project. The movement in this overall balance during the Track Record Period was mainly attributable to the timing difference between the amounts received from the employer and the amounts payable to our Joint Operation partner for the electrical and mechanical works portion in accordance with our agreement.

Similar to our retentions receivable, when our Group outsources building and civil engineering construction and maintenance works to our subcontractors, our Group will also withhold retention money from our subcontractors. Similar to the terms when our Group acts as a main contractor, generally, the first half of the retention money is released upon practical completion, and the balance amount shall be released upon final completion/expiry of the guaranteed maintenance period subject to the customers' satisfaction of work.

Our suppliers of construction materials normally grant credit period of 30 days to us from the date of invoice. For subcontractors, our Group is normally obliged to pay our subcontractors on monthly basis, usually 7 days from our receipt of payment from our customers. Generally, it takes 21 days for our customers of Hong Kong Government projects to issue interim payment certificate after our monthly application. These customers are then obliged to pay our Group within 21 days from the invoice date or the date of issuance of progress certificate. In line with the progress of our projects,



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the balance of our retentions payable increased from approximately HK\$147.83 million as at 31 December 2012 to approximately HK\$148.66 million as at 31 December 2013 and to approximately HK\$166.28 million as at 31 December 2014 and remained about in line as at 30 June 2015 of approximately HK\$164.49 million.

For the years ended 31 December 2012, 31 December 2013, 31 December 2014 and the six months ended 30 June 2015, the average trade payable turnover days were 19 days, 15 days, 19 days and 24 days, respectively. The trade payable turnover days for the years ended 31 December 2012, 2013 and 2014 is calculated based on the ending balance of trade payables for the year divided by direct cost during the year and multiplied by 365 days. The trade payable turnover days for the period ended 30 June 2015 is calculated based on the ending balance of trade payables for the period divided by the direct cost during the period and multiplied by 181 days. The relatively lower trade payable turnover day for the year ended 31 December 2013 was mainly attributable to the decrease in outstanding construction cost payable balance near 2013 year end leading to a lower trade payable turnover day in that year.

The trade payable turnover days increased from 31 December 2014 to 30 June 2015 mainly due to the fact that the annualised direct costs were lower than that of 31 December 2014 coupled with the increase in outstanding construction cost payable balance near June 2015 leading to a higher trade payable turnover day at June 2015.

The ageing analysis of trade creditors, based on the invoice date, is as follows:

	As at			
	31 December 2012	31 December 2013	31 December 2014	30 June 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month .....	104,992	76,521	95,505	94,695
Over 1 to 2 months .....	29,240	27,709	32,219	42,697
Over 2 to 3 months .....	5,796	2,876	2,909	2,386
Over 3 months .....	1,984	1,381	457	716
	<u>142,012</u>	<u>108,487</u>	<u>131,090</u>	<u>140,494</u>

Approximately HK\$140.45 million or 99.98% of trade creditors as at 30 June 2015 had been subsequently settled as at 30 September 2015.

### Bank loans

Our Group had interest-bearing bank loans of HK\$90.85 million, HK\$44.85 million, nil and HK\$115.00 million as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively. Our Group monitors the cash inflow and cash outflow from construction projects and other operations regularly and determines the drawdown and repayment of bank loans.

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### Current tax recoverable/payable

Current tax recoverable/payable represents provision for Hong Kong profits tax, minus provisional profits tax paid, plus balance of profit tax (recoverable)/provision relating to prior years and taxation outside Hong Kong. Included in the balance as at 30 June 2015 is the profits tax provision of approximately HK\$6.5 million relating to prior years. Such profits tax provisions comprised the estimated profits tax payable by our Group based on the estimated assessable profit for the year of assessment 2014/15, less the amount of provisional tax already been paid.

### Pledged deposits

Pledged deposits represent contracted cash deposits with banks that are held as security for debts. During the Track Record Period, pledged deposits remained relatively stable between years.

### Cash and cash equivalents

Cash and cash equivalents as at 30 June 2015 amounted to HK\$79.74 million, which was relatively lower compared to the balances of HK\$448.44 million as at 31 December 2012, HK\$465.78 million as at 31 December 2013 and HK\$246.15 million as at 31 December 2014, respectively.

As at 31 December 2014, our cash and cash equivalent decreased by HK\$219.63 million from HK\$465.78 million as at 31 December 2013 to HK\$246.15 million. The decrease was mainly attributable to (i) the increase in gross amount due from customers for contract work of HK\$181.88 million, which was mainly attributable to the inclusion of balances relating to certain new maintenance projects for general building works, such as the term contracts for the alterations, additions, maintenance and repair of buildings managed by the Architectural Services Department and (ii) the decrease in gross amount due to customers for contract works of approximately HK\$120.52 million, which was mainly attributable to the decrease in balances relating to certain general building contracts such as our SFKJV project of Ma On Shan line modification works and certain civil engineering contracts including the Stonecutters Island sewage treatment works project, in which the contract payments certified by our customers were ahead to the then actual progress of work. The above effect is partially offset by increase in trade and other payables of approximately HK\$75.57 million.

As at 30 June 2015, our cash and cash equivalent decreased by HK\$166.41 million from HK\$246.15 million as at 31 December 2014 to HK\$79.74 million. The decrease was mainly attributable to (i) the decrease in gross amount due to customers for contract work of approximately HK\$159.75 million, which was mainly attributable to the completion of certain general building contracts during the six months ended 30 June 2015 leading to a reduction in the balance, including certain building projects carried out for a theme park (to build the administration building) and the police sports and recreation club enhancement works contract; and (ii) the decrease in trade and other payables of approximately HK\$207.61 million which mainly attributable to the decrease in accrued project costs for contracts. The above effect is partially offset by (i) the net proceeds from bank loan of HK\$115.00 million; and (ii) the decrease in trade and other receivables of approximately HK\$96.57 million, which was mainly attributable to the reduction of contract receivables relating to our SFKJV

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project of Ma On Shan Line modification works in accordance with the work progress, the police sports and recreation club enhancement works contract which was completed in May 2015 and certain building projects carried out for a theme park (to build the administration building) which was substantially completed.

### LIQUIDITY AND CAPITAL RESOURCES

#### Cash flows

During the Track Record Period, we mainly funded our operations through internal funding and bank borrowings. The following table is a summary of our consolidated cash flow statements during the Track Record Period:

Our principal uses of cash have been, and are expected to continue to be, operational costs only.

	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
	HK\$' million	HK\$' million	HK\$' million	HK\$' million
Operating activities.....	174.89	217.99	(162.32)	(279.68)
Investing activities.....	48.27	60.19	(0.25)	(1.43)
Financing activities.....	14.83	(263.49)	(56.18)	114.67
Cash and cash equivalents at the beginning of the financial year .....	210.59	448.44	465.78	246.15
Effect of foreign exchange rate changes .....	(0.14)	2.65	(0.88)	0.03
Cash and cash equivalents at the end of the financial year.	448.44	465.78	246.15	79.74

#### Operating activities

Cash generated from operating activities consisted primarily of our Group's profit for the year, adjusted by income tax paid and non-cash items, such as depreciation of property, plant and equipment and adjusted by changes in working capital, such as trade and other receivables, amounts due from/to related companies, trade and other payables, and gross amounts due from/to customers for contract works.

Our Group recorded net cash inflow from operating activities of approximately HK\$174.89 million for the year ended 31 December 2012, while our Group's profit before taxation for the same period was approximately HK\$60.48 million. The difference of approximately HK\$114.41 million was primarily the combined effect of (i) an increase in gross amount due from customers for contract work of approximately HK\$140.68 million and an increase in gross amount due to customers for contract work of approximately HK\$191.45 million primarily due to the cash inflow generated from the

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Stonecutters Island sewage treatment works project; (ii) an increase in trade and other receivables of approximately HK\$101.15 million; (iii) a decrease in amount due to immediate holding company of approximately HK\$5.62 million; (iv) an increase in trade and other payables of approximately HK\$196.27 million; (v) an increase in pledged deposits of approximately HK\$8.76 million for security of performance bonds; (vi) non-cash items, including depreciation of approximately HK\$1.65 million; and (vii) Hong Kong profits tax paid of HK\$17.69 million.

Our Group recorded net cash inflow from operating activities of approximately HK\$217.99 million for the year ended 31 December 2013, while our Group's profit before taxation for the same period was approximately HK\$130.03 million. The difference of approximately HK\$87.96 million was primarily the combined effect of (i) a decrease in gross amount due from customers for contract work of approximately HK\$105.01 million and an increase in gross amount due to customers for contract work of approximately HK\$69.39 million; (ii) an increase in trade and other receivables of approximately HK\$63.58 million; (iii) an increase in amount due to immediate holding company of approximately HK\$11.30 million; (iv) an increase in trade and other payables of approximately HK\$34.90 million; (v) non-cash items, including depreciation of approximately HK\$1.77 million and gain on disposal of subsidiary of approximately HK\$63.43 million; and (vi) Hong Kong profits tax paid of HK\$3.55 million.

Our Group recorded net cash outflow from operating activities of approximately HK\$162.32 million for the year ended 31 December 2014, while our Group's profit before taxation for the same period was approximately HK\$87.52 million. The difference of approximately HK\$249.84 million was primarily the combined effect of (i) an increase in gross amount due from customers for contract work of approximately HK\$181.89 million and a decrease in gross amount due to customers for contract work of approximately HK\$120.52 million; (ii) a decrease in trade and other receivables of approximately HK\$15.57 million; (iii) a decrease in amount due to immediate holding company of approximately HK\$18.47 million; (iv) an increase in trade and other payables of approximately HK\$75.57 million; (v) an increase in pledged deposits of approximately HK\$7.36 million for security of performance bonds; (vi) non-cash items, including depreciation of approximately HK\$2.01 million and interest income of approximately HK\$4.72 million; and (vii) Hong Kong profits tax paid of HK\$12.28 million.

Our Group recorded net cash outflow from operating activities of approximately HK\$279.68 million for the six months ended 30 June 2015, while our Group's profit before taxation for the same period was approximately HK\$35.64 million. The difference of approximately HK\$315.32 million was primarily the combined effect of (i) an increase in gross amount due from customers for contract work of approximately HK\$41.05 million and a decrease in gross amount due to customers for contract work of approximately HK\$159.75 million; (ii) a decrease in trade and other receivables of approximately HK\$96.57 million; (iii) a decrease in trade and other payables of approximately HK\$207.61 million; (iv) an increase in pledged deposits of approximately HK\$4.23 million for security of performance bonds; (v) non-cash items, including depreciation of approximately HK\$1.12 million; and (vi) Hong Kong profits tax paid of HK\$0.44 million.

## FINANCIAL INFORMATION

### *Investing activities*

For the year ended 31 December 2012, our net cash from investing activities of approximately HK\$48.27 million was primarily the combined effect of (i) purchase of property, plant and equipment of approximately HK\$9.50 million; (ii) proceeds from disposal of property, plant and equipment of approximately HK\$0.90 million; (iii) prepayment from joint ventures of approximately HK\$45.61 million; (iv) advance to joint ventures of approximately HK\$7.33 million; (v) proceeds from disposal of a subsidiary of approximately HK\$17.62 million; and (vi) interest received of approximately HK\$0.97 million.

For the year ended 31 December 2013, our net cash from investing activities of approximately HK\$60.19 million was primarily the combined effect of (i) purchase of property, plant and equipment of approximately HK\$8.20 million; (ii) proceeds from disposal of a subsidiary of approximately HK\$70.78 million; (iii) prepayment from joint ventures of approximately HK\$5.13 million; (iv) advance to joint ventures of approximately HK\$10.29 million; and (v) interest received of approximately HK\$2.54 million.

For the year ended 31 December 2014, our net cash used in investing activities of approximately HK\$0.25 million was primarily the combined effect of (i) purchase of property, plant and equipment of approximately HK\$21.07 million; (ii) proceeds from disposal of property, plant and equipment of approximately HK\$1.67 million; (iii) prepayment from joint ventures of approximately HK\$20.42 million; (iv) advance to joint ventures of approximately HK\$5.92 million; and (v) interest received of approximately HK\$4.65 million.

For the six months ended 30 June 2015, our net cash used in investing activities of approximately HK\$1.43 million was primarily the combined effect of (i) purchase of property, plant and equipment of approximately HK\$2.57 million; (ii) proceeds from disposal of property, plant and equipment of approximately HK\$0.79 million; (iii) prepayment from joint ventures of approximately HK\$1.98 million; (iv) advance to joint ventures of approximately HK\$1.94 million; and (v) interest received of approximately HK\$0.31 million.

### *Financing activities*

Cash inflows/outflows from financing activities primarily include proceeds received/repayment of bank loans and payment of finance costs.

For the year ended 31 December 2012, our net cash from financing activities of approximately HK\$14.83 million was primarily the combined effect of (i) proceeds from bank loans of approximately HK\$535.93 million; (ii) repayment of bank loans of approximately HK\$519.74 million; and (iii) payment of finance costs of approximately HK\$1.36 million.

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For the year ended 31 December 2013, our net cash used in financing activities of approximately HK\$263.49 million was primarily the combined effect of (i) proceeds from bank loans of approximately HK\$393.22 million; (ii) repayment of bank loans of approximately HK\$452.85 million; (iii) payment of finance costs of approximately HK\$3.86 million; and (iv) dividend paid to equity shareholder of the Company of approximately HK\$200.00 million.

For the year ended 31 December 2014, our net cash used in financing activities of approximately HK\$56.18 million was primarily the combined effect of (i) proceeds from bank loans of approximately HK\$408.03 million; (ii) repayment of bank loans of approximately HK\$461.74 million; and (iii) payment of finance costs of approximately HK\$2.47 million.

For the six months ended 30 June 2015, our net cash from financing activities of approximately HK\$114.67 million was primarily the combined effect of (i) proceeds from bank loans of approximately HK\$145.00 million; (ii) repayment of bank loans of approximately HK\$30.00 million; and (iii) interest paid of approximately HK\$0.33 million.

### SUMMARY OF KEY FINANCIAL RATIOS

The following table sets forth a summary of our key financial ratios for the years/ periods ended 31 December 2012, 31 December 2013, 31 December 2014, 30 June 2014 and 30 June 2015 and should be read in conjunction with the Accountants' Report included as Appendix I to this prospectus:

	As at/For the year ended 31 December			As at/For the six months ended 30 June	
	2012	2013	2014	2014	2015
Current ratio <sup>(1)</sup> .....	1.19 times	1.15 times	1.24 times	1.19 times	1.35 times
Gearing ratio <sup>(2)</sup> .....	30.76%	20.87%	N/A	N/A	36.46%
	Net cash	Net cash	Net cash	Net cash	
Debt to equity ratio <sup>(3)</sup> .....	position	position	position	position	11.18%
Interest coverage <sup>(4)</sup> .....	45.54 times	34.64 times	36.35 times	19.19 times	109.66 times
Return on assets <sup>(5)</sup> .....	3.46%	8.53%	5.33%	2.61%	2.54%
Return on equity <sup>(6)</sup> .....	17.13%	55.68%	25.26%	14.29%	9.17%
Net profit margin <sup>(7)</sup> .....	1.80%	4.21%	2.63%	2.90%	2.54%

#### Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year/ period end.
2. Gearing ratio is calculated based on the interest-bearing liabilities divided by the total equity as at the respective year/ period end.

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3. Debt to equity ratio is calculated by the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the respective year/ period end and multiplied by 100%. A net cash position is noted when cash and cash equivalents are larger than borrowings.
4. Interest coverage is calculated by the profit before interest and tax divided by the interest expenses of the respective year/ period.
5. Return on assets is calculated by the net profit attributable to equity shareholder of our Company for the year/ period divided by the total assets as at the respective year/ period end and multiplied by 100%.
6. Return on equity is calculated by the net profit attributable to equity shareholder of our Company for the year/ period divided by the total equity as at the respective year/ period end and multiplied by 100%.
7. Net profit margin is calculated by the net profit for the year/ period attributable to equity shareholder of our Company divided by the revenue for the respective year/ period and multiplied by 100%.

### Current ratio

The current ratio of our Group as at 31 December 2012, 2013 and 2014, and 30 June 2014 and 2015 was approximately 1.19 times, 1.15 times, 1.24 times, 1.19 times and 1.35 times, respectively. Our current ratio remained relatively stable during the Track Record Period.

### Gearing ratio

The gearing ratio of our Group as at 31 December 2012, 2013 and 2014, and 30 June 2014 and 2015 was approximately 30.76%, 20.87%, nil, nil and 36.46%, respectively.

The ratio decreased from 30.76% to 20.87% from 2012 to 2013. This was mainly due to the decrease in bank loan balance as our Group had sufficient cash for business operation for the year ended 31 December 2013. Our equity decreased mainly because of the declaration of a non-recurring interim dividend of HK\$200.00 million out of the distributable reserves in that year.

Our Group did not record any bank borrowing as at 31 December 2014 and 30 June 2014.

Our Group recorded bank borrowings as at 30 June 2015 which were used to finance the increased scale of business operations. The gearing ratio of our Group as at 30 June 2015 was at a similar level as that of 31 December 2012.

### Debt to equity ratio

The debt to equity ratio as at 30 June 2015 was approximately 11.18%. Our Group continued to finance the increased scale of business operations with bank loans.



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### Interest coverage

The interest coverage of our Group as at 31 December 2012, 2013 and 2014, and 30 June 2014 and 2015 was approximately 45.54 times, 34.64 times, 36.35 times, 19.19 times and 109.66 times respectively.

Our Group continued to finance the increased scale of business operations with bank loans. Our interest coverage decreased from 2012 to 2013 mainly because our operating profit did not increase as much as the increase in finance costs in terms of the percentage. Our interest coverage remained relatively stable from 2013 to 2014. Our interest coverage increased significantly for the six months ended 30 June 2015 because finance costs were much lower when compared to that of 30 June 2014. For the years/ period ended 31 December 2012, 31 December 2013, 31 December 2014, 30 June 2014 and 30 June 2015, our finance costs were approximately HK\$1.36 million, HK\$3.87 million, HK\$2.48 million, HK\$2.35 million and HK\$0.33 million, respectively.

### Return on assets

The return on assets ratio of our Group as at 31 December 2012, 2013 and 2014, and 30 June 2014 and 2015 was approximately 3.46%, 8.53%, 5.33%, 2.61% and 2.54% respectively. Our return on assets ratio was relatively higher in 2013 because of the inclusion of a HK\$63.43 million gain on disposal of a subsidiary, SFK Macau. Excluding this one-off item from the profit for the year, our return on assets as at 31 December 2013 would be 4.01%. Our return on assets ratio in 2014 continued to increase when compared to that of 2013 and 2012 mainly because of the higher profit generated in the year 2014. Our return on assets ratio as at 30 June 2015 was in line with that of 30 June 2014 because our operating profit and total assets decreased by a similar percentage for the six months ended 30 June 2014 to the six months ended 30 June 2015.

### Return on equity

The return on equity ratio of our Group as at 31 December 2012, 2013 and 2014, and 30 June 2014 and 2015 was approximately 17.13%, 55.68%, 25.26%, 14.29% and 9.17%, respectively.

Our return on equity ratio was relatively higher in 2013 when compared to that of 2012 and 2014 respectively. Our net profit attributable to equity shareholder of our Company increased from approximately HK\$50.60 million for the year ended 31 December 2012 to approximately HK\$119.63 million for the year ended 31 December 2013 mainly due to the inclusion of a HK\$63.43 million gain on disposal of a subsidiary, SFK Macau, while our total equity decreased from approximately HK\$295.37 million for the year ended 31 December 2012 to approximately HK\$214.86 million for the year ended 31 December 2013 mainly resulting from the declaration of a non-recurring interim dividend of HK\$200.00 million out of its distributable reserves in that year.

Our return on equity ratio in 2014 was higher when compared to that of 2012 mainly because of the higher profit generated in the year 2014.



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Our return on equity ratio as at 30 June 2015 was lower compared to that of 30 June 2014 mainly because the operating profit was lower when compared to that of 30 June 2014. Furthermore, our total equity as at 30 June 2015 was greater than that of 30 June 2014 due to the profit accumulated during the six months ended 30 June 2015.

### Net profit margin

The net profit margin of our Group as at 31 December 2012, 2013 and 2014, and 30 June 2014 and 2015 was approximately 1.80%, 4.21%, 2.63%, 2.90% and 2.54%, respectively.

Our net profit margin was relatively higher in 2013 when compared to that of 2012 and 2014 respectively. This was mainly attributable to the inclusion of a HK\$63.43 million gain on disposal of a subsidiary, SFK Macau. Excluding this one-off item from the profit for the year, our net profit margin as at 31 December 2013 would be 1.98%.

Our net profit margin in 2014 was higher when compared to that of 2012 mainly because of the higher profit generated in the year 2014.

Our net profit margin for the six months ended 30 June 2015 was about in line when compared to that of 30 June 2014.

### WORKING CAPITAL

Our Directors confirm that we have sufficient working capital for our present requirements for at least the next 12 months commencing from the date of this prospectus, taking into account the net proceeds available to the Company from the Listing and such other financial resources available to our Group.

### NET CURRENT ASSETS

The following table sets forth the breakdown of our Group's current assets and current liabilities as at 31 December 2012, 2013, 2014 and 30 June 2015 and as at 30 September 2015:

	As at 31 December			As at 30 June	As at 30 September
	2012	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
<b>Current assets</b>					
Gross amount due from					
customers for contract works ...	501,627	398,489	583,808	627,586	694,472
Trade and other receivables.....	424,907	489,136	473,631	376,994	483,938

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	As at 31 December			As at 30 June	As at 30 September
	2012	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Current tax recoverable.....	5,723	3,283	4,240	3,512	3,325
Pledged deposits .....	8,840	8,762	16,126	20,353	22,895
Cash and cash equivalents.....	448,442	465,783	246,146	79,735	116,444
	<u>1,389,539</u>	<u>1,365,453</u>	<u>1,323,951</u>	<u>1,108,180</u>	<u>1,321,074</u>
<b>Current liabilities</b>					
Gross amount due to customers					
for contract works .....	391,955	456,796	332,322	171,475	175,751
Trade and other payables .....	673,902	659,949	726,656	519,048	651,207
Amount due to immediate					
holding company .....	7,178	18,473	—	—	—
Amount due to a joint venture ....	—	—	697	730	203
Bank loans.....	90,848	44,851	—	115,000	165,000
Current tax payable.....	<u>1,867</u>	<u>5,962</u>	<u>10,438</u>	<u>15,488</u>	<u>20,056</u>
	<u>1,165,750</u>	<u>1,186,031</u>	<u>1,070,113</u>	<u>821,741</u>	<u>1,012,217</u>
<b>Net current assets.....</b>	<u>223,789</u>	<u>179,422</u>	<u>253,838</u>	<u>286,439</u>	<u>308,857</u>

As at 31 December 2013, our Group had net current assets of approximately HK\$179.42 million representing a decrease of approximately HK\$44.37 million as compared to the net current assets as at 31 December 2012. Such decrease was mainly attributable to (i) the decrease in gross amount due from customers for contract work of approximately HK\$103.14 million; (ii) the increase in gross amount due to customers for contract works of approximately HK\$64.84 million; offset by (iii) the decrease in bank loans of approximately HK\$46.00 million; (iv) the increase in cash and cash equivalents of approximately HK\$17.34 million; and (v) the increase in trade and other receivables of approximately HK\$64.23 million.

As at 31 December 2014, our Group had net current assets of approximately HK\$253.84 million representing an increase of approximately HK\$74.42 million as compared to the net current assets as at 31 December 2013. Such increase was mainly attributable to (i) the increase in gross amount due from customers for contract works of approximately HK\$185.32 million; (ii) the decrease in gross amount due to customers for contract works of approximately HK\$124.47 million; (iii) the decrease in bank loans of approximately HK\$44.85 million; (iv) the decrease in amount due to immediate holding company of approximately HK\$18.47 million; offset by (v) the decrease in cash and cash equivalents of approximately HK\$219.64 million; and (vi) the increase in trade and other payables of approximately HK\$66.71 million; and (vii) the decrease in trade and other receivables of approximately HK\$15.51 million.

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As at 30 June 2015, our Group had net current assets of approximately HK\$286.44 million representing an increase of approximately HK\$32.60 million as compared to the net current assets as at 31 December 2014. Such increase was mainly attributable to (i) the increase in gross amount due from customers for contract work of approximately HK\$43.78 million; (ii) the decrease in gross amount due to customers for contract works of approximately HK\$160.85 million; (iii) the decrease in trade and other payables of approximately HK\$207.61 million; offset by (iv) the decrease in trade and other receivables of approximately HK\$96.64 million; (v) the decrease in cash and cash equivalents of approximately HK\$166.41 million; and (vi) the increase in bank loans of approximately HK\$115.00 million.

### INDEBTEDNESS

The table below sets forth the indebtedness of our Group as at the respective dates indicated:

	As at				
	31 December 2012	31 December 2013	31 December 2014	30 June 2015	31 October 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Bank loans, repayable within 1 year					
- Secured .....	53,848	27,851	—	90,000	100,000
- Unsecured .....	<u>37,000</u>	<u>17,000</u>	<u>—</u>	<u>25,000</u>	<u>65,000</u>
	<u><u>90,848</u></u>	<u><u>44,851</u></u>	<u><u>—</u></u>	<u><u>115,000</u></u>	<u><u>165,000</u></u>

The bank loans bore interest ranging from 2.15% to 2.75%, 2.38% to 2.46% and 2.14% to 2.49% as at 31 December 2012, 31 December 2013 and 30 June 2015, respectively.

Our Directors confirm that we did not experience any withdrawal of facilities, default in payment of trade and other payables, bank borrowing or breach of financial covenants and had not experienced difficulties in meeting obligations during the Track Record Period and up to the Latest Practicable Date and none of our Group's bank borrowings and facilities are subject to the fulfilment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect our Group's ability to undertake additional debt or equity financings.

