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Post Hearing Information Pack of

Prosper Construction Holdings Limited
瑞港建設控股有限公司

(