As at 30 June 2015, we had aggregated multi-purpose bank facilities of approximately HK\$1,077.38 million, of which (i) HK\$432.38 million was specifically for our Group's performance bonds for construction contracts, (ii) HK\$415.00 million was specifically for our Group's loans and invoice financing, and (iii) the remaining HK\$230.00 million could be drawn for either performance bonds or loans and invoice financing. We had utilised HK\$139.62 million of the performance bonds and HK\$115.00 million of the loans and invoice financing portions of such multi-purpose bank facilities. Our unutilised balance of the loans and invoice financing portions of the multi-purpose bank facilities available for drawdown amounted to HK\$521.00 million.

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Since 30 June 2015, our bank loans have increased from HK\$115.00 million to approximately HK\$165.00 million as at the Latest Practicable Date. For more details, please refer to the section headed “Financial information — Recent development” in this prospectus.

We may have material external financing plan as and when required in the near future.

Except as disclosed in this section, we did not have any outstanding loan capital, issued and outstanding, and authorised or otherwise created but unissued, terms loans, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptable credits, debentures, finance lease or hire purchase commitments, guaranteed, unguaranteed, secured (whether the security is provided by our Group or by third parties) or unsecured, borrowings and debts, mortgages, charges, guarantees or other material contingent liabilities.

### CONTINGENT LIABILITIES

As at 31 December 2012, 2013, 2014 and 30 June 2015, approximately HK\$213.78 million, HK\$128.69 million, HK\$96.70 million and HK\$139.62 million of performance bonds were given by banks in favour of some of our Group’s customers as security for the due performance and observance of our Group’s obligation under the contracts entered into between our Group and our customers. If our Group fails to provide satisfactory performance to our customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated in such demand. Our Group will then become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work. The performance bonds were granted under the banking facilities with details as set out in note 22(b) to the Accountants’ Report set out in Appendix I. HK\$37.75 million and HK\$37.75 million of performance bonds were given by bank to customers of our Group’s Joint Operation under same banking facilities as at each of the two years ended 31 December 2013 respectively.

At the end of the Track Record Period, our Directors do not consider it probable that a claim will be made against our Group.

As at 31 December 2012, 2013, 2014 and 30 June 2015, our Group has provided guarantees of HK\$182.47 million, HK\$221.82 million, HK\$187.13 million and HK\$220.96 million respectively representing a 50% proportionate guarantee in respect of HK\$364.94 million, HK\$443.64 million, HK\$374.26 million and HK\$441.93 million banking facilities to Joint Ventures in Macau. The 50% proportionate facilities were utilised to the extent of HK\$55.30 million, HK\$112.33 million, HK\$120.69 million and HK\$146.44 million at 31 December 2012, 2013, 2014 and 30 June 2015 respectively, in which HK\$52.61 million, HK\$90.50 million, HK\$95.29 million and HK\$115.36 million of 50% proportionate performance bonds as at each of the three years ended 31 December 2014 and the six months ended 30 June 2015 respectively, were given by banks to customers of Joint Ventures.

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Our Group has also given guarantees in respect of banking facilities of Joint Operations as to the extent of HK\$187.62 million, HK\$187.62 million, HK\$187.62 million and HK\$187.62 million at 31 December 2012, 2013, 2014 and the six months ended 30 June 2015, respectively. The banking facilities were utilised to the extent of HK\$87.62 million, HK\$92.92 million, HK\$104.77 million and HK\$110.98 million at 31 December 2012, 2013, 2014 and 30 June 2015, respectively, in which HK\$87.62 million, HK\$87.62 million, HK\$87.62 million and HK\$87.62 million of performance bonds as at each of the three years ended 31 December 2014 and the six months ended 30 June 2015 respectively, were given by bank to customer of Joint Operations.

Our Group has also given cross corporate guarantees in respect of a banking facility granted to a fellow subsidiary and certain subsidiaries of our Group as at 31 December 2012 and 2013. No amount was drawn down by this fellow subsidiary from this banking facility as at 31 December 2012 and 2013. Our Group has not recognised any deferred income in respect of these guarantees as their fair values cannot be reliably measured using observable market data and no transaction price was incurred.

The subsidiaries of our Group are defendants in a number of claims, lawsuits and potential claims relating to employee's compensation cases and personal injuries claims. The directors of the Company considered that the possibility of any outflow in settling the legal claims is remote as these claims are all well covered by insurance. Accordingly, no provision for the contingent liabilities in respect of these litigations is necessary, after due consideration of each case.

Save as aforesaid or otherwise disclosed in this prospectus, our Group had no material contingent liabilities and was not involved in any other material legal proceedings. Save as otherwise disclosed in the section headed "Business" in this prospectus, our Directors are not aware of any pending or potential material legal proceedings involving our Group. If our Group is involved in such material legal proceedings, our Group will record contingency loss when, based on information then available, it is likely that a loss will incur and the amount of loss can be reasonable estimated.

### CAPITAL EXPENDITURE

Our capital expenditures primarily comprise purchase of property, plant and equipment, such as motor vehicles and equipment. Our capital expenditures were funded, and are expected to continue to be funded, by internal resources and cash flow generated from our operation during the Track Record Period. The following table sets forth our Group's capital expenditure during the Track Record Period:

	As at			
	31 December 2012	31 December 2013	31 December 2014	30 June 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Motor vehicles .....	6,010	7,554	18,577	2,444
Machinery and equipment .....	3,492	645	997	127
Furniture and fixtures .....	—	—	1,497	—
Total .....	9,502	8,199	21,071	2,571

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### CAPITAL COMMITMENTS

As at 31 December 2012, 31 December 2013, 31 December 2014, 30 June 2015 and the Latest Practicable Date, our Group did not have any capital commitment.

### OPERATING LEASE COMMITMENT

We had non-cancellable operating lease agreements with respect to a number of properties we leased during the Track Record Period. The leases generally run for an initial period of two to four years, with an option to renew the leases when all terms are negotiated. None of the leases include contingent rentals. The table below sets forth the total minimum lease payments payable as at the respective financial dates indicated:

	As at				
	31 December 2012	31 December 2013	31 December 2014	30 June 2015	30 September 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Within 1 year .....	10,055	12,121	14,107	9,137	11,633
After 1 year but within 5 years .....	<u>18,891</u>	<u>11,887</u>	<u>4,564</u>	<u>1,885</u>	<u>20,922</u>
	<u><u>28,946</u></u>	<u><u>24,008</u></u>	<u><u>18,671</u></u>	<u><u>11,022</u></u>	<u><u>32,555</u></u>

### OFF-BALANCE SHEET ARRANGEMENTS

We did not have any outstanding off-balance sheet guarantees, interest rate swap transactions, foreign currency and commodity forward contracts or other off-balance sheet arrangements during the Track Record Period. We do not engage in trading activities involving non-exchange traded contracts. In the course of our normal business, we do not enter into transactions involving, or otherwise form relationships with, unconsolidated entities or financial partnerships that are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

### PROPERTY INTERESTS

During the Track Record Period and up to the Latest Practicable Date, we had not owned any properties.

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

We, during our normal course of business, are exposed to various types of financial risks including interest rate risk, credit risk and liquidity risk.

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### Interest rate risk

Our interest rate risk arises primarily from interest-bearing borrowings and cash and cash equivalents. Borrowings issued at variable rates expose our Group to cash flow interest rate risk and fair value interest rate risk, respectively. We have not used financial instruments to hedge against the interest rate risk.

The following table details the interest rate profile of our Group's interest-bearing bank borrowings.

At 31 December						At 30 June	
2012		2013		2014		2015	
Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount
%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000

### Variable rate

#### borrowings:

Bank loans .....	2.54	<u>90,848</u>	2.46	<u>44,851</u>	—	<u>Nil</u>	2.24	<u>115,000</u>
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As at 31 December 2012, 2013 and 2014 and 30 June 2015, it is estimated that an upward/a downward shift of every 100 basis-points in the interest rates of our borrowings, with all other variables held constant, would decrease/increase our profit after taxation and retained profits by approximately HK\$0.76 million, HK\$0.38 million, nil and HK\$0.96 million, respectively.

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from floating rate bank borrowings held by our Group at the end of the reporting period, the impact on our Group's profit after taxation (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis has been performed on the same basis throughout the relevant periods.

### Credit risk

Our credit risk is primarily attributable to bank deposits and trade and other receivables. We have a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and we will closely monitor the exposure level to any single financial institution. Given their high credit ratings, we do not expect any of these financial institutions will fail to meet their obligations.

Credit evaluations are performed in respect of trade and other receivables. These evaluations focus on our customer's past history of making payments when due and current ability to pay, and take

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into account information specific to the customer as well as pertaining to the economic environment in which our customer operates. Generally, payments would be paid within 21 days from the date of issue of the payment certificate for the Hong Kong Government projects while it take around 30 days for private sector projects.

Regular review and follow-up actions are carried out on overdue amounts of trade receivables from customers which enable us to assess their recoverability and to minimise the exposure to credit risk. Normally, we do not obtain collateral from customers.

For each of the three years ended 31 December 2014 and the six months ended 30 June 2015, we have significant concentration of credit risk in a few customers. In view of their credit standing, good payment record and long established relationships with us, we do not consider our credit risk to be significant.

Except for the financial guarantees given by our Group, we do not provide any other guarantees which would expose us to credit risk.

### Liquidity risk

Our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

The following table sets forth the remaining contractual maturities at the end of the reporting period of our non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date we may be required to pay:

	At 31 December 2012				
	Contractual undiscounted cash outflow				Carrying amount
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and other payables .....	490,419	—	—	490,419	490,419
Retentions payable .....	89,768	34,368	23,696	147,832	147,832
Amount due to immediate holding company .....	7,178	—	—	7,178	7,178
Bank loans .....	91,213	—	—	91,213	90,848
	<u>678,578</u>	<u>34,368</u>	<u>23,696</u>	<u>736,642</u>	<u>736,277</u>
<b>Financial guarantees issued:</b>					
Maximum amount guaranteed .....	<u>142,915</u>	<u>—</u>	<u>—</u>	<u>142,915</u>	<u>—</u>



## FINANCIAL INFORMATION

At 31 December 2013

Contractual undiscounted cash outflow

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and other payables .....	510,887	—	—	510,887	510,887
Retentions payable .....	77,822	16,491	54,349	148,662	148,662
Amount due to immediate holding company .....	18,473	—	—	18,473	18,473
Bank loans .....	44,947	—	—	44,947	44,851
	<u>652,129</u>	<u>16,491</u>	<u>54,349</u>	<u>722,969</u>	<u>722,873</u>
<b>Financial guarantees issued:</b>					
Maximum amount guaranteed .....	<u>205,254</u>	<u>—</u>	<u>—</u>	<u>205,254</u>	<u>—</u>

At 31 December 2014

Contractual undiscounted cash outflow

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and other payables .....	560,209	—	—	560,209	560,209
Retentions payable .....	65,923	49,795	50,564	166,282	166,282
Amount due to a joint venture .....	697	—	—	697	697
	<u>626,829</u>	<u>49,795</u>	<u>50,564</u>	<u>727,188</u>	<u>727,188</u>
<b>Financial guarantees issued:</b>					
Maximum amount guaranteed .....	<u>225,461</u>	<u>—</u>	<u>—</u>	<u>225,461</u>	<u>—</u>

## FINANCIAL INFORMATION

At 30 June 2015					
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and other payables .....	354,397	—	—	354,397	354,397
Retentions payable .....	64,366	36,853	63,267	164,486	164,486
Amount due to a joint venture .....	730	—	—	730	730
Bank loans .....	115,215	—	—	115,215	115,000
	<u>534,708</u>	<u>36,853</u>	<u>63,267</u>	<u>634,828</u>	<u>634,613</u>
<b>Financial guarantees issued:</b>					
Maximum amount guaranteed .....	257,415	—	—	257,415	—

## RELATED PARTY TRANSACTIONS

We entered into the following material related party transactions during the Track Record Period:

	Note	Year ended 31 December			30 June
		2012	2013	2014	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Housing and related service income .....	(i)	16,358	13,228	13,485	11,148
Rental expenses, license fees, air-conditioning and service charges .....	(ii)	5,376	7,326	8,068	4,066
Management service income .....	(iii)	935	—	—	—
Income from construction design and consultant services .....	(iv)	29,718	—	7,024	—
Management consultant income ..	(v)	4,860	3,408	1,551	—
Revenue from general building constructions .....	(vi)	19,424	9,320	9,194	—
Staff quarter's expenses .....	(vii)	420	420	246	—
Consultancy service fee .....	(viii)	<u>1,200</u>	<u>7,318</u>	<u>17,030</u>	<u>7,476</u>

Notes:

- (i) During the relevant periods, our Group earned housing service income from and engaged in trading of cleaning materials with subsidiaries of Great Eagle.
- (ii) During the relevant periods, our Group paid rental expenses to subsidiaries of Great Eagle.

## FINANCIAL INFORMATION

- (iii) During the relevant periods, our Group provided management service to its Joint Venture, SFK Kun Fai.
- (iv) Our Group provided construction design and consultant services to its fellow subsidiaries.
- (v) Our Group received management consultant income from its fellow subsidiaries.
- (vi) Our Group provided general building constructions to its fellow subsidiary.
- (vii) Our Group paid rental expenses to its fellow subsidiaries as staff quarters for its staff.
- (viii) Our Group paid consultancy service fee to its fellow subsidiary.

With respect to the related party transactions set out above, our Directors are of the opinion that during the Track Record Period, these transactions were conducted at arm's length and on normal commercial terms and were no less favourable than terms available from Independent Third Parties which are considered fair and reasonable.

For detailed analysis of the related party transactions, please refer to the section headed "Connected transactions" and note 26 to the financial information of the Accountants' Report in Appendix I to this prospectus.

Having considered that the amounts of these related party transactions are immaterial, our Directors are of the view that the aforesaid related party transactions did not distort our financial results during the Track Record Period or cause our Track Record Period results to be unreflective of our future performance.

### LISTING EXPENSES

Our estimated expenses in relation to the Global Offering, including underwriting commissions, are approximately HK\$30.0 million, of which approximately HK\$9.9 million is directly attributable to the issue of new Shares to the public and will be accounted for as a deduction from equity upon completion of the Global Offering. The remaining estimated listing expenses of approximately HK\$20.1 million, which cannot be so deducted, was or will be charged to profit or loss, of which approximately HK\$9.3 million and HK\$2.3 million were charged for the year ended 31 December 2014 and the six months ended 30 June 2015 respectively, and approximately HK\$8.5 million is expected to be incurred before or upon completion of the Global Offering. This calculation is based on the mid-point of the indicative Offer Price range of HK\$1.10 to HK\$1.50 per Offer Share and the assumption that 100,000,000 Shares are to be issued under the Global Offering and 400,000,000 Shares are to be in issue and outstanding immediately following the Global Offering (assuming the Over-allotment Option is not exercised) and is subject to the adjustment based on the actual amount incurred or to be incurred.

## **FINANCIAL INFORMATION**

### **DIVIDENDS AND DIVIDEND POLICY**

Our Directors intend to declare dividends, if any, in Hong Kong dollars with respect to Shares on a per Share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a financial year will be subject to the Shareholders' approval. Our Directors consider that dividends to be declared and paid in future by our Group will depend on a number of factors, including our results of operations, financial conditions, capital requirements, prevailing economic climate and other factors that our Directors may deem relevant at such time. Considering our financial position, our Directors currently intend, subject to certain limitations, and in the absence of any circumstances which might reduce the amount available for distribution whether by losses or otherwise, to distribute to the Shareholders no less than 40% of our profits available for distribution in respect of the year ending 31 December 2015. For subsequent years, our Directors may recommend declaration of final dividends or pay interim dividends, if any, after taking into account, among other things, our results of operations, cashflows and financial condition, operating and capital requirements, the amount of distributable profits based on HKFRSs, the Memorandum and Bye-laws, the Companies Act, applicable laws and regulations and such other factors which our Directors may deem relevant. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed in any year.

Our Group declared a dividend of HK\$200.00 million in respect of the year ended 31 December 2013. The dividend was paid in December 2013 and financed by our internal resources. No dividend was declared in respect of each of the years ended 31 December 2012 and 31 December 2014 and the six months ended 30 June 2015. The dividend was declared to provide returns to the shareholders on their respective investments, and is not an indicator of the dividend to be declared in the future.

### **DISTRIBUTABLE RESERVES**

The aggregate amount of reserves available for distribution to equity shareholder of the Company as at 31 December 2012, 2013 and 2014 and 30 June 2015 was approximately HK\$74.51 million, HK\$71.92 million, HK\$62.54 million and HK\$60.20 million, respectively.

## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets is prepared based on our consolidated net assets as at 30 June 2015 contained in the financial information of the Accountants' Report set out in Appendix I to this prospectus and adjusted as described below:

	<b>Consolidated net tangible assets attributable to shareholder of the Company as of 30 June 2015</b>	<b>Estimated net proceeds from the Global Offering</b>	<b>Unaudited pro forma adjusted net tangible assets</b>	<b>Unaudited pro forma adjusted net tangible assets per share</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>Note (1)</i>	<i>Note (2)</i>	<i>Note (3)</i>	<i>Note (4)</i>
Based on an offer price of				
HK\$1.10 per Offer Share .....	316,055	92,228	408,283	1.02
Based on an offer price of				
HK\$1.50 per Offer Share .....	316,055	131,128	447,183	1.12

*Notes:*

1. The consolidated net tangible assets attributable to shareholder of the Company as at 30 June 2015 is based on the consolidated net assets of the Company of HK\$316.1 million as at 30 June 2015 as shown in the consolidated financial information included in the Accountants' Report set out in Appendix I to this prospectus. Our Group has no goodwill or other intangible assets as at 30 June 2015.
2. The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$1.10 (being the minimum offer price) and HK\$1.50 per Offer Share (being the maximum offer price) and the assumption that there are 100,000,000 newly issued Shares in the Global Offering, after deduction of the underwriting fees and other related expenses payable by the Company, assuming that the Over-allotment Option is not exercised and without taking into account any discretionary incentive fees.
3. The unaudited pro forma adjusted net tangible assets do not take into account the financial results or other transactions of our Group subsequent to 30 June 2015.
4. The unaudited pro forma adjusted net tangible assets per share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 400,000,000 shares (including the shares in issue as at 30 June 2015 and shares that may be issued pursuant the Global Offering and the Capitalisation issue) were in issue immediately following the completion of the Global Offering. It does not take into account any shares which may be issued upon the exercise of the Over-allotment Option or the options that may be granted under the Share Option Scheme.

## **FINANCIAL INFORMATION**

### **RECENT DEVELOPMENT**

Our business model, revenue and gross profit structure have remained unchanged since 30 June 2015.

Since 30 June 2015 and up to the Latest Practicable Date, we entered into (i) six contracts with a total contract sum of approximately HK\$594.89 million for general building works in Hong Kong; and (ii) one contracts with a total contract sum of approximately HK\$87.09 million for civil engineering works in Hong Kong. Consistent with the Track Record Period where the majority of our contracts were for Hong Kong projects, since 30 June 2015 and up to the Latest Practicable Date, all of the new contracts represented projects in Hong Kong.

As at 30 June 2015, we had aggregated multi-purpose bank facilities of approximately HK\$1,077.38 million, of which (i) HK\$432.38 million was specifically for our Company's and subsidiaries' performance bonds for construction contracts, (ii) HK\$415.00 million was specifically for our Company's and subsidiaries' loans and invoice financing, and (iii) the remaining HK\$230.00 million could be drawn for either performance bonds or loans and invoice financing. Our Company and subsidiaries had utilised HK\$139.62 million of the performance bonds and HK\$115.00 million of the loans and invoice financing portions of such multi-purpose bank facilities. The unutilised balance of the loans and invoice financing portions of the multi-purpose bank facilities available for drawdown amounted to HK\$521.00 million. The loan balance increased to approximately HK\$115.00 million as at 30 June 2015 and further increased to approximately HK\$165.00 million as at the Latest Practicable Date primarily to supplement our working capital needs. The needs were mainly driven by (i) the increase in gross amount due from customers for contract work (i.e. the amount of work done pending customers' certification) from approximately HK\$583.81 million as at 31 December 2014 to approximately HK\$694.47 million as at 30 September 2015 and (ii) the decrease in gross amount due to customers for contract works (i.e. amount of work done certified by customers exceeding actual work performed) from approximately HK\$332.32 million as at 31 December 2014 to approximately HK\$175.75 million as at 30 September 2015.

Since 30 June 2015 and up to the Latest Practicable Date, save as disclosed above and in the paragraph headed "Listing expenses" in this section, we did not have any significant non-recurrent items in our consolidated statement of comprehensive income.

### **DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES**

Our Directors have confirmed that, save as disclosed above, as at the Latest Practicable Date, they are not aware of any circumstances which would give rise to the disclosure obligation under Rules 13.13 to 13.19 of the Listing Rules.

<b>FINANCIAL INFORMATION</b>
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**NO MATERIAL ADVERSE CHANGE**

Save as disclosed in the paragraphs headed “Recent development” and “Listing expenses” in this section, our Directors confirmed that since 30 June 2015 and up to the Latest Practicable Date, (i) there has been no material adverse changes in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there has been no material adverse change in the trading and financial position or prospects of our Group; and (iii) no event had occurred in all material respects since 30 June 2015 and up to the Latest Practicable Date that would adversely affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

## FUTURE PLANS AND USE OF PROCEEDS

### FUTURE PLANS AND PROSPECTS

Our objective is to become a leading general building contractors in Hong Kong and Macau. We intend to achieve this through our business strategies, details of which are set out in the section headed “Business — Business strategies” in this prospectus.

### USE OF PROCEEDS

The net proceeds from the Global Offering to our Company (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, and assuming an Offer Price of HK\$1.30 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$1.10 to HK\$1.50 per Offer Share and the Over-allotment Option is not exercised) are estimated to be approximately HK\$100.0 million. We currently plan to use the net proceeds from the Global Offering in the following manner:

- approximately HK\$60.0 million, representing approximately 60% of the net proceeds will be used for financing the capital input to recently awarded projects, ongoing projects and future projects;
- approximately HK\$30.0 million, representing approximately 30% of the net proceeds will be used for suitable merger and acquisition opportunities in enhancing our capabilities to undertake different types of construction works; and
- approximately HK\$10.0 million, representing approximately 10% of the net proceeds will be used for working capital requirements and other general corporate purposes.

If the Offer Price is determined at the highest point of the indicative Offer Price range, the net proceeds to our Company would be increased by approximately HK\$19.4 million. In such event, we have the present intention to apply such additional amount of the net proceeds in the same proportions as set forth above. If the Offer Price is determined at the lowest point of the indicative Offer Price range, the net proceeds to we would be decreased by approximately HK\$19.4 million. In such event, we will apply the reduced amount of the net proceeds in the same proportions as set forth above.

Assuming that the Over-allotment Option is exercised in full, the additional net proceeds to be received by us are estimated to be approximately HK\$21.9 million, HK\$19.0 million and HK\$16.0 million, respectively (based on the maximum indicative Offer Price of HK\$1.50 per Offer Share, HK\$1.30 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$1.10 to HK\$1.50 per Offer Share and the minimum indicative Offer Price of HK\$1.10 per Offer Share, respectively). We intend to apply the additional amount of the net proceeds in the same proportion as set forth above.

To the extent that any part of the net proceeds from the Global Offering is not immediately used for the above purposes, we may allocate such proceeds to short-term interest-bearing deposits with licensed banks or authorised financial institutions in Hong Kong.



## UNDERWRITING

### **PUBLIC OFFER UNDERWRITERS**

#### **Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers**

Innovax Capital

China Everbright Securities

#### **Co-manager**

BMI Securities Limited

### **UNDERWRITING ARRANGEMENTS AND EXPENSES**

#### **Public Offer**

##### *Underwriting Agreement*

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the International Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

##### *Grounds for termination*

The obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for the Public Offer Shares are subject to termination. The Joint Global Coordinators (on behalf of the Public Offer Underwriters) shall have the absolute right by notice in writing to our Company to terminate the

## UNDERWRITING

Public Offer Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if any of the following events shall occur prior to the Termination Time:

- (a) there comes to the notice of the Joint Global Coordinators or any of the Public Offer Underwriters:
  - (i) any matter or event showing any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement or any other provisions of the Public Offer Underwriting Agreement by any party thereto other than the Sole Sponsor, the Joint Global Coordinators or the Public Offer Underwriters which, in any such cases, is considered, in the sole and absolute opinion of the Joint Global Coordinators, to be material in the context of the Global Offering; or
  - (ii) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any material respect in the context of the Global Offering; or
  - (iii) any material event, series of events, matters or circumstances occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the representations, warranties or undertakings contained in the Public Offer Underwriting agreement untrue, incorrect or misleading in any material respect, and which is considered, in the sole and absolute opinion of the Joint Global Coordinators to be material in the context of the Global Offering; or
  - (iv) any material matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole and absolute opinion of the Joint Global Coordinators, a material omission in the context of the Global Offering; or
  - (v) any event, act or omission which gives or is likely to give rise to any liability of our Company and any of the executive Directors and the Controlling Shareholders arising out of or in connection with the breach of any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement; or
  - (vi) any material breach by any party to the Public Offer Underwriting Agreement other than the Sole Sponsor, the Joint Global Coordinators or the Public Offer Underwriters of any provision of the Public Offer Underwriting Agreement which, in the sole and absolute opinion of the Joint Global Coordinators, is material;

## UNDERWRITING

- (b) there shall have developed, occurred, existed, or come into effect any material event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
- (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Macau, the PRC, the BVI, Bermuda, the United States and the United Kingdom (the “**Relevant Jurisdictions**”) or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business and/or operation of our Group; or
  - (b) any change in, or any event or series of events or development resulting or likely to result in any material change in the local, regional or international financial, equity securities, currency, political, military, industrial, economic, stock market or other market conditions or prospects in or affecting the Relevant Jurisdictions or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business and/or operation of our Group; or
  - (c) any change in the system under which the value of the HK dollars is linked to that of the US dollars; or
  - (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or
  - (e) any change or development involving a prospective material change in taxation or exchange control (or the implementation of any exchange control) in the Relevant Jurisdictions or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to the business and/or operation of our Group; or
  - (f) any material change or prospective material change in the business or in the financial or trading position or prospects of any member of our Group; or
  - (g) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the U.S. or any other country or organisation in Hong Kong, the PRC, Macau or any other jurisdiction relevant to the business and/or operation of our Group; or
  - (h) a general moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance service in or affecting the PRC, Hong Kong, Macau or any other jurisdiction relevant to the business and/or operation of our Group; or

## UNDERWRITING

- (i) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out; or
- (j) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting the Relevant Jurisdictions, or any other jurisdiction relevant to the business and/or operation of our Group; or
- (k) a demand by any creditor for repayment or payment of any material indebtedness of any other member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (l) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (m) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (n) any material litigation or claim of importance of any third party being instigated or threatened against any member of our Group;

which, in the sole and absolute opinion of the Joint Global Coordinators:

- (i) is or will be, or is reasonably likely to be, adverse, in any material respect, to the business, financial, trading or other condition or prospects of our Group taken as a whole or any member of our Group; or
- (ii) has or will have or is reasonably likely to have a material adverse effect on the success of the Global Offering or the level of the Offer Shares being applied for or accepted, the distribution of the Offer Shares or the demand or market price of the Shares following the Listing; or
- (iii) for any other reason makes it impracticable, inadvisable or inexpedient for the Public Offer Underwriters to proceed with the Global Offering as a whole.

For the above purpose:

- (1) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the U.S. shall be taken as an event resulting in a change in currency conditions; and

## UNDERWRITING

- (2) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

### *Undertakings pursuant to the Public Offer Underwriting Agreement*

Pursuant to the Public Offer Underwriting Agreement, each of the Controlling Shareholders and Ocean Asset jointly and severally undertakes to the Company, the Joint Global Coordinators (on behalf of all the Public Offer Underwriters) that, unless as a result of any exercise of the Over-allotment Option or otherwise in compliance with the Listing Rules, he/it will not, and will procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it will not, without the prior written consent of the Joint Global Coordinators:

- (1) at any time during the period commencing from the date of this prospectus and ending on the date which is six months from the Listing Date (“**First Six-Month Period**”):
- (a) offer, pledge, charge (other than any pledge or charge of the Company’s issued share capital after the consummation of the Global Offering (assuming the Over-allotment Option is not exercised) in favour of an authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan in compliance with Rule 10.07 of the Listing Rules), sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares in respect of which it is shown in this prospectus to be directly or indirectly interested in (the “**Relevant Securities**”);
  - (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Relevant Securities or such other securities, in cash or otherwise;
  - (c) agree, conditionally or unconditionally, to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraph (a) or (b) above; or
  - (d) announce any intention to enter into or effect any of the transactions referred to in paragraph (a), (b) or (c) above;
- (2) at any time during the six-month period commencing from the expiry of the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by he/it or any of his/its associates or companies controlled by he/it or any nominee or trustee

## UNDERWRITING

holding in trust for he/it if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be our controlling shareholder (as defined in the Listing Rules) or would together with the other Controlling Shareholders cease to be, or regarded as, our controlling shareholders (as defined in the Listing Rules);

- (3) in the event of a disposal of any Shares or securities of our Company directly or indirectly beneficially owned by him/it or any interest therein within six months immediately following the expiry of the First Six-Month Period set out in paragraph (1) above, he/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company;
- (4) he/it shall, and shall procure that its associates and companies controlled by and nominees or trustees holding in trust for him/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by the registered holder controlled by him/it of any Shares; and
- (5) at any time after the date of the Public Offer Underwriting Agreement up to and including the date falling twelve (12) months from the Listing Date, the Controlling Shareholders and Ocean Asset will:
  - (a) when he/it pledges or charges any Shares or other securities or interests in the securities of the Company beneficially owned by he/it directly or indirectly, immediately inform the Company and the Joint Global Coordinators in writing of any such pledges or charges together with the number of securities and nature of interest so pledged or charged; and
  - (b) when he/it receives any indication, whether verbal or written, from any such pledgee or chargee that any of the pledged or charged securities or interests in the securities of the Company will be sold, transferred or disposed of, immediately inform the Company and the Joint Global Coordinators in writing of any such indication.

Our Company will inform the Stock Exchange as soon as our Company has been informed of the matters mentioned above (if any) by the Controlling Shareholders, and disclose such matters by way of an announcement in accordance with the Listing Rules.

### **Undertakings to the Stock Exchange pursuant to the Listing Rules**

#### *Undertaking by our Company*

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that (except pursuant to the Capitalisation Issue, the Global Offering, the Over-allotment Option, the

## UNDERWRITING

grant of options or exercise of options granted or to be granted under the Share Option Scheme) at any time during the period commencing on the date of this prospectus and ending on the expiry of the six-month period after the Listing Date, our Company will not, without the prior consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules, allot or issue or agree to allot or issue any Shares or other securities convertible into equity securities of the Company (including warrants or other convertible securities), whether or not of a class already listed, except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

### *Undertaking by our Controlling Shareholders and Ocean Asset*

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders and Ocean Asset has undertaken to us and to the Stock Exchange that, except pursuant to the Global Offering, the Over-allotment Option or, if applicable, the stock borrowing arrangement that may be entered into with the Stabilising Manager or its agent that he or it will not, and shall procure that any other registered holders controlled by each of our Controlling Shareholders and Ocean Asset shall not:

- a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (“**End Date**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save as pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong, for a bona fide commercial loan) in respect of, any of our securities in respect of which he or it is shown by this prospectus to be the beneficial owners (the “**Relevant Securities**”); or
- b) in the period of six months commencing from the End Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save as pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the laws of Hong Kong, for a bona fide commercial loan) in respect of, any of the Relevant Securities if, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be our controlling shareholders (as defined in the Listing Rules).

Further, pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders and Ocean Asset has undertaken to us and to the Stock Exchange that, during the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, he or it will:

- a) if he or it pledges or charges any of our securities beneficially owned by him or it in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong), immediately inform us in writing of such pledge or charge together with the number of securities so pledged or charged; and
- b) if he or it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities will be disposed of, immediately inform us in writing of such indications.

## **UNDERWRITING**

### **International Placing**

In connection with the International Placing, it is expected that our Company will enter into the International Placing Underwriting Agreement with, among others, the International 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 International Placing Underwriting Agreement, the International Placing Underwriters will severally agree to subscribe or purchase or procure subscribers or purchasers for the International Placing Shares being offered pursuant to the International Placing.

Our Company is expected to grant to the International Placing Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on their behalf at any time from the Price Determination Date until 30 days after the last date for the lodging of applications under the Public Offer, to require our Company to allot and issue up to an aggregate of 15,000,000 additional Offer Shares, representing 15% of the initial number of Offer Shares, at the same price per Offer Share under the International Placing to cover over-allocations in the International Placing, if any, and/or the obligations of the Joint Lead Managers to return Shares which it may borrow under the Stock Borrowing Agreement.

### **Commission and expenses**

The Underwriters will receive an underwriting commission of 2.75% on the aggregate Offer Price of all the Offer Shares, out of which any sub-underwriting commission will be paid.

The underwriting commissions, documentation fee, listing fees, Stock Exchange trading fee and SFC transaction levy, legal and printing and other professional fees and other expenses relating to the Global Offering are estimated to amount to approximately HK\$30.0 million in total (based on the Offer Price of HK\$1.30 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$1.10 to HK\$1.50 per Offer Share and assuming the Over-allotment Option is not exercised), and are payable by our Company.

### **Independence of the Sole Sponsor**

Innovax Capital Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

### **UNDERWRITERS' INTERESTS IN OUR COMPANY**

Save for their obligations under the Underwriting Agreements, none of the Underwriters has any shareholding interests in our Company nor has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares in our Company nor any interest in the Global Offering.



## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

### THE GLOBAL OFFERING

This prospectus is published in connection with the Public Offer as part of the Global Offering. The Global Offering consists of (subject to reallocation and the Over-allotment Option):

- the Public Offer of 10,000,000 Shares (subject to reallocation as mentioned below) in Hong Kong as described below under the section headed “Structure and conditions of the Global Offering — The Public Offer”; and
- the International Placing of 90,000,000 Shares (subject to reallocation as mentioned below) outside the United States in reliance on Regulation S of the U.S. Securities Act as described below under the section headed “Structure and conditions of the Global Offering — The International Placing”.

Of the 10,000,000 Public Offer Shares initially being offered under the Public Offer, 1,000,000 Offer Shares are available for subscription by Eligible Employees on a preferential basis under the Employee Preferential Offering. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of the Offer Shares to institutional and professional investors and other investors outside the United States in reliance on Regulation S. The International Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

Investors may apply for the Public Offer Shares under the Public Offer or indicate an interest for International Placing Shares under the International Placing, but may not do both. Eligible Employees may make an application for Employee Reserved Shares on a **PINK** Application Form and, in addition, will be entitled to apply for Public Offer Shares under the Public Offer but may not apply for or indicate an interest for International Placing Shares under the International Placing.

The number of Offer Shares to be offered under the Public Offer and the International Placing respectively may be subject to reallocation as described in the section headed “Structure and conditions of the Global Offering — Pricing and allocation”.

### PRICING AND ALLOCATION

#### Offer Price

The Offer Price will be not more than HK\$1.50 per Offer Share and is expected to be not less than HK\$1.10 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

### Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK\$1.50 per Public Offer Share plus a 1% brokerage fee, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$3,030.23 for one board lot of 2,000 Shares. Each Application Form includes a table showing the exact amount payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$1.50 per Offer Share, appropriate refund payments (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. Please see the section headed “How to apply for Public Offer Shares — Refund of application monies” in this prospectus.

### Offer Price determination

The International Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about Thursday, 3 December 2015.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Thursday, 3 December 2015 and in any event, no later than 12:00 noon on Tuesday, 8 December 2015.

**If, for any reason, our Company and the Joint Global Coordinators (on behalf of the Underwriters) are unable to reach agreement on the Offer Price at or before 12:00 noon on Tuesday, 8 December 2015, the Global Offering will not proceed and will lapse.**

### Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (on behalf of the Underwriters) considers it appropriate and together with our consent, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published in The Standard (in English) and Hong Kong Economic Times (in Chinese) a notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the indicative Offer Price range stated in this prospectus.

## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants under the Public Offer should note that in no circumstances can applications be withdrawn once submitted, even if the indicative Offer Price range and/or number of Offer Shares is so reduced.

### Allocation

The Shares to be offered in the Public Offer and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

Allocation of the Offer Shares pursuant to the International Placing will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell the Shares after Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of the Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

### Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the International Placing, the level of applications in the Public Offer and the Employee Preferential Offering and the basis of allocations of the Public Offer Shares and the Employee Reserved Shares are expected to be announced on Wednesday, 9 December 2015 in The Standard (in English) and Hong Kong Economic Times (in Chinese) and on our Company's website at [www.sfkchl.com.hk](http://www.sfkchl.com.hk) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk).

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, or by giving **electronic application instructions** to HKSCC or by applying online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service, will be made available through a variety of channels as described in the section headed "How to apply for Public Offer Shares — Publication of results" in this prospectus.

## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

### CONDITIONS OF THE PUBLIC OFFER

Acceptance of all applications for the Offer Shares pursuant to the Public Offer will be conditional upon, among other things:

- the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be made available pursuant to the Capitalisation Issue, the exercise of the Over-allotment Option and any Shares which may fall to be issued upon the exercise of the options which may be granted under the Share Option Scheme);
- the Offer Price having been duly agreed on or about the Price Determination Date;
- the execution and delivery of the International Placing Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under the International Placing Underwriting Agreement and the Public Offer Underwriting Agreement having become unconditional and not having been terminated in accordance with their respective terms,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of each of the Public Offer Underwriting Agreement and the International Placing Underwriting Agreement is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will cause to be published by us in The Standard (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to apply for Public Offer Shares — Refund of application monies” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

**Share certificates for the Offer Shares are expected to be issued on Wednesday, 9 December 2015 but will only become valid certificates of title at 8:00 a.m. on Thursday, 10 December 2015, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination” in this prospectus has not been exercised.**

## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

### THE PUBLIC OFFER

#### Number of Shares initially offered

Our Company is initially offering 10,000,000 Shares at the Offer Price, representing 10% of the initial number of Offer Shares under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent 2.5% of the total issued share capital of our Company immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Of the 10,000,000 Shares initially being offered under the Public Offer, 1,000,000 Shares (representing 10% and 1% of the total number of Shares initially being offered under the Public Offer and the Global Offering, respectively) are available for subscription by the Eligible Employees on a preferential basis, subject to the terms and conditions set out in this prospectus and the **PINK** Application Form. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional 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. Completion of the Public Offer is subject to the conditions set out in the section headed “Structure and conditions of the Global Offering — Conditions of the Public Offer” above.

#### Allocation

For allocation purposes only, the Public Offer Shares initially being offered for subscription under the Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Public Offer and the International Placing) will be divided equally into two pools (subject to adjustment of odd lot size). Pool A will comprise 4,500,000 Public Offer Shares and Pool B will comprise 4,500,000 Public Offer Shares, both of which are available on a fair basis to successful applicants. If the Public Offer Shares offered to Eligible Employees for subscription on a preferential basis are not fully taken up, any excess Public Offer Shares will be re-allocated to Pool A and Pool B in equal proportion. All valid applications that have been received for Public Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 4,500,000 Public Offer Shares (being 50% of the difference between the initial number of Public Offer Shares and the number of Employee Reserved Shares).

## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

### Reallocation

The allocation of the Shares between the Public Offer and the International Placing is subject to adjustment. If the number of Shares validly applied for in the Public Offer (including the Employee Preferential Offering) represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares initially available under the Public Offer (including the Employee Preferential Offering), the total number of Shares available under the Public Offer will be increased to 30,000,000, 40,000,000 and 50,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Shares allocated in the International Placing will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate, and such additional Shares will be allocated to Pool A and Pool B equally.

If the Public Offer Shares are not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Public Offer Shares to the International Placing, in such proportions as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Placing to the Public Offer to satisfy valid applications under the Public Offer.

The Offer Shares to be offered in the Public Offer and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

### Applications

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Public Offer to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making 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 Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

### THE EMPLOYEE PREFERENTIAL OFFERING

Up to 1,000,000 Employee Reserved Shares, representing approximately 10% of the Public Offer Shares and approximately 1% of the Offer Shares initially available under the Global Offering (without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme), are available for subscription by the Eligible Employees on a preferential basis.

The 1,000,000 Employee Reserved Shares available for application by Eligible Employees on **PINK** Application Form will be allocated to such applicants on a basis to be determined by the Hong Kong Share Registrar based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. The allocation of Employee Reserved Shares to Eligible Employees will in any event be made on an equitable basis and will not be based on the identity, seniority, work performance or length of service of the Eligible Employee. No favour will be given to any Eligible Employee who applies for a large number of Employee Reserved Shares. Any application made on a **PINK** Application Form for more than 1,000,000 Employee Reserved Shares will be rejected. Allocation of Public Offer Shares under the Employee Preferential Offering will be based on the allocation guidelines contained in Practice Note 20 to the Listing Rules.

In addition to any application for Employee Reserved Shares on a **PINK** Application Form, Eligible Employees will be entitled to apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form or by submitting application online through the designated website of the **HK eIPO White Form** Service Provider or giving **electronic application instructions** to HKSCC via CCASS.

As at the Latest Practicable Date, there were 1,226 Eligible Employees.

In case not all the 1,000,000 Employee Reserved Shares are subscribed for by the Eligible Employees, the undersubscribed Employee Reserved Shares will be available as Public Offer Shares for subscription by members of the public under the Public Offer.

### THE INTERNATIONAL PLACING

#### Number of Offer Shares offered

The number of Shares to be initially offered for subscription under the International Placing will be 90,000,000 Shares, representing 90% of the initial number of Offer Shares under the Global Offering. The International Placing is subject to the Public Offer becoming unconditional.



## **STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING**

### **Allocation**

Pursuant to the International Placing, the International Placing Underwriters will conditionally place the Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the “book-building” process described in section headed “Structure and conditions of the Global Offering — Pricing and allocation” above and based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares after Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

### **OVER-ALLOTMENT OPTION**

Our Company is expected to grant to the International Placing Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Placing Underwriters at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last day for lodging of Application Forms under the Public Offer. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, our Company may be required to issue up to 15,000,000 Shares, representing 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the International Placing, if any. The Joint Global Coordinators may also cover any over-allocations by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, regulations and rules.

### **STOCK BORROWING AGREEMENT**

China Everbright Securities, as the stabilising manager, or any person acting for it may choose to borrow Shares from SFK Group, under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with SFK Group will only be effected by the Stabilising Manager for settlement of over-allocations in the International Placing and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from SFK Group under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;



## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- the same number of Shares so borrowed must be returned to SFK Group or its nominee(s) on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, (ii) the date on which the Over-allotment Option is exercised in full and the relevant over-allocation shares have been allocated, and (iii) such earlier time as the parties may from time to time agree in writing;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to SFK Group by the Stabilising Manager or its authorised agents in relation to such stock borrowing arrangement.

### STABILISATION AND OVER-ALLOTMENT

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 new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, China Everbright Securities, as the stabilising manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by the applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely, 15,000,000 Shares, which is 15% of the number of Offer Shares initially available under the Global Offering.

Stabilising action will be entered into in accordance with the laws, regulations and rules in place in Hong Kong on stabilisation and stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes: (i) over-allocation 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 subscribing for, or agreeing to purchase or subscribe for, 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 held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

## STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilising Manager 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 stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the last business day immediately before the 30th day after the last date 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 either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, the Stabilising Manager may over-allocate up to and not more than an aggregate of 15,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Placing, the Stabilising Manager may borrow up to 15,000,000 Shares from SFK Group, equivalent to the maximum number of Shares to be issued on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

## **STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING**

### **SHARES WILL BE ELIGIBLE FOR CCASS**

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

### **DEALING ARRANGEMENTS**

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 10 December 2015, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 10 December 2015. The Shares will be traded in board lots of 2,000 Shares.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for International 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** at [www.hkeipo.hk](http://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.

In addition, if you are an Eligible Employee, you may also apply for Employee Reserved Shares by using a **PINK** Application Form.

Our Company, the Joint Global Coordinators, 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); and
- are not a legal or natural person of the PRC.

You can also apply for Employee Reserved Shares by using a **PINK** Application Form if you satisfy the above criteria and you are also an Eligible Employee.

If you apply online through the **HK eIPO White Form**, 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.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Global Coordinators may accept or reject it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** 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 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 Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International 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.

If you are an Eligible Employee, and want the Public Offer Shares to be issued in your own name and want your application be given preferential treatment, use a **PINK** Application Form.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 30 November 2015 until 12:00 noon on Thursday, 3 December 2015 from:

- (i) any of the following offices of the Public Offer Underwriters:

Innovax Capital Limited at Office 1, 1st Floor, Lucky Building, 39 Wellington Street, Hong Kong

China Everbright Securities (HK) Limited at 36th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong

- (ii) any of the following branches of the following receiving bank:

#### Bank of China (Hong Kong) Limited

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
<b>Hong Kong Island</b>	Connaught Road Central Branch	13-14 Connaught Road Central
	Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui
	Chai Wan Branch	Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan
<b>Kowloon</b>	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	194 Cheung Sha Wan Road Branch	194-196 Cheung Sha Wan Road, Sham Shui Po, Kowloon
	Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong
<b>New Territories</b>	Fo Tan Branch	No 2, 1/F Shatin Galleria, 18-24 Shan Mei Street, Fo Tan
	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 30 November 2015 until 12:00 noon on Thursday, 3 December 2015 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

A **PINK** Application Form together with this Prospectus can be collected from 9:00 a.m. on Monday, 30 November 2015 until 12:00 noon on Wednesday, 2 December 2015 from our Company's headquarters at Rooms 3207-10, 32/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. Electronic copies of the **PINK** Application Form and this prospectus can be viewed from the website of our Company at [www.sfkchl.com.hk](http://www.sfkchl.com.hk).

### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — SFK Construction Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

**Monday, 30 November 2015 — 9:00 a.m. to 5:00 p.m.**  
**Tuesday, 1 December 2015 — 9:00 a.m. to 5:00 p.m.**  
**Wednesday, 2 December 2015 — 9:00 a.m. to 5:00 p.m.**  
**Thursday, 3 December 2015 — 9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 3 December 2015, the last application day or such later time as described in the paragraph headed "Effect of bad weather on the opening of the application lists" in this section.

Your completed **PINK** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — SFK Construction Public Offer" for the payment must be deposited in the collection box located at the Company's headquarters at Rooms 3207-10, 32/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong by 4:00 p.m. on Wednesday, 2 December 2015.

## 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**, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (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 Bye-laws;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Bye-laws;

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- (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 Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering 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 Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (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 Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under 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;



## HOW TO APPLY FOR PUBLIC OFFER SHARES

- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Joint Global Coordinators 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 through the **HK eIPO White Form** by you or by any one as your agent or by any other person, other than on a **PINK** Application Form as an Eligible Employee; 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.

### Additional terms and conditions for the Employee Preferential Offering

You may refer to the **PINK** Application Form for details.

## 5. APPLYING THROUGH HK EIPO WHITE FORM

### General

Individuals who meet the criteria in the paragraph headed "Who can apply", may apply through the **HK eIPO White Form** for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

Detailed instructions for application through the **HK eIPO White Form** 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**.

### Time for Submitting Applications under the HK eIPO White Form

You may submit your application through the **HK eIPO White Form** at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 30 November 2015 until 11:30 a.m. on Thursday, 3 December 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 3 December 2015 or such later time under the paragraph headed “Effects of bad weather on the opening of the application 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** 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 application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** or by any other means, all of your applications are liable to be rejected.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

## 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

### General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited  
Customer Service Centre  
1/F, One & Two Exchange Square,  
8 Connaught Place,  
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and the Hong Kong Share Registrar.

### Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (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 International Placing;

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Joint Global Coordinators 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 Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, 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, the Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Underwriters and/or its 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

## HOW TO APPLY FOR PUBLIC OFFER SHARES

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 (Winding Up and Miscellaneous Provisions) Ordinance, Companies Ordinance and the Bye-laws; 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.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Public Offer Shares. Instructions for more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

**Monday, 30 November 2015 — 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>**  
**Tuesday, 1 December 2015 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>**  
**Wednesday, 2 December 2015 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>**  
**Thursday, 3 December 2015 — 8:00 a.m.<sup>(1)</sup> 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 Monday, 30 November 2015 until 12:00 noon on Thursday, 3 December 2015 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 3 December 2015, the last application day or such later time as described in the paragraph headed “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).

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, 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** 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, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Global Coordinators 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** 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/CASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 3 December 2015.

### 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.

In addition, if you are an Eligible Employee you may also make an application for Employee Reserved Shares by using a **PINK** Application Form. Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications by any Eligible Employee via **PINK** Application Form are liable to be rejected.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form**, 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** in respect of a minimum of 2,000 Public Offer Shares. Each application or **electronic application instructions** in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and conditions of the Global Offering”.



## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning, in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 3 December 2015.

Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 3 December 2015 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Public Offer and the Employee Preferential Offering and the basis of allocation of the Public Offer Shares and the Employee Reserved Shares on Wednesday, 9 December 2015 in The Standard (in English) and Hong Kong Economic Times (in Chinese) and on our Company’s website at **www.sfkchl.com.hk** and the Stock Exchange’s website 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 and the Employee Preferential Offering 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.sfkchl.com.hk** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, 9 December 2015;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, 9 December 2015 to 12:00 midnight on Tuesday, 15 December 2015;
- by telephone enquiry line by calling 3691-8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 9 December 2015 to Monday, 14 December 2015 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 9 December 2015 to Friday, 11 December 2015 at all the receiving bank designated branches.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure and conditions of the Global Offering”.

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 PUBLIC 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 through the **HK eIPO White Form**, 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.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies 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 International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations;
- your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer less the number of Employee Reserved Shares; or
- you are an Eligible Employee, your application is for more than 1,000,000 Employee Reserved Shares.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 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\$1.50 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer set out in the section headed “Structure and conditions of the Global Offering — Conditions of the Public Offer” in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 9 December 2015.

### 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**, **YELLOW** or **PINK** 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).

## HOW TO APPLY FOR PUBLIC OFFER SHARES

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, 9 December 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 10 December 2015 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" 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 and/or PINK 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 Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 9 December 2015 or such other date as notified by us in the newspapers.

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 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 and/or Employee Reserved Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 9 December 2015, by ordinary post and at your own risk.

#### (ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 9 December 2015, by ordinary post and at your own risk.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 9 December 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you apply as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 9 December 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

### (iii) *If you apply through the HK eIPO White Form*

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 9 December 2015, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, 9 December 2015 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.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### (iv) *If you apply via Electronic Application Instructions to HKSCC*

#### *Allocation of Public Offer Shares*

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

#### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 9 December 2015, 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 the paragraph headed "Publication of results" above on Wednesday, 9 December 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 9 December 2015 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 9 December 2015. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 9 December 2015.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 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 stockbrokers or other professional advisers 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 accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

30 November 2015

The Directors  
SFK Construction Holdings Limited

Innovax Capital Limited

Dear Sirs,

## INTRODUCTION

We set out below our report on the financial information relating to SFK Construction Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) comprising the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2012, 2013 and 2014 and 30 June 2015 and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 (the “**Relevant Periods**”), together with the explanatory notes thereto (the “**Financial Information**”), for inclusion in the prospectus of the Company dated 30 November 2015 (the “**Prospectus**”).

The Company was incorporated in Bermuda on 17 October 2007 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). The Company became the holding company of the companies now comprising the Group on 10 January 2008.

All companies comprising the Group have adopted 31 December as their financial year end date. Details of the companies comprising the Group that are subject to statutory audit during the Relevant Periods and the names of the respective auditors are set out in note 29 of Section B. The statutory financial statements of these companies were prepared in accordance with either Hong Kong Financial Reporting Standards (“**HKFRSs**”) or the relevant accounting rules and regulations applicable to entities in the People's Republic of China (the “**PRC**”).

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the “**Underlying Financial Statements**”) on the same basis as used in the preparation of the Financial Information set out in Section B below in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 were audited by us under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon, and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

#### **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 HKFRSs issued by the HKICPA and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

#### **REPORTING ACCOUNTANTS' RESPONSIBILITY**

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 June 2015.

#### **OPINION**

In our opinion, the Financial Information gives, for the purpose of this report, on the basis of preparation set out in Note 1(b) of Section B below, a true and fair view of the financial position of the Group and of the Company as at 31 December 2012, 2013 and 2014 and 30 June 2015 and of the Group's financial performance and cash flows for the Relevant Periods then ended.

#### **CORRESPONDING FINANCIAL INFORMATION**

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2014, together with the notes thereon (the “**Corresponding Financial Information**”), for which the directors are responsible, 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.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, 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 in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

**A CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP****1 Consolidated income statements**

	Section B Note	Year ended 31 December			Six months ended 30 June	
		2012	2013	2014	2014	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
<b>Revenue</b> .....	4	2,805,456	2,839,206	2,752,162	1,235,396	1,140,172
Direct costs.....		(2,676,322)	(2,700,495)	(2,580,517)	(1,154,253)	(1,069,494)
<b>Gross profit</b> .....		129,134	138,711	171,645	81,143	70,678
Other revenue .....	5	2,210	3,341	5,035	3,015	284
Other net (loss)/income .....	6	(248)	63,784	(829)	(1,141)	(650)
Administrative expenses.....		(69,976)	(74,849)	(86,631)	(39,452)	(33,493)
<b>Profit from operations</b> .....		61,120	130,987	89,220	43,565	36,819
Finance costs .....	7(a)	(1,358)	(3,865)	(2,476)	(2,351)	(328)
Share of profits less losses of joint ventures .....		719	2,905	772	1,538	(850)
<b>Profit before taxation</b> .....	7	60,481	130,027	87,516	42,752	35,641
Income tax .....	8(a)	(9,880)	(10,578)	(15,410)	(7,225)	(6,813)
<b>Profit for the year/period</b> .....		<u>50,601</u>	<u>119,449</u>	<u>72,106</u>	<u>35,527</u>	<u>28,828</u>
<b>Attributable to:</b>						
Equity shareholder of the Company .....	11	50,601	119,632	72,480	35,781	28,936
Non-controlling interests.....		—	(183)	(374)	(254)	(108)
<b>Profit for the year/period</b> .....		<u>50,601</u>	<u>119,449</u>	<u>72,106</u>	<u>35,527</u>	<u>28,828</u>
<b>Earnings per share</b> (note)						
Basic (thousands).....	12	<u>506</u>	<u>1,196</u>	<u>725</u>	<u>358</u>	<u>289</u>
Diluted (thousands).....	12	<u>506</u>	<u>1,196</u>	<u>725</u>	<u>358</u>	<u>289</u>

Note: The earnings per share for all periods presented have not been adjusted to reflect the proposed capitalisation issue as described in note 31 of Section B.

The accompanying notes form part of the Financial Information.

**2 Consolidated statements of comprehensive income**

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
<b>Profit for the year/period.....</b>	50,601	119,449	72,106	35,527	28,828
<b>Other comprehensive income for the year/period (after tax)</b>					
<i>Items that may be reclassified subsequently to profit or loss or have been reclassified:</i>					
Exchange differences on translation of financial statements of overseas subsidiaries .....	(1)	35	16	12	—
Reclassification of exchange reserve upon de-registration of subsidiaries ....	—	—	—	—	(412)
<b>Total comprehensive income for the year/period .....</b>	<u>50,600</u>	<u>119,484</u>	<u>72,122</u>	<u>35,539</u>	<u>28,416</u>
<b>Attributable to:</b>					
Equity shareholder of the Company .....	50,600	119,667	72,496	35,793	28,524
Non-controlling interests.....	—	(183)	(374)	(254)	(108)
<b>Total comprehensive income for the year/period .....</b>	<u>50,600</u>	<u>119,484</u>	<u>72,122</u>	<u>35,539</u>	<u>28,416</u>

The accompanying notes form part of the Financial Information.

## 3 Consolidated statements of financial position

	Section B	As at 31 December			As at
	Note	2012	2013	2014	30 June
		HK\$'000	HK\$'000	HK\$'000	2015
					HK\$'000
<b>Non-current assets</b>					
Property, plant and equipment.....	14	21,069	19,956	30,300	27,557
Interest in joint ventures .....	16(a)	51,312	16,771	3,748	2,898
Deferred tax assets.....	8(c)	1,159	546	1,432	1,481
		73,540	37,273	35,480	31,936
<b>Current assets</b>					
Gross amount due from customers for contract work .....	17	501,627	398,489	583,808	627,586
Trade and other receivables.....	18(a)	424,907	489,136	473,631	376,994
Current tax recoverable.....	8(c)	5,723	3,283	4,240	3,512
Pledged deposits .....		8,840	8,762	16,126	20,353
Cash and cash equivalents.....	20(a)	448,442	465,783	246,146	79,735
		1,389,539	1,365,453	1,323,951	1,108,180
<b>Current liabilities</b>					
Gross amount due to customers for contract work .....	17	391,955	456,796	332,322	171,475
Trade and other payables .....	21(a)	673,902	659,949	726,656	519,048
Amount due to immediate holding company .....	19	7,178	18,473	—	—
Amount due to a joint venture .....	16(a)	—	—	697	730
Bank loans .....	22	90,848	44,851	—	115,000
Current tax payable.....	8(c)	1,867	5,962	10,438	15,488
		1,165,750	1,186,031	1,070,113	821,741
<b>Net current assets</b> .....		223,789	179,422	253,838	286,439
<b>Total assets less current liabilities</b> .....		297,329	216,695	289,318	318,375

**APPENDIX I**
**ACCOUNTANTS' REPORT**

	Section B Note	As at 31 December			As at 30 June
		2012	2013	2014	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current liability</b>					
Deferred tax liabilities .....	8(c)	<u>1,961</u>	<u>1,837</u>	<u>2,338</u>	<u>2,979</u>
<b>NET ASSETS</b> .....		<u><u>295,368</u></u>	<u><u>214,858</u></u>	<u><u>286,980</u></u>	<u><u>315,396</u></u>
<b>CAPITAL AND RESERVES</b>	23				
Share capital .....	23(c)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Reserves .....		<u>295,368</u>	<u>215,035</u>	<u>287,531</u>	<u>316,055</u>
<b>Total equity attributable to equity shareholder of the Company</b> .....		295,368	215,035	287,531	316,055
<b>Non-controlling interests</b> .....		<u>—</u>	<u>(177)</u>	<u>(551)</u>	<u>(659)</u>
<b>TOTAL EQUITY</b> .....		<u><u>295,368</u></u>	<u><u>214,858</u></u>	<u><u>286,980</u></u>	<u><u>315,396</u></u>

The accompanying notes form part of the Financial Information.

## 4 Statements of financial position

		As at 31 December			As at 30 June
	Note	2012	2013	2014	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Interest in subsidiaries .....	15	20,081	20,081	20,081	20,081
<b>Current assets</b>					
Other receivables .....	18(b)	412,100	472,486	86,990	86,155
Cash and cash equivalents.....	20(b)	203	207	108	53
		412,303	472,693	87,098	86,208
<b>Current liabilities</b>					
Other payables .....	21(b)	350,611	402,302	44,555	46,010
Amount due to immediate holding company .....	19	7,178	18,473	—	—
		357,789	420,775	44,555	46,010
<b>Net current assets</b> .....		54,514	51,918	42,543	40,198
<b>NET ASSETS</b> .....		74,595	71,999	62,624	60,279
<b>CAPITAL AND RESERVES</b>					
Share capital.....	23	—	—	—	—
Reserves .....	23(c)	74,595	71,999	62,624	60,279
<b>TOTAL EQUITY</b> .....		74,595	71,999	62,624	60,279

The accompanying notes form part of the Financial Information.



## 5 Consolidated statements of changes in equity

	Attributable to equity shareholder of the Company						Non-controlling interests	Total equity
	Share capital	Capital reserve	Legal reserve	Exchange reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2012</b> .....	—	81	12	362	244,313	244,768	—	244,768
<b>Changes in equity for 2012:</b>								
Profit for the year .....	—	—	—	—	50,601	50,601	—	50,601
Other comprehensive expense .....	—	—	—	(1)	—	(1)	—	(1)
Total comprehensive income .....	—	—	—	(1)	50,601	50,600	—	50,600
<b>At 31 December 2012</b> .....	—	81	12	361	294,914	295,368	—	295,368
<b>At 1 January 2013</b> .....	—	81	12	361	294,914	295,368	—	295,368
<b>Changes in equity for 2013:</b>								
Profit for the year .....	—	—	—	—	119,632	119,632	(183)	119,449
Other comprehensive income .....	—	—	—	35	—	35	—	35
Total comprehensive income .....	—	—	—	35	119,632	119,667	(183)	119,484
Equity contribution from non-controlling interests .....	—	—	—	—	—	—	6	6
Disposal of a subsidiary .....	—	—	(12)	—	12	—	—	—
Dividends declared in respect of the current year (Section B Note 23(b)) .....	—	—	—	—	(200,000)	(200,000)	—	(200,000)
<b>At 31 December 2013</b> .....	—	81	—	396	214,558	215,035	(177)	214,858
<b>At 1 January 2014</b> .....	—	81	—	396	214,558	215,035	(177)	214,858
<b>Changes in equity for 2014:</b>								
Profit for the year .....	—	—	—	—	72,480	72,480	(374)	72,106
Other comprehensive income .....	—	—	—	16	—	16	—	16
Total comprehensive income .....	—	—	—	16	72,480	72,496	(374)	72,122
<b>At 31 December 2014</b> .....	—	81	—	412	287,038	287,531	(551)	286,980

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	Attributable to equity shareholder of the Company						Non-	
	Share capital	Capital reserve	Legal reserve	Exchange reserve	Retained profits	Total	controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015 .....	—	81	—	412	287,038	287,531	(551)	286,980
<hr/>								
Changes in equity for the six months ended 30 June 2015:								
Profit for the period .....	—	—	—	—	28,936	28,936	(108)	28,828
Other comprehensive income .....	—	—	—	(412)	—	(412)	—	(412)
<hr/>								
Total comprehensive income .....	—	—	—	(412)	28,936	28,524	(108)	28,416
<hr/>								
At 30 June 2015 .....	—	81	—	—	315,974	316,055	(659)	315,396
<hr/>								
At 1 January 2014 .....	—	81	—	396	214,558	215,035	(177)	214,858
Changes in equity for the six months ended 30 June 2014 (unaudited):								
Profit for the period .....	—	—	—	—	35,781	35,781	(254)	35,527
Other comprehensive income .....	—	—	—	12	—	12	—	12
<hr/>								
Total comprehensive income .....	—	—	—	12	35,781	35,793	(254)	35,539
<hr/>								
At 30 June 2014 (unaudited) ...	—	81	—	408	250,339	250,828	(431)	250,397

The accompanying notes form part of the Financial Information.

## 6 Consolidated cash flow statements

	Section B Note	Year ended 31 December			Six months ended 30 June	
		2012	2013	2014	2014	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
<b>Operating activities</b>						
Profit before taxation.....		60,481	130,027	87,516	42,752	35,641
Adjustments for:						
- Interest income.....	5	(968)	(2,535)	(4,718)	(2,765)	(245)
- Finance costs .....	7(a)	1,358	3,865	2,476	2,351	328
- Depreciation.....	7(c)	1,645	1,767	2,013	891	1,117
- Net (gain)/loss on disposal of property, plant and equipment.	6	(697)	895	(357)	60	(421)
- Gain on disposal of a subsidiary .....	6	—	(63,425)	—	—	—
- Gain on de-registration of subsidiaries.....	6	—	—	—	—	(412)
- Share of profits less losses of joint ventures .....		(719)	(2,905)	(772)	(1,538)	850
- Net foreign exchange loss/(gain) .....		141	(3,228)	895	2,365	(26)
Changes in working capital:						
-(Increase)/decrease in gross amount due from customers for contract work.....		(140,681)	105,005	(181,880)	(112,719)	(41,050)
- (Increase)/decrease in trade and other receivables.....		(101,153)	(63,584)	15,572	79,185	96,570
- (Increase)/decrease in pledged deposits .....		(8,762)	78	(7,364)	(14,966)	(4,227)
- Increase/(decrease) in gross amount due to customers for contract work .....		191,452	69,388	(120,515)	(159,775)	(159,749)
- Increase/(decrease) in trade and other payables.....	20(c)(i)	196,266	34,898	75,566	120,003	(207,608)
- (Decrease)/increase in amount due to immediate holding company .....		(5,622)	11,295	(18,473)	18,625	—
<b>Cash generated from/(used in)</b>						
<b>operations .....</b>		<b>192,741</b>	<b>221,541</b>	<b>(150,041)</b>	<b>(25,531)</b>	<b>(279,232)</b>
Tax paid:						
Hong Kong Profits Tax paid.....		(17,687)	(3,554)	(12,276)	(2,556)	(443)
Overseas tax paid.....		(167)	—	—	—	—
<b>Net cash generated from/(used in)</b>						
<b>operating activities.....</b>		<b>174,887</b>	<b>217,987</b>	<b>(162,317)</b>	<b>(28,087)</b>	<b>(279,675)</b>

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	Section B	Year ended 31 December			Six months ended 30 June	
	Note	2012	2013	2014	2014	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)	
<b>Investing activities</b>						
Payment for the purchase of property, plant and equipment.....		(9,502)	(8,199)	(21,071)	(16,350)	(2,571)
Proceeds from disposal of property, plant and equipment.....		904	236	1,673	1,253	792
Repayment from joint ventures .....	20(c)(iii)	45,612	5,131	20,416	14,486	1,977
	20(c)(ii)/					
Advance to joint ventures .....	(iii)	(7,330)	(10,292)	(5,924)	(1,413)	(1,944)
Proceeds from disposals of a subsidiary .....	20(d)	17,625	70,782	—	—	—
Interest received .....		968	2,535	4,651	2,697	312
<b>Net cash generated from/(used in) investing activities.....</b>						
		48,277	60,193	(255)	673	(1,434)
<b>Financing activities</b>						
Proceeds from bank loans .....	20(c)(i)	535,925	393,222	408,034	328,034	145,000
Repayment of bank loans .....		(519,736)	(452,854)	(461,744)	(381,744)	(30,000)
Interest paid.....		(1,358)	(3,865)	(2,476)	(2,351)	(328)
Dividends paid to equity shareholder of the Company .....	23(b)	—	(200,000)	—	—	—
Equity contribution from non-controlling interests .....		—	6	—	—	—
<b>Net cash generated from/(used in) financing activities .....</b>						
		14,831	(263,491)	(56,186)	(56,061)	114,672
<b>Net increase/(decrease) in cash and cash equivalents .....</b>						
		237,995	14,689	(218,758)	(83,475)	(166,437)
<b>Cash and cash equivalents at the beginning of the year/period.....</b>						
		210,590	448,442	465,783	465,783	246,146
<b>Effect of foreign exchange rate changes .....</b>						
		(143)	2,652	(879)	(2,357)	26
<b>Cash and cash equivalents at the end of the year/period.....</b>						
	20(a)	448,442	465,783	246,146	379,951	79,735

The accompanying notes form part of the Financial Information.

**B NOTES TO CONSOLIDATED FINANCIAL INFORMATION****1 Significant accounting policies****(a) *Statement of compliance***

The Financial Information set out in this report has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Group and the Company has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended 30 June 2015. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in note 28.

This Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended 30 June 2014 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

**(b) *Basis of presentation***

The Financial Information for the Relevant Periods comprise that of the Company and its subsidiaries (together referred to as the “**Group**”) and the Group’s interest in joint ventures.

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As at the date of approval of these Financial Information, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies and the class of shares held is ordinary unless otherwise stated, particulars of which are set out below:

Name of subsidiary	Place of incorporation or establishment/operation	Date of incorporation or establishment	Particulars of issued and paid-up capital/registered capital	Percentage of ownership interest held (note (i))					Principal activities
				At 31 December			At 30 June	At the date of this report	
				2012	2013	2014	2015		
Build.it Limited	Hong Kong	5 June 2013	100 shares	—	80%	80%	80%	80%	Consultancy services
Chit Cheung Construction Company Limited (note (ii))	Hong Kong	7 December 1990	480,000 shares	100%	100%	100%	100%	100%	Construction and civil engineering
Consent Consultants Limited	Hong Kong	10 August 2009	1 share	100%	100%	100%	100%	100%	Project consultancy service
Everfirst Profits Limited	British Virgin Islands	2 November 2000	1 share of US\$1	100%	100%	100%	100%	100%	Investment holding
Grand Win Design Consultants Limited	Hong Kong	7 December 2009	1 share	100%	100%	100%	100%	100%	Construction design and consultancy services
High Regard Holdings Limited	British Virgin Islands	11 February 2010	1 share of US\$1	100%	100%	100%	100%	100%	Investment holding
Intercede International Limited	British Virgin Islands	30 March 1993	1 share of US\$1	100%	100%	100%	100%	100%	Investment holding
Linktech Engineering & Landscape Consultants Limited	Hong Kong	7 December 2009	1 share	100%	100%	100%	100%	100%	Consultancy services
Sun Fook Kong - Chit Cheung Joint Venture	Hong Kong	19 August 2011	N/A	100%	100%	100%	100%	100%	Construction and civil engineering
Sun Fook Kong (Civil) Limited	Hong Kong	5 May 1978	6,800,000 shares	100%	100%	100%	100%	100%	Civil engineering and maintenance
Sun Fook Kong Construction Limited	Hong Kong	7 April 1961	830,000 shares	100%	100%	100%	100%	100%	Building construction and maintenance

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Name of subsidiary	Place of incorporation or establishment/operation	Date of incorporation or establishment	Particulars of issued and paid-up capital/registered capital	Percentage of ownership interest held (note (i))					Principal activities
				At 31 December			At 30 June 2015	At the date of this report	
				2012	2013	2014			
Sun Fook Kong Construction Management Limited	Hong Kong	31 January 1989	10,000 shares	100%	100%	100%	100%	100%	Project management services
Sun Fook Kong E & M Management Limited	Hong Kong	30 May 1989	4,700,000 shares	100%	100%	100%	100%	100%	Hiring out of plant and machinery and undertaking electrical installation work
Sun Fook Kong Engineering Limited	Hong Kong	10 March 1989	2,000,000 shares	100%	100%	100%	100%	100%	Civil engineering
Sun Fook Kong Holdings Limited	British Virgin Islands	29 April 1997	10,400 shares of US\$1 each	100%	100%	100%	100%	100%	Investment holding and building construction
Sun Fook Kong Housing Services Limited	Hong Kong	5 January 1990	12,100,000 shares	100%	100%	100%	100%	100%	Housing management services
Sun Fook Kong Joint Venture	Hong Kong	29 December 1997	N/A	100%	100%	100%	100%	100%	Construction and civil engineering
Sun Fook Kong (Macao) Limited (note (iii))	Macau	27 April 2005	1 share of MOP24,000 and 1 share of MOP1,000	100%	—	—	—	—	Building and civil construction and investment holding
Sun Fook Kong Themeworks (Hong Kong) Limited	Hong Kong	14 May 2012	100 shares	100%	100%	100%	100%	100%	Investment holding
Sun Fook Kong Themeworks Production (Macao) Limited	Macau	28 February 2013	2 shares of MOP12,500 each	—	75%	75%	75%	75%	Construction and civil engineering

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Name of subsidiary	Place of incorporation or establishment/ operation	Date of incorporation or establishment	Particulars of issued and paid-up capital/ registered capital	Percentage of ownership interest held (note (i))					Principal activities
				At 31 December			At	At the	
							30 June	date of	
				2012	2013	2014	2015	this report	
佳境企業管理諮詢(深圳) 有限公司(note (iv))	The PRC	6 June 2008	HK\$10,000,000	100%	100%	100%	—	—	Consultancy services
廣州市佳境建築工程 有限公司 (note (v))	The PRC	14 July 2011	RMB6,000,000	100%	100%	100%	—	—	Residential construction

## Notes:

- (i) The shares of Sun Fook Kong Holdings Limited are held directly by the Company. All other subsidiaries are indirectly held by the Company.
- (ii) Prior to the financial year ended 31 December 2014, the entity adopted 31 March as its financial year end date. It has changed its accounting year end date to 31 December in the financial year of 2014. The entity has prepared financial statements as at 31 December 2012 and 2013 for the purpose of the Group's consolidation.
- (iii) The entity was disposed in October 2013 and details of which are set out in note 20(d) to Section B.
- (iv) The entity is a wholly foreign owned enterprise and was de-registered on 14 May 2015.
- (v) The entity is a limited liability company and was de-registered on 26 March 2015.

## (c) *Basis of measurement and use of estimates and judgements*

The Financial Information is presented in Hong Kong dollars, rounded to the nearest thousand. The measurement basis used in the preparation of the Financial Information is the historical cost basis.

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.



Judgments made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 2.

(d) *Subsidiaries and non-controlling interests*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

The financial statements of subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholder of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statements and the consolidated statements of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year/period between non-controlling interests and the equity shareholder of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in a joint venture (see note 1(e)(i)) or an associate.

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(h)).

(e) *Joint arrangements*

(i) *Joint ventures*

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(h)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year/period are recognised in the consolidated income statements, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statements of comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in a joint venture becomes an investment in an associate or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

*(ii) Joint operations*

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenues from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity sells or contributes assets to a joint operation in which a group entity is a joint operator, the Group is considered to be selling or contributing assets to the other parties to the joint operation, and gains and losses resulting from the sale or contribution are recognised in the Financial Information only to the extent of other parties' interests in the joint operation.

When a group entity purchases assets from a joint operation in which a group entity is a joint operator, the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

*(f) Property, plant and equipment*

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses (see note 1(h)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Machinery and equipment	5 years
— Motor vehicles	5 years
— Furniture and fixtures	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) *Operating lease charges*

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating lease.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(h) *Impairment of assets*

(i) *Impairment of investments in equity securities and other receivables*

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
  - a breach of contract, such as a default or delinquency in interest or principal payments;
  - it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- and

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in joint ventures accounted for under the equity method in the Financial Information (see note 1(e)(i)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(h)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(h)(ii).
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.
- If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

*(ii) Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and

- investment in a subsidiary in the Company's statements of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognised.

(i) ***Construction contracts***

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 1(q). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statements of financial position as the “Gross amount due from customers for contract work” (as an asset) or the “Gross amount due to customers for contract work” (as a liability), as applicable. Progress billings not yet paid by the customer are included under “Trade and other receivables”. Amounts received before the related work is performed are included under “Trade and other payables”.

(j) *Trade and other receivables*

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(k) *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) *Trade and other payables*

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(p)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(n) *Employee benefits*

(i) *Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year/period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) *Termination benefits*

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(o) *Income tax*

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.



The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) *Financial guarantees issued, provisions and contingent liabilities*

(i) *Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “**holder**”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received

or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(p)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

*(ii) Other provisions and contingent liabilities*

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

**(q) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

*(i) Contract revenue*

When the outcome of a construction contract, construction design contract and consultancy services contract can be estimated reliably, revenue from a contract is recognised using the percentage of completion method, measured by reference to the percentage of contract revenue incurred to date to estimated total contract revenue for the contract.

When the outcome of a construction contract, construction design contract and consultancy services contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

(ii) *Provision of services*

Revenue arising from the provision of services is recognised when the services are rendered.

(iii) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(r) *Translation of foreign currencies*

Foreign currency transactions during the year/period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statements of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(s) *Borrowing costs*

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) *Related parties*

(1) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(2) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (1).
- (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) *Segment reporting*

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## **2 Accounting judgements and estimates**

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

### **(a) *Construction contracts***

As explained in policy notes 1(i) and 1(q)(i), revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from/to customers for contract work as disclosed in note 17 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total costs or revenue may be higher or lower than estimated at the end of the reporting periods, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

### **(b) *Depreciation***

Property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives. The Group reviews annually the estimated useful lives of the property, plant and equipment in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

### **(c) *Impairment of trade receivables***

The Group evaluates whether there is any objective evidence that trade receivables are impaired, and estimates allowances for doubtful debts as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the trade receivables balance, credit-worthiness of the customer and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

### 3 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

#### (a) *Credit risk*

The Group's credit risk is primarily attributable to bank deposits and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

In respect of trade and other receivables, before entering into construction contracts, assessment of the potential customers is carried out as part of the acceptance procedures for the new contracts. These assessments focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

Regular review and follow-up actions are carried out on overdue amounts of trade receivables from customers which enable management to assess their recoverability and to minimise the exposure to credit risk. Trade receivables are due within 14 to 30 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 30 June 2015, 36% and 86% (31 December 2014: 39% and 87%; 31 December 2013: 34% and 89%; 31 December 2012: 19% and 66%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

Except for the financial guarantees given by the Group and the Company as set out in note 25, the Group and the Company does not provide any other guarantees which would expose the Group and the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting periods is disclosed in note 25.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 18(a).

(b) *Liquidity risk*

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surplus and the raising of loans to cover the expected cash demands, subject to approval by the Company's board of directors when the borrowing exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting periods of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting periods) and the earliest date the Group and the Company can be required to pay:

*The Group*

At 31 December 2012					
Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and other payables .....	490,419	—	—	490,419	490,419
Retentions payable .....	89,768	34,368	23,696	147,832	147,832
Amount due to immediate holding company .....	7,178	—	—	7,178	7,178
Bank loans .....	91,213	—	—	91,213	90,848
	<u>678,578</u>	<u>34,368</u>	<u>23,696</u>	<u>736,642</u>	<u>736,277</u>
<b>Financial guarantees issued:</b>					
Maximum amount guaranteed .....	<u>142,915</u>	<u>—</u>	<u>—</u>	<u>142,915</u>	<u>—</u>

**APPENDIX I**
**ACCOUNTANTS' REPORT**

At 31 December 2013

Contractual undiscounted cash outflow

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and other payables .....	510,887	—	—	510,887	510,887
Retentions payable .....	77,822	16,491	54,349	148,662	148,662
Amount due to immediate holding company .....	18,473	—	—	18,473	18,473
Bank loans .....	44,947	—	—	44,947	44,851
	<u>652,129</u>	<u>16,491</u>	<u>54,349</u>	<u>722,969</u>	<u>722,873</u>

**Financial guarantees issued:**

Maximum amount guaranteed .....	<u>205,254</u>	<u>—</u>	<u>—</u>	<u>205,254</u>	<u>—</u>
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At 31 December 2014

Contractual undiscounted cash outflow

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and other payables .....	560,209	—	—	560,209	560,209
Retentions payable .....	65,923	49,795	50,564	166,282	166,282
Amount due to a joint venture .....	697	—	—	697	697
	<u>626,829</u>	<u>49,795</u>	<u>50,564</u>	<u>727,188</u>	<u>727,188</u>

**Financial guarantees issued:**

Maximum amount guaranteed .....	<u>225,461</u>	<u>—</u>	<u>—</u>	<u>225,461</u>	<u>—</u>
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**APPENDIX I**
**ACCOUNTANTS' REPORT**

At 30 June 2015

Contractual undiscounted cash outflow

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and other payables .....	354,397	—	—	354,397	354,397
Retentions payable .....	64,366	36,853	63,267	164,486	164,486
Amount due to a joint venture .....	730	—	—	730	730
Bank loans .....	115,215	—	—	115,215	115,000
	<u>534,708</u>	<u>36,853</u>	<u>63,267</u>	<u>634,828</u>	<u>634,613</u>

**Financial guarantees issued:**

Maximum amount guaranteed .....	<u>257,415</u>	<u>—</u>	<u>—</u>	<u>257,415</u>	<u>—</u>
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*The Company*

At 31 December 2012

Contractual undiscounted cash outflow

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other payables .....	350,611	—	—	350,611	350,611
Amount due to immediate holding company .....	<u>7,178</u>	<u>—</u>	<u>—</u>	<u>7,178</u>	<u>7,178</u>
	<u>357,789</u>	<u>—</u>	<u>—</u>	<u>357,789</u>	<u>357,789</u>

**Financial guarantees issued:**

Maximum amount guaranteed .....	<u>392,923</u>	<u>—</u>	<u>—</u>	<u>392,923</u>	<u>—</u>
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**APPENDIX I**
**ACCOUNTANTS' REPORT**

At 31 December 2013

Contractual undiscounted cash outflow

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other payables .....	402,302	—	—	402,302	402,302
Amount due to immediate holding company .....	18,473	—	—	18,473	18,473
	<u>420,775</u>	<u>—</u>	<u>—</u>	<u>420,775</u>	<u>420,775</u>
<b>Financial guarantees issued:</b>					
Maximum amount guaranteed .....	<u>287,213</u>	<u>—</u>	<u>—</u>	<u>287,213</u>	<u>—</u>

At 31 December 2014

Contractual undiscounted cash outflow

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other payables .....	<u>44,555</u>	<u>—</u>	<u>—</u>	<u>44,555</u>	<u>44,555</u>
<b>Financial guarantees issued:</b>					
Maximum amount guaranteed .....	<u>192,554</u>	<u>—</u>	<u>—</u>	<u>192,554</u>	<u>—</u>

At 30 June 2015

## Contractual undiscounted cash outflow

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other payables .....	46,010	—	—	46,010	46,010
<b>Financial guarantees issued:</b>					
Maximum amount guaranteed .....	331,684	—	—	331,684	—

The Group is exposed to liquidity risk that arises from guarantees in respect of banking facilities of joint venture, joint operations and a fellow subsidiary. The guarantees are callable if the respective joint venture, joint operations and fellow subsidiary are unable to meet their obligations.

The Company is exposed to liquidity risk that arises from guarantees in respect of banking facilities of Group's joint operations and subsidiaries. The guarantees are callable if the respective joint operations and subsidiaries are unable to meet their obligations. Further details are set out in note 25.

(c) *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to floating rate bank borrowings, pledged deposits and cash at bank. Interest rate risk on bank deposits is considered immaterial and therefore have been excluded from the sensitivity analysis below. The Group has not used financial derivatives to hedge against the interest rate risk. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest risk exposure.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate arising from its variable-rate bank borrowings. The interest rates and terms of repayment of interest-bearing bank borrowings of the Group are disclosed in note 22 to the Financial Information.

*(i) Interest rate profile*

The following table details the interest rate profile of the Group's interest-bearing bank borrowings.

*The Group*

At 31 December 2012		At 31 December 2013		At 31 December 2014		At 30 June 2015	
Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount
%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000

**Variable rate borrowings:**

Bank loans .....	2.54	90,848	2.46	44,851	—	—	2.24	115,000
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*(ii) Sensitivity analysis*

At 31 December 2012, 2013 and 2014 and 30 June 2015, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and retained profits by approximately HK\$759,000, HK\$375,000 and HK\$Nil and HK\$960,000 respectively, in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from floating rate bank borrowings held by the Group at the end of the reporting periods, the impact on the Group's profit after taxation and retained profits is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis has been performed on the same basis for the Relevant Periods.

*(d) Currency risk*

The Group is exposed to currency risk primarily from cash balances and amount due from a fellow subsidiary that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily Renminbi and United States dollars.

In respect of cash balances and amount due from a fellow subsidiary denominated in foreign currency, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currency at spot rates where necessary.

*(i) Exposure to currency risk*

The following table details the Group's exposure at the end of the reporting periods to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the reporting dates.

*The Group*

Exposure to foreign currency (expressed in Hong Kong dollars)							
At 31 December						At 30 June	
2012		2013		2014		2015	
United States dollars		United States dollars		United States dollars		United States dollars	
Renminbi		Renminbi		Renminbi		Renminbi	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

Amount due from a fellow

subsidiary.....	—	20,347	—	—	—	—	—
Cash at bank and in hand.....	50,983	75,823	989	239,716	940	70,000	940

Gross exposure from

recognised assets.....	50,983	96,170	989	239,716	940	70,000	940
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*(ii) Sensitivity analysis*

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting periods had changed at that dates, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollars and the United States dollars would be materially unaffected by any changes in movement in value of United States dollars against other currencies. That is, for entities with Hong Kong dollars as their functional currencies, United States dollars denominated cash at bank and in hand is assumed to have no currency risk exposure.

*The Group*

	As at 31 December							
	2012		2013		2014		As at 30 June 2015	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000
Renminbi.....	3%	2,784	3%	7,191	3%	2,100	3%	199
	<u>(3)%</u>	<u>(2,784)</u>	<u>(3)%</u>	<u>(7,191)</u>	<u>(3)%</u>	<u>(2,100)</u>	<u>(3)%</u>	<u>(199)</u>

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currency, translated to Hong Kong dollars at the exchange rate ruling at the end of the reporting periods for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting periods, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currency of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

*(e) Fair values**(i) Financial instruments carried at fair value*

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2012, 2013 and 2014 and 30 June 2015.

**4 Revenue**

The principal activities of the Group are general building, civil engineering and the provision of other services.

Revenue mainly represents the revenue derived from general building and civil engineering.

**5 Other revenue**

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Bank interest income .....	968	2,535	4,718	2,765	245
Others .....	<u>1,242</u>	<u>806</u>	<u>317</u>	<u>250</u>	<u>39</u>
	<u>2,210</u>	<u>3,341</u>	<u>5,035</u>	<u>3,015</u>	<u>284</u>

**6 Other net (loss)/income**

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Net foreign exchange (loss)/gain .....	(945)	1,254	(1,186)	(1,081)	(1,483)
Net gain/(loss) on disposal of property, plant and equipment .....	697	(895)	357	(60)	421
Gain on disposal of a subsidiary (note 20(d)) .....	—	63,425	—	—	—
Gain on de-registration of subsidiaries ...	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>412</u>
	<u>(248)</u>	<u>63,784</u>	<u>(829)</u>	<u>(1,141)</u>	<u>(650)</u>

## 7 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
<b>(a) Finance costs</b>					
Interest on bank advances and other borrowings .....	1,358	3,865	2,476	2,351	328
<b>(b) Staff costs</b>					
Salaries, wages and other benefits.....	320,445	325,199	358,861	180,950	190,955
Contributions to defined contribution retirement plans .....	12,047	12,440	13,380	6,705	7,018
Less: Amount capitalised in respect of construction contracts in progress .....	(288,809)	(291,513)	(330,995)	(164,035)	(182,666)
	43,683	46,126	41,246	23,620	15,307
<b>(c) Other items</b>					
Depreciation .....	8,338	8,181	9,411	4,394	4,943
Less: Amount capitalised in respect of construction contracts in progress .....	(6,693)	(6,414)	(7,398)	(3,503)	(3,826)
	1,645	1,767	2,013	891	1,117
Operating lease charge: minimum lease payments - properties .....	7,548	9,877	11,363	5,317	4,833
Less: Amount capitalised in respect of construction contracts in progress .....	(434)	(443)	(837)	(224)	(357)
	7,114	9,434	10,526	5,093	4,476
Operating lease charge: minimum leases payments - machinery and equipment .....	3,954	3,897	3,912	1,822	1,965
Less: Amount capitalised in respect of construction contracts in progress .....	(3,954)	(3,897)	(3,912)	(1,822)	(1,965)
	—	—	—	—	—
Auditors' remuneration.....	406	417	3,048	1,527	2,604



## 8 Income tax

(a) *Taxation in the consolidated income statements represents:*

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
<b>Current tax - Hong Kong Profits Tax</b>					
Provision for the year/period.....	10,211	10,133	15,795	7,388	6,221
Over-provision in respect of prior years.	(84)	(44)	—	—	—
	10,127	10,089	15,795	7,388	6,221
<b>Deferred tax</b>					
Origination and reversal of temporary differences.....	(247)	489	(385)	(163)	592
	<u>9,880</u>	<u>10,578</u>	<u>15,410</u>	<u>7,225</u>	<u>6,813</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Relevant Periods. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

(b) *Reconciliation between tax expense and accounting profit before taxation at applicable tax rates:*

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Profit before taxation .....	<u>60,481</u>	<u>130,027</u>	<u>87,516</u>	<u>42,752</u>	<u>35,641</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned ..	9,835	21,299	14,682	6,959	5,865
Tax effect of non-taxable income .....	(499)	(11,324)	(721)	(558)	(110)
Tax effect of non-deductible expenses....	237	153	1,728	180	1,005
Tax effect of current year's tax losses not recognised .....	1,000	1,059	373	917	81
Tax effect of utilisation of previous years' unrecognised tax losses .....	(537)	(551)	(738)	(274)	—
Over-provision in respect of prior years.	(84)	(44)	—	—	—
Others .....	<u>(72)</u>	<u>(14)</u>	<u>86</u>	<u>1</u>	<u>(28)</u>
Actual tax expense.....	<u>9,880</u>	<u>10,578</u>	<u>15,410</u>	<u>7,225</u>	<u>6,813</u>

(c) *Income tax in the consolidated statements of financial position:*

(i) *Current taxation in the consolidated statements of financial position represents:*

***The Group***

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Provision for Hong Kong Profits Tax for the year/period .....	10,211	10,133	15,795	6,221
Provisional Profits Tax paid .....	<u>(10,916)</u>	<u>(7,999)</u>	<u>(9,861)</u>	<u>(728)</u>
	(705)	2,134	5,934	5,493
Balance of Profits Tax (recoverable)/provision relating to prior years .....	<u>(3,151)</u>	<u>545</u>	<u>264</u>	<u>6,483</u>
	<u><u>(3,856)</u></u>	<u><u>2,679</u></u>	<u><u>6,198</u></u>	<u><u>11,976</u></u>
<b>Representing:</b>				
Current tax recoverable .....	(5,723)	(3,283)	(4,240)	(3,512)
Current tax payable .....	<u>1,867</u>	<u>5,962</u>	<u>10,438</u>	<u>15,488</u>
	<u><u>(3,856)</u></u>	<u><u>2,679</u></u>	<u><u>6,198</u></u>	<u><u>11,976</u></u>

(ii) *Deferred tax assets and liabilities recognised:*

The components of deferred tax (assets)/liabilities recognised in the consolidated statements of financial position and the movements during the year/period are as follows:

*The Group*

Deferred tax arising from:	Depreciation allowances in excess of the related depreciation	Tax losses	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2012 .....	2,506	(1,695)	238	1,049
Charged/(credited) to profit or loss .....	<u>155</u>	<u>(86)</u>	<u>(316)</u>	<u>(247)</u>
At 31 December 2012 and 1 January 2013 .....	2,661	(1,781)	(78)	802
(Credited)/charged to profit or loss .....	<u>(308)</u>	<u>678</u>	<u>119</u>	<u>489</u>
At 31 December 2013 and 1 January 2014 .....	2,353	(1,103)	41	1,291
Charged/(credited) to profit or loss .....	<u>1,138</u>	<u>(1,485)</u>	<u>(38)</u>	<u>(385)</u>
At 31 December 2014 and 1 January 2015 .....	3,491	(2,588)	3	906
(Credited)/charged to profit or loss .....	<u>(106)</u>	<u>699</u>	<u>(1)</u>	<u>592</u>
At 30 June 2015 .....	<u>3,385</u>	<u>(1,889)</u>	<u>2</u>	<u>1,498</u>
	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net deferred tax assets recognised in the consolidated statements of financial position .....	(1,159)	(546)	(1,432)	(1,481)
Net deferred tax liabilities recognised in the consolidated statements of financial position .....	<u>1,961</u>	<u>1,837</u>	<u>2,338</u>	<u>2,979</u>
	<u>802</u>	<u>1,291</u>	<u>906</u>	<u>1,498</u>

- (d) In accordance with the accounting policy set out in note 1(o), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$11,135,000, HK\$13,747,000, HK\$13,198,000 and HK\$6,180,000 as at 31 December 2012, 2013 and 2014 and 30 June 2015 respectively as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from the operations in Mainland China expire five years after the relevant accounting year end date.

## 9 Directors' remuneration

### Year ended 31 December 2012

	Directors' fees	Basic salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Executive directors</b>					
Mr. Chan Ki Chun .....	—	2,545	—	73	2,618
Mr. Chan Chor Tung (note (iv)) ...	—	1,253	250	55	1,558
Mr. Lee Wai Shing (note (iii)) .....	—	1,216	450	55	1,721
Mr. Tang Kam Woo .....	—	1,666	1,176	75	2,917
Mr. Yung Kim Man (note (v)) .....	—	1,029	144	46	1,219
<b>Total .....</b>	<b>—</b>	<b>7,709</b>	<b>2,020</b>	<b>304</b>	<b>10,033</b>

### Year ended 31 December 2013

	Directors' fees	Basic salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Executive directors</b>					
Mr. Chan Ki Chun .....	—	2,545	—	73	2,618
Mr. Chan Chor Tung (note (iv)) ...	—	1,243	250	58	1,551
Mr. Lee Wai Shing (note (iii)) .....	—	1,251	450	58	1,759
Mr. Tang Kam Woo .....	—	1,701	1,133	79	2,913
Mr. Yung Kim Man (note (v)) .....	—	1,094	154	49	1,297
<b>Total .....</b>	<b>—</b>	<b>7,834</b>	<b>1,987</b>	<b>317</b>	<b>10,138</b>

**APPENDIX I**
**ACCOUNTANTS' REPORT**
**Year ended 31 December 2014**

	<b>Directors' fees</b>	<b>Basic salaries, allowances and benefits in kind</b>	<b>Discretionary bonuses</b>	<b>Retirement scheme contributions</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Executive directors</b>					
Mr. Chan Ki Chun .....	—	2,545	—	73	2,618
Mr. Chan Chor Tung (appointed on 1 July 2014) (note (iv)) .....	—	1,306	153	60	1,519
Mr. Lee Wai Shing (appointed on 1 July 2014 and resigned on 1 January 2015) (note (iii)) .....	—	1,314	380	61	1,755
Mr. Tang Kam Woo (resigned on 1 July 2014) .....	—	1,067	1,259	41	2,367
Mr. Yung Kim Man (appointed on 1 July 2014) (note (v)) .....	—	1,183	220	53	1,456
<b>Total .....</b>	<b>—</b>	<b>7,415</b>	<b>2,012</b>	<b>288</b>	<b>9,715</b>

**Six months ended 30 June 2014 (unaudited)**

	<b>Directors' fees</b>	<b>Basic salaries, allowances and benefits in kind</b>	<b>Discretionary bonuses</b>	<b>Retirement scheme contributions</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Executive directors</b>					
Mr. Chan Ki Chun .....	—	1,333	—	37	1,370
Mr. Chan Chor Tung (note (iv)) ...	—	701	153	30	884
Mr. Lee Wai Shing (note (iii)) .....	—	705	380	30	1,115
Mr. Tang Kam Woo .....	—	1,067	1,259	41	2,367
Mr. Yung Kim Man (note (v)) .....	—	632	220	27	879
<b>Total .....</b>	<b>—</b>	<b>4,438</b>	<b>2,012</b>	<b>165</b>	<b>6,615</b>

## Six months ended 30 June 2015

	Directors' fees	Basic salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Executive directors</b>					
Mr. Chan Ki Chun .....	—	1,333	—	37	1,370
Mr. Chan Chor Tung .....	—	784	230	31	1,045
Mr. Yeung Cho Yin, William (appointed on 1 January 2015) ..	—	602	60	24	686
Mr. Yung Kim Man .....	—	675	154	29	858
<b>Total .....</b>	<b>—</b>	<b>3,394</b>	<b>444</b>	<b>121</b>	<b>3,959</b>

## Notes:

- (i) No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods. No director waived or agreed to waive any emoluments during the Relevant Periods.
- (ii) The Company did not have any share option scheme for the purchase of ordinary shares in the Company during the Relevant Periods.
- (iii) Mr. Lee Wai Shing is also the Managing director of construction and civil division of the Group, his remuneration disclosed above included those for services rendered by him before appointment as the executive director. The basic salaries, allowances and benefits in kind, discretionary bonus and retirement scheme contributions for services rendered by him before appointment as the executive director for the year ended 31 December 2014 are HK\$705,000, HK\$380,000 and HK\$30,000 respectively.
- (iv) Mr. Chan Chor Tung is also the director of construction and civil division of the Group, his remuneration disclosed above included those for services rendered by him before appointment as the executive director. The basic salaries, allowances and benefits in kind, discretionary bonus and retirement scheme contributions for services rendered by him before appointment as the executive director for the year ended 31 December 2014 are HK\$701,000, HK\$153,000 and HK\$30,000 respectively.
- (v) Mr. Yung Kim Man is also the director of construction and civil division of the Group, his remuneration disclosed above included those for services rendered by him before appointment as the executive director. The basic salaries, allowances and benefits in kind, discretionary bonus and retirement scheme contributions for services rendered by him before appointment as the executive director for the year ended 31 December 2014 are HK\$632,000, HK\$220,000 and HK\$27,000 respectively.
- (vi) Subsequent to the end of Relevant Periods, Mr. Lam Leung Tsun, Mr. Jim Fun Kwong, Frederick and Mr. Chan Kim Hung, Simon were appointed as independent non-executive directors of the Company on 19 November 2015.

**10 Emoluments of five highest paid individuals and senior management****(a) Emoluments of five highest paid individuals**

Of the five individuals with highest emoluments of the Group during the Relevant Periods, 2, 2, 4, 2 and 3 are directors for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively, whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Basic salaries, allowances and benefits in kind.....	3,937	3,958	1,099	2,272	1,378
Discretionary bonuses .....	950	950	350	883	590
Retirement scheme contributions .....	173	183	47	95	59
	<u>5,060</u>	<u>5,091</u>	<u>1,496</u>	<u>3,250</u>	<u>2,027</u>

The emoluments of 3, 3, 1, 3 and 2 individuals for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively, with the highest emoluments are within the following bands:

	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				<i>(unaudited)</i>	
Nil to HK\$1,000,000.....	—	—	—	1	1
HK\$1,000,001 to HK\$1,500,000.....	—	—	1	2	1
HK\$1,500,001 to HK\$2,000,000.....	<u>3</u>	<u>3</u>	<u>—</u>	<u>—</u>	<u>—</u>



(b) *Emoluments of senior management*

Other than the emoluments of the directors and five highest paid individuals disclosed in notes 9 and 10(a), the emoluments of the remaining senior management whose profiles are provided in the section headed "Directors and senior management" fell within the following bands:

	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				<i>(unaudited)</i>	
Nil to HK\$1,000,000.....	2	1	1	9	7
HK\$1,000,001 to HK\$1,500,000.....	<u>8</u>	<u>9</u>	<u>8</u>	<u>—</u>	<u>—</u>

**11 Profit attributable to equity shareholder of the Company**

The consolidated profit attributable to equity shareholder of the Company includes a (loss)/profit of HK\$(157,000), HK\$197,404,000, HK\$(9,375,000), HK\$(57,000) and HK\$(2,345,000) for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively which has been dealt with in the financial statements of the Company.

Details of dividend paid and payable to equity shareholder of the Company are set out in note 23(b).

**12 Basic and diluted earnings per share**

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholder of the Company of HK\$50,601,000, HK\$119,632,000, HK\$72,480,000, HK\$35,781,000 and HK\$28,936,000 and the weighted average of 100, 100, 100, 100 and 100 ordinary shares in issue during the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2014 and 2015 respectively.

Diluted earnings per share are equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the Relevant Periods.

The basic and diluted earnings per share for all periods presented in the Financial Information have not taken into account the effect of the proposed capitalisation issue as described in note 31.

**13 Segment reporting**

The Group manages its businesses by segments, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- General building : this segment provides engineering services of substructure or superstructure of building structures and maintenance, repairs, alternations services and additions to building structures
- Civil engineering : this segment provides engineering services of infrastructure facilities and maintenance, repairs, alterations services to infrastructure facilities
- Others : this segment provides housing management services and consultancy services

**(a) *Segment results, assets and liabilities***

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets and current assets with the exception of deferred tax assets, current tax recoverable, interest in joint venture not attributable to any segment and other corporate assets. Segment liabilities include trade creditors, accruals and other current and non-current liabilities attributable to the business activities of the individual segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

In addition, management is provided with segment information concerning revenue, profit or loss, share of profits less losses of joint ventures, depreciation, additions to non-current segment assets used by the segments in their operations and share of net assets in joint ventures.

**APPENDIX I****ACCOUNTANTS' REPORT**

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 is set out below.

**For the year ended 31 December 2012**

	<b>General building</b>	<b>Civil engineering</b>	<b>Others</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment revenue.....	<u>1,556,235</u>	<u>1,162,261</u>	<u>86,960</u>	<u>2,805,456</u>
Reportable segment profit .....	<u>72,158</u>	<u>39,327</u>	<u>19,799</u>	131,284
Other revenue and other net income.....				331
Share of loss of a joint venture not attributable to any segment.....				(8)
Depreciation .....				(1,436)
Finance costs .....				(1,358)
Unallocated head office and corporate expenses .....				<u>(68,332)</u>
Consolidated profit before taxation .....				<u>60,481</u>
Share of profits less losses of joint ventures.....	<u>727</u>	<u>—</u>	<u>—</u>	<u>727</u>
Depreciation for the year .....	<u>3,713</u>	<u>2,939</u>	<u>250</u>	<u>6,902</u>
Reportable segment assets (including interest in joint ventures).....	<u>598,968</u>	<u>290,427</u>	<u>76,022</u>	965,417
Deferred tax assets.....				1,159
Current tax recoverable .....				5,723
Share of net assets in a joint venture not attributable to any segment.....				31
Unallocated head office and corporate assets.....				<u>490,749</u>
Consolidated total assets .....				<u>1,463,079</u>

**APPENDIX I****ACCOUNTANTS' REPORT**

	<b>General building</b>	<b>Civil engineering</b>	<b>Others</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Additions to non-current segment assets during the year .....	<u>3,334</u>	<u>2,490</u>	<u>458</u>	<u>6,282</u>
Share of net assets in joint ventures.....	<u>14,634</u>	<u>—</u>	<u>—</u>	<u>14,634</u>
Reportable segment liabilities .....	<u>497,629</u>	<u>462,876</u>	<u>26,353</u>	986,858
Current tax payable.....				1,867
Deferred tax liabilities .....				1,961
Unallocated head office and corporate liabilities .....				<u>177,025</u>
Consolidated total liabilities.....				<u>1,167,711</u>

**APPENDIX I****ACCOUNTANTS' REPORT****For the year ended 31 December 2013**

	<b>General building</b>	<b>Civil engineering</b>	<b>Others</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment revenue .....	<u>1,429,392</u>	<u>1,355,088</u>	<u>54,726</u>	<u>2,839,206</u>
Reportable segment profit .....	<u>75,118</u>	<u>63,377</u>	<u>2,003</u>	140,498
Other revenue and other net income .....				68,020
Depreciation .....				(1,544)
Finance costs .....				(3,865)
Unallocated head office and corporate expenses .....				<u>(73,082)</u>
Consolidated profit before taxation .....				<u>130,027</u>
Share of profits less losses of joint ventures .....	<u>2,905</u>	<u>—</u>	<u>—</u>	<u>2,905</u>
Depreciation for the year .....	<u>3,229</u>	<u>3,227</u>	<u>181</u>	<u>6,637</u>
Reportable segment assets (including interest in joint ventures) .....	<u>430,002</u>	<u>425,783</u>	<u>60,599</u>	916,384
Deferred tax assets .....				546
Current tax recoverable .....				3,283
Unallocated head office and corporate assets .....				<u>482,513</u>
Consolidated total assets .....				<u>1,402,726</u>
Additions to non-current segment assets during the year .....	<u>3,803</u>	<u>3,605</u>	<u>224</u>	<u>7,632</u>
Share of net assets in joint ventures .....	<u>7,830</u>	<u>—</u>	<u>—</u>	<u>7,830</u>
Reportable segment liabilities .....	<u>439,802</u>	<u>608,206</u>	<u>17,051</u>	1,065,059
Current tax payable .....				5,962
Deferred tax liabilities .....				1,837
Unallocated head office and corporate liabilities .....				<u>115,010</u>
Consolidated total liabilities .....				<u>1,187,868</u>

**APPENDIX I****ACCOUNTANTS' REPORT****For the year ended 31 December 2014**

	<b>General building</b>	<b>Civil engineering</b>	<b>Others</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment revenue .....	<u>1,691,662</u>	<u>1,000,447</u>	<u>60,053</u>	<u>2,752,162</u>
Reportable segment profit .....	<u>125,172</u>	<u>44,089</u>	<u>3,191</u>	172,452
Other revenue and other net loss .....				3,849
Depreciation .....				(1,551)
Finance costs .....				(2,476)
Unallocated head office and corporate expenses .....				<u>(84,758)</u>
Consolidated profit before taxation .....				<u>87,516</u>
Share of profits less losses of joint ventures .....	<u>772</u>	<u>—</u>	<u>—</u>	<u>772</u>
Depreciation for the year .....	<u>4,525</u>	<u>3,031</u>	<u>304</u>	<u>7,860</u>
Reportable segment assets (including interest in joint ventures) .....	<u>754,217</u>	<u>245,723</u>	<u>79,372</u>	1,079,312
Deferred tax assets .....				1,432
Current tax recoverable .....				4,240
Unallocated head office and corporate assets .....				<u>274,447</u>
Consolidated total assets .....				<u>1,359,431</u>
Additions to non-current segment assets during the year .....	<u>10,853</u>	<u>7,571</u>	<u>1,867</u>	<u>20,291</u>
Share of net assets in joint ventures .....	<u>3,748</u>	<u>—</u>	<u>—</u>	<u>3,748</u>
Reportable segment liabilities .....	<u>637,519</u>	<u>334,771</u>	<u>32,148</u>	1,004,438
Current tax payable .....				10,438
Deferred tax liabilities .....				2,338
Unallocated head office and corporate liabilities .....				<u>55,237</u>
Consolidated total liabilities .....				<u>1,072,451</u>

**APPENDIX I****ACCOUNTANTS' REPORT****For the six months ended 30 June 2014 (unaudited)**

	<b>General building</b>	<b>Civil engineering</b>	<b>Others</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment revenue .....	<u>754,453</u>	<u>456,382</u>	<u>24,561</u>	<u>1,235,396</u>
Reportable segment profit .....	<u>59,606</u>	<u>24,553</u>	<u>(1,742)</u>	82,417
Other revenue and other net loss .....				1,934
Depreciation .....				(769)
Finance costs .....				(2,351)
Unallocated head office and corporate expenses .....				<u>(38,479)</u>
Consolidated profit before taxation .....				<u>42,752</u>
Share of profits less losses of joint ventures .....	<u>1,538</u>	<u>—</u>	<u>—</u>	<u>1,538</u>
Depreciation for the period .....	<u>2,139</u>	<u>1,377</u>	<u>109</u>	<u>3,625</u>

**APPENDIX I****ACCOUNTANTS' REPORT****For the six months ended 30 June 2015**

	<b>General building</b>	<b>Civil engineering</b>	<b>Others</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Reportable segment revenue .....	<u>738,248</u>	<u>369,115</u>	<u>32,809</u>	<u>1,140,172</u>
Reportable segment profit .....	<u>46,577</u>	<u>27,281</u>	<u>(3,952)</u>	69,906
Other revenue and other net loss .....				(787)
Depreciation .....				(784)
Finance costs .....				(328)
Unallocated head office and corporate expenses .....				<u>(32,366)</u>
Consolidated profit before taxation .....				<u>35,641</u>
Share of profits less losses of joint ventures .....	<u>(850)</u>	<u>—</u>	<u>—</u>	<u>(850)</u>
Depreciation for the period .....	<u>2,477</u>	<u>1,425</u>	<u>257</u>	<u>4,159</u>
Reportable segment assets (including interest in joint ventures) .....	<u>603,223</u>	<u>333,662</u>	<u>87,373</u>	1,024,258
Deferred tax assets .....				1,481
Current tax recoverable .....				3,512
Unallocated head office and corporate assets .....				<u>110,865</u>
Consolidated total assets .....				<u>1,140,116</u>
Additions to non-current segment assets during the period .....	<u>1,591</u>	<u>795</u>	<u>71</u>	<u>2,457</u>
Share of net assets in joint ventures .....	<u>2,898</u>	<u>—</u>	<u>—</u>	<u>2,898</u>
Reportable segment liabilities .....	<u>347,364</u>	<u>245,436</u>	<u>39,155</u>	631,955
Current tax payable .....				15,488
Deferred tax liabilities .....				2,979
Unallocated head office and corporate liabilities .....				<u>174,298</u>
Consolidated total liabilities .....				<u>824,720</u>



(b) *Geographic information*

No geographic information has been presented as most of the Group's operating activities are carried out in Hong Kong.

(c) *Information about major customers*

Revenue from customers of the corresponding years/periods contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Customer A (note (i)).....	494,038	536,745	246,567	125,021	27,601
Customer B (note (ii)) .....	389,587	373,920	224,083	119,868	76,627
Customer C (note (iii)) .....	382,537	386,538	316,346	185,741	134,379
Customer D (note (iii)) .....	261,254	207,648	414,931	159,809	204,996
Customer E (note (i)).....	178,800	247,790	555,222	215,432	101,166
Customer F (note (ii)).....	126,368	212,798	286,852	116,531	165,612
Customer G (note (iii)) .....	<u>155,526</u>	<u>153,228</u>	<u>168,225</u>	<u>82,106</u>	<u>167,000</u>

*Notes:*

- (i) Revenue from customers A and E is generated from both provision of civil engineering and general building.
- (ii) Revenue from customers B and F is generated from provision of civil engineering.
- (iii) Revenue from customers C, D and G is generated from provision of general building.

**14 Property, plant and equipment***The Group*

	<b>Machinery and equipment</b>	<b>Motor vehicles</b>	<b>Furniture and fixtures</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cost:</b>				
At 1 January 2012 .....	28,858	44,994	7,891	81,743
Additions .....	3,492	6,010	—	9,502
Disposals .....	(4,187)	(4,071)	(4,866)	(13,124)
At 31 December 2012 .....	28,163	46,933	3,025	78,121
<b>Accumulated depreciation:</b>				
At 1 January 2012 .....	26,396	28,874	6,361	61,631
Charge for the year .....	1,050	6,683	605	8,338
Written back on disposals .....	(3,994)	(4,057)	(4,866)	(12,917)
At 31 December 2012 .....	23,452	31,500	2,100	57,052
<b>Net book value:</b>				
At 31 December 2012 .....	4,711	15,433	925	21,069
<b>Cost:</b>				
At 1 January 2013 .....	28,163	46,933	3,025	78,121
Additions .....	645	7,554	—	8,199
Disposals .....	(2)	(3,088)	—	(3,090)
At 31 December 2013 .....	28,806	51,399	3,025	83,230
<b>Accumulated depreciation:</b>				
At 1 January 2013 .....	23,452	31,500	2,100	57,052
Charge for the year .....	1,313	6,477	391	8,181
Written back on disposals .....	(2)	(1,957)	—	(1,959)
At 31 December 2013 .....	24,763	36,020	2,491	63,274
<b>Net book value:</b>				
At 31 December 2013 .....	4,043	15,379	534	19,956

**APPENDIX I**
**ACCOUNTANTS' REPORT**

	<b>Machinery and equipment</b>	<b>Motor vehicles</b>	<b>Furniture and fixtures</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cost:</b>				
At 1 January 2014 .....	28,806	51,399	3,025	83,230
Additions .....	997	18,577	1,497	21,071
Disposals .....	<u>(2,894)</u>	<u>(12,785)</u>	<u>—</u>	<u>(15,679)</u>
At 31 December 2014 .....	<u>26,909</u>	<u>57,191</u>	<u>4,522</u>	<u>88,622</u>
<b>Accumulated depreciation:</b>				
At 1 January 2014 .....	24,763	36,020	2,491	63,274
Charge for the year .....	1,395	7,621	395	9,411
Written back on disposals .....	<u>(2,729)</u>	<u>(11,634)</u>	<u>—</u>	<u>(14,363)</u>
At 31 December 2014 .....	<u>23,429</u>	<u>32,007</u>	<u>2,886</u>	<u>58,322</u>
<b>Net book value:</b>				
At 31 December 2014 .....	<u>3,480</u>	<u>25,184</u>	<u>1,636</u>	<u>30,300</u>
<b>Cost:</b>				
At 1 January 2015 .....	26,909	57,191	4,522	88,622
Additions .....	127	2,444	—	2,571
Disposals .....	<u>(1,228)</u>	<u>(2,211)</u>	<u>—</u>	<u>(3,439)</u>
At 30 June 2015 .....	<u>25,808</u>	<u>57,424</u>	<u>4,522</u>	<u>87,754</u>
<b>Accumulated depreciation:</b>				
At 1 January 2015 .....	23,429	32,007	2,886	58,322
Charge for the period .....	698	3,956	289	4,943
Written back on disposals .....	<u>(1,228)</u>	<u>(1,840)</u>	<u>—</u>	<u>(3,068)</u>
At 30 June 2015 .....	<u>22,899</u>	<u>34,123</u>	<u>3,175</u>	<u>60,197</u>
<b>Net book value:</b>				
At 30 June 2015 .....	<u>2,909</u>	<u>23,301</u>	<u>1,347</u>	<u>27,557</u>

**15 Interest in subsidiaries***The Company*

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost .....	81	81	81	81
Amount due from a subsidiary (note (ii)) .....	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
	<u>20,081</u>	<u>20,081</u>	<u>20,081</u>	<u>20,081</u>

*Notes:*

- (i) Details of the particulars of subsidiaries are set out in note 1(b).
- (ii) The amount due from a subsidiary is interest-free, unsecured and has no fixed terms of repayment but is not expected to be recovered within one year. For the purpose of improving working capital of the subsidiary to meet the minimum working capital requirement under the Approved Contractors for Public Works as determined by the Government of Hong Kong Special Administrative Region (the "HKSAR Government"), prior consent shall be obtained from the HKSAR Government for repayment for this subsidiary of all or any of the amount.

**16 Interest in joint arrangements and amount due to a joint venture***(a) Interest in joint ventures and amount due to a joint venture**The Group*

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Share of net assets .....	14,665	7,830	3,748	2,898
Amounts due from joint ventures (note (1)) .....	<u>36,647</u>	<u>8,941</u>	<u>—</u>	<u>—</u>
	<u>51,312</u>	<u>16,771</u>	<u>3,748</u>	<u>2,898</u>
Amount due to a joint venture (note (2)) .....	<u>—</u>	<u>—</u>	<u>(697)</u>	<u>(730)</u>

**APPENDIX I****ACCOUNTANTS' REPORT**

*Notes:*

- (1) The amounts due from joint ventures are interest-free, unsecured and have no fixed terms of repayment but are not expected to be recovered within one year.
- (2) The amount due to a joint venture is interest-free, unsecured and repayable on demand.
- (i) Details of the Group's interest in the joint ventures, which are accounted for using the equity method in the Financial Information, are as follows:

Name of joint venture	Form of business structure	Place of incorporation and business	Percentage of ownership interest held					Principal activities
			At 31 December			At 30 June	At the date of this report	
			2012	2013	2014	2015		
Sun Fook Kong - Kun Fai Engineering and Construction Co. Ltd.	Incorporated	Macau	50%	50%	50%	50%	50%	Building construction and public works
Tak Wa Engineering Company Limited	Incorporated	Macau	50%	50%	50%	50%	50%	Construction work and public work
Kong Sing Real Estate and Development Company Limited (note (1))	Incorporated	Macau	50%	—	—	—	—	Property development

*Note:*

- (1) The joint venture was disposed of in October 2013 (note 20(d)).

- (ii) The joint ventures in which the Group participates, are unlisted corporate entities whose quoted market prices are not available.

Aggregate information of joint ventures that are not individually material:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Aggregate carrying amount of joint ventures in the Financial Information .....	<u>14,665</u>	<u>7,830</u>	<u>3,748</u>	<u>2,898</u>
	Year ended 31 December			Six months ended 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Aggregate amounts of the Group's share of those joint ventures'				
— Revenue.....	219,005	303,711	129,753	68,671
— Profit/(loss) for the year/period and total comprehensive income .....	<u>719</u>	<u>2,905</u>	<u>772</u>	<u>(850)</u>

(b) *Interest in joint operations*

In addition to the construction projects undertaken by certain joint ventures as listed in note 16(a), the Group has also established joint arrangements with outside contractors to undertake general building and civil engineering in the form of joint operations. In accordance with the agreement, the decisions about relevant activities in these entities require unanimous consent of the parties sharing control and, therefore management has accounted for the investments as joint operations.

**APPENDIX I**
**ACCOUNTANTS' REPORT**

Details of the Group's interest in the material joint operations, all of which are accounted for using the line-by-line basis to the extent of the Group's interest in the joint operations, are as follows:

Name of joint operation	Form of business structure	Place of incorporation and business	Percentage of ownership interest held					Principal activities
			At 31 December			At 30 June	At the date of this report	
			2012	2013	2014	2015		
Sun Fook Kong - Biwater Joint Venture	Unincorporated	Hong Kong	66.16%	66.16%	66.16%	66.16%	66.16%	Civil engineering
Fujita - Sun Fook Kong Joint Venture	Unincorporated	Hong Kong	50%	50%	50%	50%	50%	Civil engineering

**17 Gross amount due from/to customers for contract work**
***The Group***

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contract costs incurred plus recognised profits less recognised losses .....	4,276,755	5,362,597	6,036,325	6,486,311
Less: progress billings received and receivable .....	(4,167,083)	(5,420,904)	(5,784,839)	(6,030,200)
	<u>109,672</u>	<u>(58,307)</u>	<u>251,486</u>	<u>456,111</u>

**Representing:**

Gross amount due from customers for contract work .....	501,627	398,489	583,808	627,586
Gross amount due to customers for contract work .....	<u>(391,955)</u>	<u>(456,796)</u>	<u>(332,322)</u>	<u>(171,475)</u>
	<u>109,672</u>	<u>(58,307)</u>	<u>251,486</u>	<u>456,111</u>

All gross amount due from/to customers for contract work are expected to be recovered/settled within one year.

**18 Trade and other receivables****(a) The Group**

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade debtors .....	209,819	293,572	267,374	170,156
Deposits, prepayments and other receivables .....	15,741	12,019	35,000	36,555
Amount due from a fellow subsidiary (note (i)) .....	20,347	—	—	—
Amounts due from related companies (note (ii)) .....	5,001	4,193	4,757	8,398
Amounts due from joint operation partners (note (iii)) .....	6,712	8,425	7,554	406
Retentions receivable .....	<u>167,287</u>	<u>170,927</u>	<u>158,946</u>	<u>161,479</u>
	<u>424,907</u>	<u>489,136</u>	<u>473,631</u>	<u>376,994</u>

*Notes:*

- (i) The amount represents trade balance due from a fellow subsidiary, 江門市華盈投資有限公司, for the provision of construction design and consultancy service.
- (ii) The amounts represent trade balances due from subsidiaries of Great Eagle Holdings Limited for the provision of housing services.
- (iii) The amounts due from joint operation partners are interest-free, unsecured and repayable on demand.
- (iv) Except for the amounts of HK\$114,038,000, HK\$98,549,000, HK\$119,707,000 and HK\$83,649,000 as at 31 December 2012, 2013 and 2014 and 30 June 2015 respectively which are expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.



(b) *The Company*

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due from subsidiaries (note (i)) .....	412,100	472,486	83,717	82,215
Other receivables (note (ii)) .....	—	—	3,273	3,940
	<u>412,100</u>	<u>472,486</u>	<u>86,990</u>	<u>86,155</u>

*Notes:*

- (i) The amounts due from subsidiaries are interest-free, unsecured and repayable on demand.
- (ii) All other receivables of the Company are expected to be recovered or recognised as expense within one year.

(c) *Ageing analysis*

As at the end of the reporting periods, the ageing analysis of the Group's trade debtors and trade balance due from a fellow subsidiary and related companies (which is included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier) is as follows:

*The Group*

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 month .....	176,698	251,309	155,319	114,474
Over 1 to 2 months .....	50,220	43,596	84,223	47,391
Over 2 to 3 months .....	5,173	1,808	29,942	15,644
Over 3 months .....	<u>3,076</u>	<u>1,052</u>	<u>2,647</u>	<u>1,045</u>
	<u>235,167</u>	<u>297,765</u>	<u>272,131</u>	<u>178,554</u>

Trade debtors are due within 14 - 30 days from the date of billing. Further details on the Group's credit policy are set out in note 3(a).

(d) *Impairment of trade debtors*

Impairment losses in respect of the Group's trade debtors and trade balances due from a fellow subsidiary and related companies are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(h)(i)).

None of the Group's trade debtors are considered to be impaired.

(e) *Trade debtors that are not impaired*

The ageing analysis of the Group's trade debtors and trade balance due from a fellow subsidiary and related companies that are neither individually nor collectively considered to be impaired are as follows:

*The Group*

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Neither past due nor impaired .....	224,157	290,763	264,037	172,173
Within 1 month past due .....	6,600	5,461	4,363	4,530
Over 1 to 2 months past due .....	3,048	699	2,101	483
Over 2 to 3 months past due .....	949	486	1,107	426
Over 3 months past due .....	413	356	523	942
	11,010	7,002	8,094	6,381
	235,167	297,765	272,131	178,554

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance 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.

**19 Amount due to immediate holding company**

The amount due to immediate holding company, Sun Fook Kong Group Limited, is unsecured, interest-free and repayable on demand. The balance with immediate holding company has been settled prior to the listing of the Company's share on the Stock Exchange.

**20 Cash and cash equivalents****(a) The Group**

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest-bearing bank deposits .....	103,455	258,310	63,380	—
Cash at bank and in hand.....	<u>344,987</u>	<u>207,473</u>	<u>182,766</u>	<u>79,735</u>
Cash and cash equivalents in the consolidated statements of financial position and consolidated cash flow statements.....	<u>448,442</u>	<u>465,783</u>	<u>246,146</u>	<u>79,735</u>

**(b) The Company**

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank .....	<u>203</u>	<u>207</u>	<u>108</u>	<u>53</u>

**(c) Major non-cash transactions**

- (i) During the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, there were proceeds from bank loans of HK\$31,610,000, HK\$13,635,000, HK\$8,859,000, HK\$8,859,000 and HK\$Nil directly transferred to trade creditors to settle the trade balances. These proceeds from bank loans had no cash flow impact to the Group.

- (ii) During the year ended 31 December 2012, there was a deposit on disposal of a subsidiary of HK\$17,625,000 directly received by a joint venture on behalf of the Group as an advance to this joint venture. This transaction had no cash flow impact to the Group.
- (iii) During the years ended 31 December 2013 and 2014 and the six months ended 30 June 2014, dividend receivables from a joint venture of HK\$9,709,000, HK\$4,854,000 and HK\$4,854,000 respectively were settled through current account with this joint venture. These transactions had no cash flow impact to the Group.

(d) *Disposal of a subsidiary*

On 1 November 2012, the Group entered into an agreement to sell entire issued share capital of Sun Fook Kong (Macao) Limited, at a cash consideration of HK\$106,032,000 to unrelated third parties. The principal assets held by Sun Fook Kong (Macao) Limited are the 50% equity interest in a joint venture, Kong Sing Real Estate and Development Company Limited, of which holds a land held for future development in Macau. The deposits of HK\$35,250,000 were made by these third parties in 2012, of which HK\$17,625,000 was directly received by a joint venture on behalf of the Group as an advance to this joint venture (note 20(c)(ii)). The transaction was completed in October 2013 and a gain of HK\$63,425,000 was recognised for the year ended 31 December 2013.

(i) *Gain on disposal of a subsidiary*

***The Group***

	Year end 31 December 2013
	<u>HK\$'000</u>
Consideration received and receivable.....	106,032
Net asset disposal of:	
— Interest in a joint venture.....	<u>(42,607)</u>
Gain on disposal of a subsidiary (note 6).....	<u><u>63,425</u></u>

- (ii) *Analysis of net cash inflow of cash and cash equivalents in respect of the disposal of a subsidiary*

***The Group***

	Year end 31 December 2013
	<i>HK\$'000</i>
Cash consideration receivable in 2012 .....	35,250
Deposit directly received by a joint venture on behalf in 2012 (note 20(c)(ii)) .....	<u>(17,625)</u>
Net cash consideration received in 2012 .....	17,625
Cash consideration received in 2013 .....	<u>70,782</u>
Net cash inflow on disposal .....	<u><u>88,407</u></u>

**21 Trade and other payables**

(a) ***The Group***

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade creditors.....	142,012	108,487	131,090	140,494
Accruals and other payables .....	355,512	310,732	327,772	203,290
Amounts due to joint operation partners (note (i)) ...	28,546	92,068	101,512	10,778
Retentions payable .....	<u>147,832</u>	<u>148,662</u>	<u>166,282</u>	<u>164,486</u>
	<u><u>673,902</u></u>	<u><u>659,949</u></u>	<u><u>726,656</u></u>	<u><u>519,048</u></u>

*Notes:*

- (i) The amounts due to joint operation partners are interest-free, unsecured and repayable on demand.
- (ii) Except for the amounts of HK\$58,064,000, HK\$70,840,000, HK\$100,359,000 and HK\$100,120,000 as at 31 December 2012, 2013 and 2014 and 30 June 2015 respectively, all of the remaining balances are expected to be settled within one year.

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As at the end of the reporting periods, the ageing analysis of trade creditors, based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 month .....	104,992	76,521	95,505	94,695
Over 1 to 2 months .....	29,240	27,709	32,219	42,697
Over 2 to 3 months .....	5,796	2,876	2,909	2,386
Over 3 months .....	1,984	1,381	457	716
	<u>142,012</u>	<u>108,487</u>	<u>131,090</u>	<u>140,494</u>

**(b) The Company**

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due to subsidiaries (note (i)) .....	350,605	402,296	38,078	39,079
Other payables (note (ii)) .....	<u>6</u>	<u>6</u>	<u>6,477</u>	<u>6,931</u>
	<u>350,611</u>	<u>402,302</u>	<u>44,555</u>	<u>46,010</u>

*Notes:*

(i) The amounts due to subsidiaries are interest-free, unsecured and repayable on demand.

(ii) All of the other payables are expected to be settled within one year.

## 22 Bank loans

*The Group*

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans, repayable within 1 year				
— Secured .....	53,848	27,851	—	90,000
— Unsecured .....	<u>37,000</u>	<u>17,000</u>	<u>—</u>	<u>25,000</u>
	<u>90,848</u>	<u>44,851</u>	<u>—</u>	<u>115,000</u>

- (a) As at 31 December 2012, 2013 and 2014 and 30 June 2015, the bank loans bear interest ranging from 2.15% to 2.75%, 2.38% to 2.46%, Nil, 2.14% to 2.49% per annum respectively.
- (b) As at 31 December 2012, 2013 and 2014 and 30 June 2015, the banking facilities (including bank loans and performance bonds) granted to the Group, the Group's joint operations and the Group's joint venture jointly were secured by:
- (i) Assignment of project proceeds from certain construction contracts of the Group, the Group's joint operations and the Group's joint venture;
  - (ii) Pledged deposits of the Group of HK\$8,840,000, HK\$8,762,000, HK\$16,126,000 and HK\$20,353,000 as at 31 December 2012, 2013 and 2014 and 30 June 2015 respectively;
  - (iii) Corporate guarantees provided by a subsidiary and the joint venture partner, personal properties and pledged deposits owned by the joint venture partner;
  - (iv) Personal property owned by a fellow subsidiary and cross corporate guarantees provided by a fellow subsidiary, the Company and certain subsidiaries as at 31 December 2012 and 2013. The above personal property and corporate guarantee given by the fellow subsidiaries were released and replaced by cross corporate guarantees of the Company and certain subsidiaries in 2014 as disclosed in (v); and
  - (v) Corporate guarantees provided by the Company and cross corporate guarantees provided by the Company and certain subsidiaries.

- (c) All of the Group's banking facilities are subject to the fulfilment of certain covenants as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 3(b). During the years ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2014 and 2015, none of the covenants relating to drawn down facilities had been breached.

## 23 Capital and reserves

### (a) *Movement in components of equity*

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity.

Details of the changes in the Company's individual components of equity are set out below:

#### *The Company*

	Share capital	Capital reserve	Retained profits	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2012 .....	—	81	74,671	74,752
Loss for the year.....	—	—	(157)	(157)
At 31 December 2012 .....	—	81	74,514	74,595
At 1 January 2013 .....	—	81	74,514	74,595
Profit for the year.....	—	—	197,404	197,404
Dividends declared in respect of the current year (note 23(b)) .....	—	—	(200,000)	(200,000)
At 31 December 2013 .....	—	81	71,918	71,999
At 1 January 2014 .....	—	81	71,918	71,999
Loss for the year.....	—	—	(9,375)	(9,375)
At 31 December 2014 .....	—	81	62,543	62,624
At 1 January 2015 .....	—	81	62,543	62,624
Loss for the period .....	—	—	(2,345)	(2,345)
At 30 June 2015 .....	—	81	60,198	60,279



(b) *Dividends*

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Interim dividend declared and paid of					
HK\$Nil (year ended 31 December 2012:					
HK\$Nil; year ended 31 December 2013:					
HK\$2,000,000; year ended 31 December					
2014: HK\$Nil; six months ended 30 June					
2014: HK\$Nil) per ordinary share .....	—	200,000	—	—	—

(c) *Share capital*

As at 31 December						As at 30 June	
2012		2013		2014		2015	
<i>No. of shares</i>	<i>Amount HK\$</i>	<i>No. of shares</i>	<i>Amount HK\$</i>	<i>No. of shares</i>	<i>Amount HK\$</i>	<i>No. of shares</i>	<i>Amount HK\$</i>

**Issued and fully paid:**

Ordinary share of

HK\$0.1 each .....	100	10	100	10	100	10	100	10
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The Company was incorporated on 17 October 2007 with authorised share capital of HK\$93,600 divided into 936,000 shares of HK\$0.1 each. 100 fully paid shares, each of HK\$0.1 ranking pari passu in all respects were allotted and issued to Sun Fook Kong Group Limited.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) *Nature and purpose of reserves*(i) *Capital reserve*

The capital reserve of the Company was arisen from the group reorganisation completed in January 2008.

(ii) *Legal reserve*

The legal reserve of the Group represents statutory reserve required to be appropriate from the related profits of the Group's Macau subsidiary (the "**Subsidiary**") under the provision of the Macau Commercial code ("**the Code**"). Under the Code, the Subsidiary is required to transfer a minimum of 25% of its retained profits to legal reserve upon appropriation of retained profits of dividend until the reserve equals half of the share capital. This reserve is not distributable to the shareholder.

(iii) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of Financial Information of foreign operations.

The reserve is dealt with in accordance with the accounting policies set out in note 1(r).

(e) *Distributable reserves*

The aggregate amount of reserves available for distribution to equity shareholder of the Company as at 31 December 2012, 2013 and 2014 and 30 June 2015 was HK\$74,514,000, HK\$71,918,000, HK\$62,543,000 and HK\$60,198,000 respectively.

(f) *Capital management*

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholder and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings) less cash and cash equivalents. Total capital comprises all components of equity attributable to equity shareholder of the Company.

During Relevant Periods, the Group's strategy was to maintain the adjusted net debt-to-capital ratio at the lower end of the range 25% to 40%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholder, issue new shares, return capital to shareholder, raise new debt financing or sell assets to reduce debt.

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**ACCOUNTANTS' REPORT**

The adjusted net debt-to-capital ratio at each of the end of the reporting periods was as follows:

*The Group*

	Note	As at 31 December			As at 30 June
		2012	2013	2014	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans .....	22	90,848	44,851	—	115,000
Less: Cash and cash equivalents .....	20(a)	(448,442)	(465,783)	(246,146)	(79,735)
<b>Net (cash)/debt .....</b>		<u>(357,594)</u>	<u>(420,932)</u>	<u>(246,146)</u>	<u>35,265</u>
Total equity attributable to equity shareholder of the Company .....		<u>295,368</u>	<u>215,035</u>	<u>287,531</u>	<u>316,055</u>
<b>Net debt-to-capital ratio.....</b>		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>11%</u>

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

## 24 Commitments

At the end of each reporting periods, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

*The Group*

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year.....	10,055	12,121	14,107	9,137
After 1 year but within 5 years .....	<u>18,891</u>	<u>11,887</u>	<u>4,564</u>	<u>1,885</u>
	<u>28,946</u>	<u>24,008</u>	<u>18,671</u>	<u>11,022</u>

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of 15 to 48 months, with an option to renew the lease when all terms are renegotiated. None of the leases include contingent rentals.

**25 Contingent liabilities**

- (a) As at 31 December 2012, 2013 and 2014 and 30 June 2015, approximately HK\$213,784,000, HK\$128,690,000, HK\$96,695,000 and HK\$139,618,000 respectively and HK\$37,752,000, HK\$37,752,000, HK\$Nil and HK\$Nil respectively of performance bonds were given by banks in favour of the Group's and the Group's joint operation's customers as security for the due performance and observance of the Group's and the Group's joint operation's obligation under the contracts entered into between the Group and the Group's joint operation and their customers. The Group has provided guarantees on the above performance bonds. If the Group and the Group's joint operation fail to provide satisfactory performance to their customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contract work. The performance bonds were granted under the banking facilities with details as set out in note 22(b).

The Company has provided guarantees on these performance bonds given by banks of HK\$251,457,000, HK\$166,442,000, HK\$87,785,000 and HK\$130,708,000 and bank loans drawn of HK\$53,848,000, HK\$27,851,000, HK\$Nil and HK\$90,000,000 as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively.

At the end of the reporting periods, the directors of the Company do not consider it probable that a claim will be made against the Group.

- (b) As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group has provided guarantees of HK\$182,471,000, HK\$221,822,000, HK\$187,127,000 and HK\$220,964,000 respectively representing a 50% proportionate guarantee in respect of HK\$364,942,000, HK\$443,643,000, HK\$374,254,000 and HK\$441,928,000 banking facilities to joint ventures in Macau. The 50% proportionate facilities were utilised to the extent of HK\$55,297,000, HK\$112,334,000, HK\$120,692,000 and HK\$146,439,000 at 31 December 2012, 2013 and 2014 and 30 June 2015 respectively, in which HK\$52,613,000, HK\$90,503,000, HK\$95,287,000 and HK\$115,357,000 of 50% proportionate performance bonds as at 31 December 2012, 2013 and 2014 and 30 June 2015 respectively, were given by banks to customers of joint ventures.
- (c) The Group and the Company has also given guarantees in respect of banking facilities of the Group's joint operations as to the extent of HK\$187,618,000, HK\$187,618,000, HK\$187,618,000 and HK\$187,618,000 at 31 December 2012, 2013 and 2014 and 30 June 2015 respectively. The banking facilities were utilised to the extent of HK\$87,618,000, HK\$92,920,000, HK\$104,769,000 and HK\$110,976,000 at 31 December 2012, 2013 and 2014 and 30 June 2015 respectively, in which HK\$87,618,000, HK\$87,618,000, HK\$87,618,000 and HK\$87,618,000 of performance bonds as at 31 December 2012, 2013 and 2014 and 30 June 2015 respectively, were given by a bank to a customer of the Group's joint operation.

- (d) The Group has also given cross corporate guarantees in respect of a banking facility granted to a fellow subsidiary and certain subsidiaries of the Group as at 31 December 2012 and 2013. No amount was drawn down by this fellow subsidiary from this banking facility as at 31 December 2012 and 2013.
- (e) The Group and the Company have not recognised any deferred income in respect of these guarantees as their fair values cannot be reliably measured using observable market data and no transaction price was incurred.
- (f) The subsidiaries of the Group are defendants in a number of claims, lawsuits and potential claims relating to employee's compensation cases and personal injuries claims. The directors of the Company considered that the possibility of any outflow in settling the legal claims is remote as these claims are all well covered by insurance. Accordingly, no provision for the contingent liabilities in respect of these litigations is necessary, after due consideration of each case.

## 26 Material related party transactions

### (a) *Key management personnel remuneration*

- (i) Remuneration of key management personnel of the Group, including amounts paid to the directors are disclosed in note 9 and certain of the highest paid employees and senior management are disclosed in note 10.

#### *The Group*

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Short-term employee benefits .....	20,527	20,914	19,710	12,784	10,373
Post-employment benefits .....	676	713	634	347	314
	<u>21,203</u>	<u>21,627</u>	<u>20,344</u>	<u>13,131</u>	<u>10,687</u>

Total remuneration is included in "staff costs" (see note 7(b)).

(b) *Transactions with related parties*

In addition to the transactions disclosed in note 25, the Group had the following transactions with the related parties during the Relevant Periods which the directors consider to be material:

*The Group*

	Note	Year ended 31 December			Six months ended 30 June	
		2012	2013	2014	2014	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)	
Housing and related service income.....	(i)	16,358	13,228	13,485	6,046	11,148
Rental expenses, license fees, air-conditioning and service charges .....	(ii)	5,376	7,326	8,068	4,046	4,066
Management service income.....	(iii)	935	—	—	—	—
Income from construction design and consultant services .....	(iv)	29,718	—	7,024	—	—
Management consultant income ....	(v)	4,860	3,408	1,551	1,321	—
Revenue from general building constructions .....	(vi)	19,424	9,320	9,194	405	—
Staff quarter's expenses .....	(vii)	420	420	246	246	—
Consultancy service fee .....	(viii)	<u>1,200</u>	<u>7,318</u>	<u>17,030</u>	<u>5,444</u>	<u>7,476</u>

The substantial shareholder of Great Eagle Holdings Limited is an ultimate controlling party of the Group.

*Notes:*

- (i) During the Relevant Periods, the Group earned housing service income from and engaged in trading of cleaning materials with subsidiaries of Great Eagle Holdings Limited.
- (ii) During the Relevant Periods, the Group paid rental expenses to subsidiaries of Great Eagle Holdings Limited.
- (iii) During the Relevant Periods, the Group provided management service to its joint venture, Sun Fook Kong - Kun Fai Engineering and Construction Co., Ltd.
- (iv) The Group provided construction design and consultant services to its fellow subsidiaries, 佛山市新運泰房地產開發有限公司, 江門映輝灣房地產有限公司 and 廣州市宏康福港房地產開發有限公司.

- (v) The Group received management consultant income from its fellow subsidiaries, 佛山市新運泰房地產開發有限公司 and 江門市華盈投資有限公司.
- (vi) The Group provided general building constructions to its fellow subsidiary, 江門市華盈投資有限公司.
- (vii) The Group paid rental expenses to its fellow subsidiaries as staff quarters for its staff.
- (viii) The Group paid consultancy service fee to its fellow subsidiary, Fujitac Construction & Engineering Consultants Limited.
- (ix) A fellow subsidiary, Sun Fook Kong Investment Holdings (Shenzhen) Company Limited provided its office in Shenzhen to the Group for office use on a free-of-charge basis from 22 May 2012 to 21 May 2015.

The directors of the Group are of opinion that the above transactions were entered into the normal course of business.

(c) *Balance with related parties*

*The Group*

	Note	As at 31 December			As at 30 June
		2012	2013	2014	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount due from a fellow subsidiary .....	18(a)(i)	<u>20,347</u>	<u>—</u>	<u>—</u>	<u>—</u>
Amounts due from related companies.....	18(a)(ii)	<u>5,001</u>	<u>4,193</u>	<u>4,757</u>	<u>8,398</u>
Amount due to immediate holding company .....	19	<u>7,178</u>	<u>18,473</u>	<u>—</u>	<u>—</u>

**27 Employee retirement benefits**

The Group contributes to an Occupational Retirements Scheme (the “**ORSO Scheme**”), a defined contribution retirement scheme, which is available to some of its employees in Hong Kong. Under the ORSO Scheme, the employees are required to contribute 5% of their monthly salaries, while the Group’s contributions are calculated at 10% and 5% of the monthly salaries of senior management employees and all other employees respectively. The employees are entitled to 100% of the employer’s contributions after 10 years of completed service, or at a reduced scale after completion of 3 to 9 years’ service. Contributions to the ORSO Scheme are reduced by contributions forfeited by those employees who leave the ORSO Scheme prior to vesting fully in the Group’s contributions.

A mandatory provident fund scheme (the “**MPF Scheme**”) has been established under the Hong Kong Mandatory Provident Fund Scheme Ordinance in December 2000. The then existing employees of the Group in Hong Kong could elect to join the MPF Scheme, while all new employees joining the Group in Hong Kong from then onwards are required to join the MPF Scheme. Both the Group and the employees are required to contribute 5% of each individual’s relevant income with a maximum amount of HK\$1,000 per month before 1 June 2012, HK\$1,250 per month between 1 June 2012 and 31 May 2014, and commenced from 1 June 2014, the amount has been increased to HK\$1,500, as a mandatory contribution. Employer’s mandatory contributions are 100% vested in the employees as soon as they are paid to the MPF Scheme. Senior employees may also elect to join Mutual Voluntary Plan in which both the Group and the employees, on top of the MPF Scheme mandatory contributions, make a voluntary contribution to the extent of contributions that would have been made under the ORSO Scheme.

Employees engaged by the Group outside Hong Kong are covered by the appropriate local defined contribution retirement schemes pursuant to the local labour rules and regulations.

## **28 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods**

Up to the date of issue of this Financial Information, the HKICPA has issued a few amendments and new standards which are not yet effective for the Relevant Periods and which have not been adopted in this Financial Information. These include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
<i>Annual improvements to HKFRSs 2012-2014 cycle</i> .....	1 January 2016
<i>Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture</i> .....	1 January 2016
<i>Amendments to HKFRS 11, Accounting for acquisitions of interests in joint operations</i> .....	1 January 2016
<i>Amendments to HKAS 1, Disclosure initiative</i> .....	1 January 2016
<i>Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation</i> .....	1 January 2016
<i>HKFRS 15, Revenue from contracts with customers</i> .....	1 January 2018
<i>HKFRS 9, Financial instruments</i> .....	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. The Group is unable to disclose the impact that adopting the amendments and new standards will have on its Financial Information when such amendments and new standards are adopted.



**29 Information of statutory financial statements of subsidiaries**

The statutory financial statements of the companies comprising the Group, which were subject to statutory audit during the Relevant Periods, were prepared in accordance with HKFRSs or the relevant accounting rules and regulations applicable to entities in the PRC. The respective statutory auditors of these financial statements are indicated below:

Name of Subsidiaries	Financial period	Statutory auditors
Build.it Limited	For the period from 5 June 2013 (date of incorporation) to 31 December 2013 and year ended 31 December 2014	Billy Ho and Company (2013) and KPMG (2014)
Chit Cheung Construction Company Limited	For the years ended 31 March 2012, 2013 and 2014 and period from 1 April 2014 to 31 December 2014	Billy Ho and Company (year ended 31 March 2012, 2013 and 2014) and KPMG (period ended 31 December 2014)
Consent Consultants Limited	For the years ended 31 December 2012, 2013 and 2014	Billy Ho and Company (2012 and 2013) and KPMG (2014)
Grand Win Design Consultants Limited	For the years ended 31 December 2012, 2013 and 2014	Billy Ho and Company (2012 and 2013) and KPMG (2014)
Linktech Engineering & Landscape Consultants Limited	For the years ended 31 December 2012, 2013 and 2014	Billy Ho and Company (2012 and 2013) and KPMG (2014)
Sun Fook Kong (Civil) Limited	For the years ended 31 December 2012, 2013 and 2014	Billy Ho and Company (2012 and 2013) and KPMG (2014)
Sun Fook Kong Construction Limited	For the years ended 31 December 2012, 2013 and 2014	Billy Ho and Company (2012 and 2013) and KPMG (2014)
Sun Fook Kong Construction Management Limited	For the years ended 31 December 2012, 2013 and 2014	Billy Ho and Company (2012 and 2013) and KPMG (2014)
Sun Fook Kong E & M Management Limited	For the years ended 31 December 2012, 2013 and 2014	Billy Ho and Company (2012 and 2013) and KPMG (2014)

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<b>Name of Subsidiaries</b>	<b>Financial period</b>	<b>Statutory auditors</b>
Sun Fook Kong Engineering Limited	For the years ended 31 December 2012, 2013 and 2014	Billy Ho and Company (2012 and 2013) and KPMG (2014)
Sun Fook Kong Housing Services Limited	For the years ended 31 December 2012, 2013 and 2014	Billy Ho and Company (2012 and 2013) and KPMG (2014)
Sun Fook Kong Themeworks (Hong Kong) Limited	For the period from 14 May 2012 (date of incorporation) to 31 December 2012 and years ended 31 December 2013 and 2014	Billy Ho and Company (2012 and 2013) and KPMG (2014)
佳境企業管理諮詢 (深圳)有限公司	For the years ended 31 December 2012, 2013 and 2014	深圳市均達會計師事務所有限公司
廣州市佳境建築工程有限公司	For the years ended 31 December 2012, 2013 and 2014	廣州天衡會計師事務所

**30 Immediate and ultimate controlling party**

At 30 June 2015, the directors consider the immediate parent and ultimate controlling party of the Group to be Sun Fook Kong Group Limited, which is incorporated in British Virgin Islands, and Mr. Lo Kai Shui respectively. They do not provide financial statements available for public use.

**31 Subsequent events**

Pursuant to the sole shareholder's resolution of the Company passed on 19 November 2015, conditional on the share premium account of the Company being credited as a result of the global offering set out in the section "Appendix IV — Statutory and General Information", the directors were authorised to capitalise an amount of HK\$29,999,990 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 299,999,900 shares, such shares to be allotted and issued to the sole shareholder as at 19 November 2015.

**C SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS**

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 June 2015. Save as disclosed in the Financial Information, no dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to 30 June 2015.

Yours faithfully,

**KPMG**  
*Certified Public Accountants*  
Hong Kong

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

*The information set forth in this appendix does not form part of the Accountants' Report from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company as set forth in Appendix I in this prospectus, and is included herein for illustrative purposes only.*

*The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the financial information included in the Accountants' Report set forth in Appendix I to this prospectus.*

### A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma statement of adjusted net tangible assets of SFK Construction Holding Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") is prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is set out below to illustrate the effect of the proposed offering by the Company of its shares (the "**Global Offering**") on the net tangible assets of the Company attributable to the shareholder of the Company as of 30 June 2015, as if the Global Offering had taken place on 30 June 2015.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Company had the Global Offering been completed as of 30 June 2015 or at any future date.

	Consolidated net tangible assets attributable to shareholder of the Company as of 30 June 2015	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per share
	<i>HK\$'000</i> <i>Note (1)</i>	<i>HK\$'000</i> <i>Note (2)</i>	<i>HK\$'000</i> <i>Note (3)</i>	<i>HK\$</i> <i>Note (4)</i>
Based on an offer price of HK\$1.1 per share .....	316,055	92,228	408,283	1.02
Based on an offer price of HK\$1.5 per share .....	316,055	131,128	447,183	1.12

*Notes:*

- (1) The consolidated net tangible assets attributable to shareholder of the Company as of 30 June 2015 is based on the consolidated net assets of the Company of HK\$316.1 million as of 30 June 2015 as shown in the consolidated financial information included in the Accountants' Report set out in Appendix I to this prospectus. The Group has no goodwill or other intangible assets as at 30 June 2015.

<b>APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION</b>
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- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$1.1 (being the minimum offer price) and HK\$1.5 per Share (being the maximum offer price) and the assumption that there are 100,000,000 newly issued Shares in the Global Offering, after deduction of the underwriting fees and other related expenses payable by the Company, assuming that the Over-allotment Option is not exercised and without taking into account any discretionary incentive fees.
- (3) The unaudited pro forma adjusted net tangible assets do not take into account the financial results or other transactions of the Group subsequent to 30 June 2015.
- (4) The unaudited pro forma adjusted net tangible assets per share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 400,000,000 shares (including the shares in issue as at 30 June 2015 and shares that may be issued pursuant the Global Offering and the Capitalisation issue) were in issue immediately following the completion of the Global Offering. It does not take into account any shares which may be issued upon the exercise of the Over-allotment Option or the options that may be granted under the Share Option Scheme.

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

*The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of incorporation in this prospectus.*



8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

30 November 2015

### INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

#### TO THE DIRECTORS OF SFK CONSTRUCTION HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of SFK Construction Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 June 2015 and related notes as set out in Part A of Appendix II to the prospectus dated 30 November 2015 (the “**Prospectus**”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the “**Global Offering**”) on the Group's financial position as at 30 June 2015 as if the Global Offering had taken place at 30 June 2015. As part of this process, information about the Group's financial position as at 30 June 2015 has been extracted by the Directors from the Group's historical financial statements included in the Accountants' Report as set out in Appendix I to the Prospectus.

#### *Directors' Responsibilities for the Pro Forma Financial Information*

The Directors are responsible for compiling the 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**”).

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

### *Reporting Accountants' Responsibilities*

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 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 (“**HKSAE**”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the 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 purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 June 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

<b>APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION</b>
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We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future plans and use of proceeds" in the Prospectus.

*Opinion*

In our opinion:

- a) the pro forma financial information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**KPMG**

*Certified Public Accountants*

Hong Kong



Set out below is a summary of certain provisions of the memorandum of association (the “**Memorandum of Association**”) and bye-laws (the “**Bye-laws**”) of the Company and of certain aspects of Bermuda company law.

## 1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the objects for which the Company was formed which are unrestricted and that the Company has the capacity, rights, powers and privileges of a natural person. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of Directors (the “**board**”) upon such terms and subject to such conditions as it thinks fit.

## 2. BYE-LAWS

The Bye-laws were conditionally adopted on 19 November 2015 to take effect upon Listing. The following is a summary of certain provisions of the Bye-laws:

### (a) Directors

#### (i) *Power to allot and issue shares and warrants*

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act, the Bye-laws, any direction that may be given by the Company in general meeting and, where applicable, the rules of any Designated Stock Exchange (as defined in the Bye-laws) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares

in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

**(ii) *Power to dispose of the assets of the Company or any of its subsidiaries***

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

*Note:* The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act to be exercised or done by the Company in general meeting.

**(iii) *Compensation or payments for loss of office***

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

**(iv) *Loans and provision of security for loans to Directors***

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed “Bermuda Company Law” in this Appendix.

**(v) *Financial assistance to purchase shares of the Company***

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Bye-laws) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(vi) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Bye-laws) is materially interested but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) ***Remuneration***

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing

director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

**(viii) *Retirement, appointment and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

*Note:* There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director appointed by the board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject

to re-election at such meeting and any Director appointed by the board as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director fourteen (14) days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) ***Borrowing powers***

The board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*Note:* These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

**(b) Alterations to constitutional documents**

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

**(c) Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;
- (v) change the currency denomination of its share capital;
- (vi) make provision for the issue and allotment of shares which do not carry any voting rights; and
- (vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act, any share premium account or other undistributable reserve.

**(d) Variation of rights of existing shares or classes of shares**

Subject to the Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons or (in the case of a member being a corporation) its duly authorised representative holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or (in the case of a member being a corporation) its duly authorised representative or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.



**(e) Special resolution-majority required**

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Bye-laws (see paragraph 2(i) below for further details).

**(f) Voting rights**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a poll every member present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share.

A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the 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 deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Bye-laws), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.



**(g) Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Bye-laws)) and place as may be determined by the board.

**(h) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act, at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

Subject to the Companies Act, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company at the annual general meeting in accordance with the requirements of the Companies Act provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Bye-laws), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

**(i) Notices of meetings and business to be conducted thereat**

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including a special general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange (as defined in the Bye-laws), it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

**(j) Transfer of shares**

All transfers of shares may be effected in any manner permitted by and in accordance with the rules of the Designated Stock Exchange by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Bye-laws) may 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, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Bye-laws), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

**(k) Power for the Company to purchase its own shares**

The Bye-laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

**(l) Power for any subsidiary of the Company to own shares in the Company**

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary.

**(m) Dividends and other methods of distribution**

Subject to the Companies Act, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than its liabilities.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

**(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

**(o) Call on shares and forfeiture of shares**

Subject to the Bye-laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(p) Inspection of register of members**

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon during business hours by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act, unless the register is closed in accordance with the Companies Act.

**(q) Quorum for meetings and separate class meetings**

For all purposes the quorum for a general meeting shall be two members present in person or (in the case of a member being a corporation) by its duly authorised representative or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

**(r) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this Appendix.

**(s) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(t) Untraceable members**

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii)

the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Bye-laws) giving notice of its intention to sell such shares and a period of three months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Bye-laws), has elapsed since such advertisement and the Designated Stock Exchange (as defined in the Bye-laws) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

**(u) Other provisions**

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon during business hours.

**3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS**

The Memorandum of Association may be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' and not less than ten clear business days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of twenty-one (21) clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right.



**4. BERMUDA COMPANY LAW**

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Share capital**

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”, to which the provisions of the Companies Act relating to a reduction of share capital of a company shall apply as if the share premium account was paid up share capital of the company except that the share premium account may be applied by the company:

- (i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (ii) in writing off:
  - (aa) the preliminary expenses of the company; or
  - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association



or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

**(b) Financial assistance to purchase shares of a company or its holding company**

There is no longer any statutory restriction in Bermuda on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in accordance with their fiduciary duties to the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(c) Purchase of shares and warrants by a company and its subsidiaries**

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act.

**(d) Dividends and distributions**

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than its liabilities. Contributed surplus is defined for purposes of section 54 of the Companies Act to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

**(e) Protection of minorities**

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered

by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

**(f) Management**

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act or the bye-laws to be exercised by the members of the company.

**(g) Accounting and auditing requirements**

The Companies Act requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared

in accordance with these requirements, at least five (5) days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarized financial statements instead. The summarized financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act. The summarized financial statements sent to the company's members must be accompanied by an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than twenty-one (21) days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within seven (7) days of receipt by the company of the member's notice of election.

**(h) Auditors**

Unless the requirement to appoint an auditor is waived by all of the shareholders and all of the directors, either in writing or at the general meeting, any auditor appointed shall hold office until a successor is appointed by the members or if the members fail to do so until the directors appoint a successor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at a general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than twenty-one (21) days before the general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than seven (7) days before the general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within fifteen (15) days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

**(i) Exchange control**

An exempted company is usually designated as “non-resident” for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act). Issues to and transfers involving persons regarded as “resident” for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

**(j) Taxation**

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 31st March 2035, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

**(k) Stamp duty**

An exempted company is exempt from all stamp duties except on transactions involving “Bermuda property”. This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

**(l) Loans to directors**

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a twenty per cent. (20%) interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting or in the case of a company that has made an election to dispense with annual general meetings in accordance with the Companies Act, at or before the next following general meeting which shall be convened within 12 months of the authorisation of the making of the loan, if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

**(m) Inspection of corporate records**

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two (2) hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act require a copy of the register of members or any part thereof which must be provided within fourteen (14) days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two (2) hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Companies Act, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

**(n) Winding up**

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.



The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

## **5. GENERAL**

Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, have sent to the Company a letter of advice summarising certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.



**A. FURTHER INFORMATION ABOUT OUR GROUP****1. Incorporation**

Our Company was incorporated in Bermuda under the Companies Act as an exempted company with limited liability on 17 October 2007 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the predecessor Companies Ordinance on 13 December 2007. Our Company has established a place of business in Hong Kong at Rooms 3207-10, 32/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. Mr. Chan who resides at House 4, Winners Lodge, 9 Ma Yeung Path, Shatin, New Territories, Hong Kong and Mr. Yeung Cho Yin, William who resides at Room C, 10/F, Lai On Building, 2 Water Street, Sai Ying Pun, Hong Kong have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in Bermuda, it operates subject to the Companies Act and its constitution comprising the Memorandum of Association and the Bye-laws. A summary of certain provisions of its constitution and relevant aspects of the Companies Act is set out in Appendix III to this prospectus.

**2. Change in share capital**

Our authorised share capital as at the date of our incorporation was HK\$78,000 divided into 780,000 Shares of HK\$0.10 each. On 23 October 2007, one unpaid Share was issued and allotted to SFK Group.

Pursuant to the written resolutions of our sole Shareholder passed on 10 January 2008, the authorised share capital of our Company was increased from HK\$78,000 to HK\$1,000,000,000 by the creation of additional 9,999,220,000 Shares of HK\$0.10 each.

On 11 January 2008, our Company issued and allotted 39,999,999 Shares of HK\$0.10 each to SFK Group credited as fully paid and credited the one unpaid Share held by SFK Group as fully-paid in consideration of the transfer of the entire issued share capital of SFK Holdings by SFK Group to our Company.

Our Company reduced its authorised share capital from HK\$1,000,000,000 divided into 10,000,000,000 Shares of HK\$0.10 each to HK\$9,000,000 divided into 90,000,000 Shares of HK\$0.10 each on 30 October 2008. Pursuant to a special resolution passed by our sole Shareholder on 31 July 2009, our Company reduced its issued share capital from HK\$4,000,000 divided into 40,000,000 Shares of HK\$0.10 each to HK\$10 divided into 100 Shares of HK\$0.10 each. Our authorised share capital was further reduced from HK\$9,000,000 of 90,000,000 Shares of HK\$0.10 each to HK\$93,600 comprising 936,000 Shares of HK\$0.10 each on 5 August 2009.

On 12 November 2015, our Company increased its authorised share capital from HK\$93,600 divided into 936,000 Shares of HK\$0.10 each to HK\$1,000,000,000 divided into 10,000,000,000 Shares of HK\$0.10 each by the creation of an additional 9,999,064,000 Shares of HK\$0.10 each.

Immediately following completion of the Global Offering and the Capitalisation Issue and taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$40,000,000 divided into 400,000,000 Shares of HK\$0.10 each, all fully paid or credited as fully paid and 9,600,000,000 Shares will remain unissued.

Save for the aforesaid and as mentioned in the paragraph headed “Resolutions in writing of our sole Shareholder passed on 19 November 2015” below in this Appendix, there has been no alteration in the share capital of our Company within two years immediately preceding the date of this prospectus.

### **3. Resolutions in writing of our sole Shareholder passed on 19 November 2015**

Pursuant to the written resolutions passed by our sole Shareholder on 19 November 2015;

- (a) we approved and conditionally adopted the Bye-laws which will become effective upon Listing;
- (b) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Global Offering and the Capitalisation Issue and the Shares to be issued as mentioned in this prospectus (including any additional 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); (ii) the entering into of the agreement on the Offer Price among our Company and the Joint Global Coordinators (for and on behalf of the Underwriters) on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
  - (i) the Global Offering was approved and our Directors were authorised to allot and issue the new Shares pursuant to the Global Offering;
  - (ii) the Over-allotment Option was approved;
  - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the section headed “Other information — Share Option Scheme” below in this Appendix, were approved and adopted and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all actions as they consider necessary or desirable to implement the Share Option Scheme; and

- (iv) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, our Directors were authorised to capitalise an amount of HK\$29,999,990 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 299,999,900 Shares, such Shares to be issued and allotted to our sole Shareholder as at 19 November 2015.
- (c) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be issued and allotted), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Bye-laws or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares not exceeding the aggregate of 20% of the number of issued Shares immediately following completion of the Global Offering and Capitalisation Issue (but taking no account of 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), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Bye-laws or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;
- (d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares will represent up to 10% of the number of issued Shares immediately following completion of the Global Offering and the Capitalisation Issue (but taking no account of 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), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Bye-laws or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and
- (e) the general unconditional mandate mentioned in paragraph (c) above was extended by the addition to the number of issued Shares which may be issued and allotted or agreed conditionally or unconditionally to be issued and allotted by our Directors pursuant to such general mandate of an amount representing the number of issued Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above.

**4. Corporate reorganisation**

The companies comprising our Group did not undergo reorganisation in preparation for the Listing.

**5. Changes in share capital of subsidiaries**

Our subsidiaries are referred to in the Accountants' Report in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants' Report and in the section headed "History and Corporate Structure", our Company has no other subsidiaries.

The following sets out the changes in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus:

- (a) On 23 April 2014, 70,000 shares of Chit Cheung were allotted to High Regard.
- (b) On 23 July 2014, 3,000,000 shares of SFK Civil were allotted to Intercede.
- (c) On 24 November 2014, the share capital of SFK Construction was increased from HK\$43,000,000 to HK\$83,000,000 by the creation of an additional 400,000 shares.
- (d) On 10 April 2015, 4,699,998 shares of SFK E&M were allotted to SFK Holdings by way of bonus issue.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

**6. Repurchases of our Shares****(a) *Provisions of the Listing Rules***

The Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

**(i) *Shareholders' approval***

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its Shareholders, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to resolution passed by our sole Shareholder on 19 November 2015, a general unconditional mandate (the “**Buyback Mandate**”) was granted to our Directors authorising the repurchase of shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with the total number of Shares not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time until 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 an applicable law or the Bye-laws to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Bye-laws and the laws of Bermuda. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have general authority from its Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Bye-laws and the applicable laws of Bermuda.

It is presently proposed that any repurchase of Shares will be made out of the capital paid up on the repurchased Shares or out of the funds of our Company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of Shares made for the purpose. Any premium payable on a repurchase over the par value of the Shares to be repurchased must be provided for out of funds of our Company otherwise available for dividend or distribution or out of our Company’s share premium account.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) *Share capital*

Exercise in full of the Buyback Mandate, on the basis of 400,000,000 Shares in issue immediately after the listing of the Shares (but not taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), could accordingly result in up to 40,000,000 Shares being repurchased by our Company during the period until:

- (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 any applicable law or the Bye-laws to be held; or
- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of the shareholders in general meeting, whichever occurs first.

(e) *General*

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of Bermuda.

No core connected person (as defined in the Listing Rules) has notified us that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is exercised.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as aforesaid, our Directors are not aware of any such consequence which may arise under the Takeovers Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Global Offering and the Capitalisation Issue (but not taking into account the 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), the total number of Shares which will be repurchased pursuant to the Buyback Mandate shall be 40,000,000 Shares (being 10% of the total number of issued Shares based on the aforesaid assumptions). The percentage shareholding of our Controlling Shareholders will be increased to approximately 83.33% of the issued share capital of our Company immediately following

the full exercise of the Buyback Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

## **B. INFORMATION ABOUT OUR BUSINESS**

### **1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this prospectus and are or may be material:




- (a) an instrument of transfer dated 4 August 2014 entered into between Yung Kim Man as transferor and SFK Holdings as transferee regarding the transfer of one share in High Regard from Yung Kim Man to SFK Holdings at nil consideration;
- (b) an instrument of transfer dated 4 August 2014 entered into between Cheong Kwok Luen as transferor and SFK Holdings as transferee regarding the transfer of 25 shares in SFK HK Themeworks from Cheong Kwok Luen to SFK Holdings at nil consideration;
- (c) an instrument of transfer dated 4 August 2014 entered into between Yung Kim Man as transferor and SFK Holdings as transferee regarding the transfer of 75 shares in SFK HK Themeworks from Yung Kim Man to SFK Holdings at nil consideration;
- (d) an instrument of transfer dated 3 October 2014 entered into between Sure Benefit as transferor and SFK Holdings as transferee regarding the transfer of one share in SFK E&M from Sure Benefit to SFK Holdings at nil consideration;
- (e) an instrument of transfer dated 3 October 2014 entered into between Sure Benefit as transferor and Intercede as transferee regarding the transfer of one share in SFK Civil from Sure Benefit to Intercede at nil consideration;
- (f) an instrument of transfer dated 3 October 2014 entered into between Sure Benefit as transferor and SFK Construction as transferee regarding the transfer of one share in SFK Engineering from Sure Benefit to SFK Construction at nil consideration;
- (g) an instrument of transfer dated 3 October 2014 entered into between Sure Benefit as transferor and Everfirst as transferee regarding the transfer of one share in SFK Housing from Sure Benefit to Everfirst at nil consideration;
- (h) an instrument of transfer dated 3 October 2014 entered into between Sure Benefit as transferor and SFK Holdings as transferee regarding the transfer of one share in SFK Construction from Sure Benefit to SFK Holdings at nil consideration;

- (i) an instrument of transfer dated 3 October 2014 entered into between Sure Benefit as transferor and SFK Holdings as transferee regarding the transfer of one share in SFK Management from Sure Benefit to SFK Holdings at nil consideration;
- (j) the Deed of Indemnity;
- (k) the Deed of Non-Competition; and
- (l) the Public Offer Underwriting Agreement.

## 2. Intellectual property rights of our Group

### (a) Trademarks

As at the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which, in opinion of our Directors, are material to our business:

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
	300975826	37	SFK Holdings	Hong Kong	18 October 2007	17 October 2017
	6444550	37	SFK Holdings	PRC	7 July 2010	6 July 2020
	303114323	42	Build.it	Hong Kong	26 August 2014	25 August 2024

### (b) Domain names

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names which, in opinion of our Directors, are material to our business:

Domain Name	Name of Registered Proprietor	Date of Registration	Expiry Date
sfk.hk .....	SFK Management	28 May 2007	28 June 2023
sfkchl.hk .....	SFK Construction	17 September 2007	17 September 2020
sfkchl.cn .....	SFK Management	21 September 2007	21 September 2022
sfkchl.com.cn .....	SFK Management	21 September 2007	21 September 2022
sfkchl.com.hk .....	SFK Construction	17 September 2007	17 September 2020
sfkchl.com .....	SFK Construction	14 September 2007	14 September 2020
sfkchl.net .....	SFK Construction	14 September 2007	14 September 2020
sfkchl.org .....	SFK Construction	14 September 2007	14 September 2020
buildit.com.hk .....	Build.it	21 June 2013	21 June 2016



Domain Name	Name of Registered Proprietor	Date of Registration	Expiry Date
新福港.com .....	SFK Management	12 April 2007	12 April 2017
新福港.hk/.香港 .....	SFK Management	28 May 2007	28 June 2023
新福港.cn .....	SFK Management	27 December 2006	27 December 2016
新福港.中國 .....	SFK Management	27 December 2006	27 December 2016
新福港.公司 .....	SFK Management	20 August 2014	20 August 2017
新福港.網絡 .....	SFK Management	20 August 2014	20 August 2017
新福港建設.com .....	SFK Management	26 September 2007	26 September 2017
新福港建設.hk .....	SFK Management	22 September 2007	22 September 2017
新福港建設.cn .....	SFK Management	21 September 2007	21 September 2017
新福港建設.公司 .....	SFK Management	20 August 2014	20 August 2018
新福港建設.中國 .....	SFK Management	21 September 2007	21 September 2017
新福港建設.網絡 .....	SFK Management	20 August 2014	20 August 2018
新福港建設.公司.hk/.公司.香港 ..	SFK Construction	25 September 2007	28 September 2020

## C. FURTHER INFORMATION ABOUT DIRECTORS, CHIEF EXECUTIVES AND SUBSTANTIAL SHAREHOLDERS

### 1. Directors

#### (a) Disclosure of Interests — interests and short positions of the Directors and the chief executives of our Company in the shares, underlying Shares and debentures of our Company and its associated corporations

##### (i) *Interests in our Company*

Immediately following completion of the Global Offering and the Capitalisation Issue and assuming that the Over-allotment Option is not exercised and without taking into account Shares to be issued and allotted upon the exercise of any options which may be granted under the Share Option Scheme, none of our Directors or chief executives of our Company will have any interest in the Shares, underlying Shares and debentures of our Company (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to our Company and the Stock Exchange, once the Shares are listed.

##### (ii) *Interests in associated corporations of our Company*

Immediately following completion of the Global Offering and the Capitalisation Issue and assuming that the Over-allotment Option is not exercised and without taking into account Shares to be issued and allotted upon the exercise of any options which may be granted under the Share Option Scheme, the interests or short positions of our Directors or chief executives of our Company in the Shares, underlying Shares and debentures of the associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange

pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to our Company and the Stock exchange, once the Shares are listed will be as follows:

Name of Director	Name of associated corporation	Capacity	Number of shares <sup>(1)</sup>	Approximate percentage of shareholding
Mr. Chan <sup>(2)</sup> .....	SFK Group	Interest of a controlled corporation	97,599(L)	3.54%

*Notes:*

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Mr. Chan beneficially owns the entire issued share capital of Growth Asset. By virtue of the SFO, Mr. Chan is deemed to be interested in 97,599 shares of SFK Group held by Growth Asset.

**(b) Particulars of service agreements and letters of appointment**

Each of our executive Directors has entered into a service agreement with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months’ notice in writing served by either party on the other.

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than one month’s notice in writing served by either party on the other.

**(c) Directors’ Remuneration**

Each of our executive Directors is entitled to a remuneration on the basis of a twelve-month year. In addition, each of our executive Directors is entitled to a discretionary bonus provided that the aggregate amount of the bonuses payable to all the executive Directors for any financial year of our Company may not exceed 5% of the audited consolidated net profit of our Group (after taxation and minority interests and payment of such bonuses but before extraordinary items) in respect of that financial year of our Company.

During the year ended 31 December 2014 and the six months ended 30 June 2015, the aggregate remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Directors was approximately HK\$6,836,000 and HK\$3,959,000. For details, please refer to note 9 of the Accountant’s Report set out in Appendix I to this prospectus.

Our independent non-executive Directors have been appointed for a term of three years. We intend to pay a director’s fee of HK\$120,000 per annum to each of Mr. Lam Leung Tsun, Mr. Jim Fun Kwong, Frederick and Mr. Chan Kim Hung, Simon, our independent non-executive Directors, respectively.

Under the arrangement currently in force, the aggregate remuneration (including salaries, contributions to pension scheme, housing allowances and other allowances and benefit in kind) of our Directors for the year ending 31 December 2015 is estimated to be no more than HK\$7,300,000.

## 2. Substantial Shareholders

So far as our Directors are aware as of the Latest Practicable Date, immediately following the completion of the Global Offering and the Capitalisation Issue assuming that the Over-allotment Option is not exercised and taking no account of any Shares that may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme, the following persons (other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings or any other member of our Group:

Name of shareholder	Nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding in our company immediately following the completion of the Global Offering and the Capitalisation Issue
Mr. Lo .....	Interest of controlled corporations	300,000,000(L)	75%
Good Target (Note 2) .....	Interest of controlled corporation	300,000,000(L)	75%
Ocean Asset (Note 2) .....	Interest of controlled corporation	300,000,000(L)	75%
SFK Group (Note 3) .....	Beneficial owner	300,000,000(L)	75%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Good Target and Ocean Asset are beneficially and wholly owned by Mr. Lo. By virtue of the SFO, Mr. Lo is deemed to be interested in the Shares held by SFK Group.
- (3) SFK Group is owned as to approximately 71.39% by Good Target, 18.94% by Ocean Asset, 3.54% by Growth Asset, 1.94% by Chief Champion Limited, 1.46% by Jemrick Holdings Limited, 1.06% by KSL Management Limited, 0.83% by LHS Management Limited, 0.46% by Worldrich Enterprises Limited, 0.22% by Easespeed Limited and 0.16% by Global Trinity Limited.

## 3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of our Company within the two years preceding the date of this prospectus.

#### 4. Disclaimers

Save as disclosed herein:

- (a) none of our Directors or chief executives of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;
- (b) none of our Directors or experts referred to under the heading “Other information — Qualification of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to our Company, or are proposed to be acquired or disposed of by or leased to our Company;
- (c) none of our Directors 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 Company taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, 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 Divisions 2 and 3 of Part XV of 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;
- (f) none of the experts referred to under the heading “Other information — Consents of experts” in this Appendix has any shareholding in our Company 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 our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

**D. OTHER INFORMATION****1. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our sole Shareholder passed on 19 November 2015.

**(a) Purpose**

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

**(b) Who may join**

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including independent non-executive directors) of our Company or any of its subsidiaries and joint operations; and
- (iii) any advisers, consultants, agents, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company or any of its subsidiaries and joint operations.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant.

(c) *Acceptance of an offer of options*

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance or payment in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such remittance or payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance or payment for the full amount of the exercise price for the Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance or payment and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the Grantee certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering, being 40,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the

number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser 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 (r) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the Listing Rules) (or his/her close associates if the Eligible Participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:
  - (aa) the Eligible Participant's name, address and occupation;



- (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
- (cc) the date upon which an offer for an option must be accepted;
- (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
- (ee) the number of Shares in respect of which the option is offered;
- (ff) the subscription price and the manner of payment of such price for the Shares on and in consequence of the exercise of the option;
- (gg) the date of expiry of the option as may be determined by the Board;
- (hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c); and
- (ii) other terms and conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of the Board are fair and reasonable but not being inconsistent with the Scheme and the Listing Rules.

(f) ***Price of Shares***

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) ***Granting options to a director, chief executive or substantial shareholder of our Company or any of their respective associates***

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules)



is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director (or any of their respective associates (as defined in the Listing Rules)) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by our Company and the approval of the shareholders in general meeting on a poll at which the grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(h) ***Restrictions on the times of grant of options***

A grant of options may not be made after inside information has come to our Company's knowledge until it has announced such inside information pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

- (ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the Listing Rules)

and ending on the date of actual publication of the results announcement, and where an option is granted to a Director:

- (iii) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) ***Rights are personal to grantee***

An option and an offer to grant an option shall be personal to the grantee and shall not be transferrable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) ***Time of exercise of option and duration of the Share Option Scheme***

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(k) ***Performance target***

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) ***Rights on ceasing employment or death***

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

- (i) by any reason other than death or termination of his/her employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or

- (ii) by reason of death, his/her personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(m) ***Rights on dismissal***

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offense involving his/her integrity or honesty, or has become insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally, his/her option will lapse and not be exercisable after the date of termination of his/her employment.

(n) ***Rights on takeover***

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) ***Rights on winding-up***

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily windup our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance or payment for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) ***Rights on compromise or arrangement between our Company and its members or creditors***

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of

the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) *Ranking of Shares*

Our Shares to be allotted upon the exercise of an option will not carry voting, dividend or other rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares issued and allotted on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercising the option.

(r) *Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer (if there is a price dilutive element), consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his/her opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approval independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option was entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or Joint Operations or the termination of his/her employment or contract on any one or more of the grounds that he/she has been guilty of serious misconduct, or has been convicted of any criminal offense involving his or her integrity or honesty, or in relation to an employee of our Group (if so determined by the Board), or has been insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally or any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) *Cancellation of options*

Subject to paragraph (i) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph (m).

(v) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) *Administration of the Board*

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within six calendar months from the Adoption Date:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) *Present status of the Share Option Scheme*

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange 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 40,000,000 Shares in total.

**2. Tax and other indemnities**

Our Controlling Shareholders entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries and its present Joint Operations) (being the contract referred to in the section headed “Information about our business — Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any claim to which any member of our Group may be subject and payable on or before the date when the Global Offering becomes unconditional and all losses, liabilities or damages suffered by it in connection with the claims and non-compliance of any legal and/or regulatory requirements of any jurisdiction on or before the date when the Global Offering becomes unconditional. For details, please refer to the section headed “Business — Legal proceedings and non-compliance — Non-compliance matters of our Group during the Track Record Period and up to the Latest Practicable Date” in this prospectus.

**3. Litigation**

As at the Latest Practicable Date, save as disclosed in paragraph headed “Legal proceeding and non-compliance” in Business section in this prospectus, our Group was not engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against our Group.

**4. Sole Sponsor**

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued upon the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fees are HK\$3,200,000 and are payable by our Company.

**5. Preliminary expenses**

The preliminary expenses incurred and paid by our Company were approximately HK\$78,000.

**6. Promoter**

Our Company has no promoter for the purposes of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

**7. Taxation of holders of Shares****(a) Hong Kong**

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the adjudicated of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

**(b) Bermuda**

Under current Bermuda legislation, there is no withholding tax, capital gains tax, income or profits tax, capital transfer tax, estate duty or inheritance tax payable in Bermuda by our Company or any shareholders who are resident outside Bermuda. Furthermore, our Company has obtained from the Minister of Finance in Bermuda, under the Exempted Undertakings Tax Protection Act, 1966 (as amended), an assurance that, in the event of there being enacted in Bermuda any legislation which in the future may impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, such tax shall not, until 31



March 2035, be applicable to our Company or to any of its operations, or to shares, debentures or other obligations of our Company except insofar as such tax applies to persons ordinarily resident in Bermuda and holding such shares, debentures or other obligations of our Company or to land in Bermuda leased or let to our Company.

As an exempted company, our Company is exempt from all stamp duties except on transactions involving “Bermuda property”. This term relates essentially to real and personal property physically situated in Bermuda, including shares in local (as opposed to exempted) companies.

(c) *Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept 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 or exercise of any rights attaching to them.

## 8. Qualification of experts

The following are the qualifications of the experts who have given their opinion or advice which are contained in, or referred to in this prospectus:

Name	Qualifications
Innovax Capital Limited .....	Licensed to conduct type 1 (dealing in securities), and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
KPMG .....	Certified Public Accountants
Conyers Dill & Pearman .....	Bermuda barristers and attorneys
DCSM Law Office .....	Macau legal adviser
Ipsos Limited.....	Industry consultant
Mr. Conrad Wan.....	Hong Kong barrister-at-law
Knight Frank Petty Limited.....	Independent property valuer

## 9. Consents of experts

Each of the experts named in paragraph 8 of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

**10. Interests of experts in our Company**

None of the persons named in paragraph 8 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

**11. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) so far as applicable.

**12. Miscellaneous**

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
  - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
  - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
  - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.
- (b) Save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries.
- (c) Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2015 (being the date to which the latest audited consolidated financial information of our Company were made up).
- (d) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

- (e) The principal register of members of our Company will be maintained in Bermuda by Codan Services Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in Bermuda. All necessary arrangements have been made to enable the Shares to be admitted to CCASS for clearing and settlement.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) Our Directors have been advised that under Bermuda law, the use of a Chinese name by our Company does not contravene Bermuda law.
- (h) We have no outstanding convertible debt securities or debentures.

**13. Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW, GREEN** and **PINK** Application Forms;
- (b) the written consents referred to in the section headed “Other information — Consents of experts” in Appendix IV to this prospectus; and
- (c) a copy of each of the material contracts referred to in the section headed “Information about our business — Summary of material contracts” in Appendix IV to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Sidley Austin at Level 39, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Bye-laws;
- (b) the Accountants’ Report from KPMG, the text of which is set out in Appendix I to this prospectus;
- (c) the report from KPMG in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for the financial years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015;
- (e) the Hong Kong legal opinions issued by Mr. Conrad Wan, a barrister-at-law in Hong Kong and our Hong Kong special legal counsel in respect of certain statements referred to in this prospectus;
- (f) the Macau legal opinion issued by DCSM Law Office, our Macau legal advisers in respect of our Group’s business operations and property interests in Macau;
- (g) the letter of advice from Conyers Dill & Pearman, our Bermuda legal adviser, summarising certain aspects of Bermuda company law referred to in “Summary of the Constitution of Our Company and Bermuda Company Law” in Appendix III to this prospectus;

**APPENDIX V****DOCUMENTS DELIVERED TO THE REGISTRAR  
OF COMPANIES AND AVAILABLE FOR INSPECTION**

- (h) the opinion on market rent issued by Knight Frank in respect of an office space and five car parking spaces leased or licensed by our Group in Hong Kong;
- (i) the Ipsos Report;
- (j) the Companies Act;
- (k) the material contracts referred to in the section headed “Information about our Business — Summary of material contracts” in Appendix IV to this prospectus;
- (l) the service agreements with each of the Directors referred to in the section headed “Further information about directors, chief executives and substantial shareholders — Directors — Particulars of service agreements and letters of appointment” in Appendix IV to this prospectus;
- (m) the written consents referred to in the section headed “Other information — Consents of experts” in Appendix IV to this prospectus; and
- (n) the rules of the Share Option Scheme.



**SFK Construction Holdings Limited**  
新 福 港 建 設 集 團 有 限 公 司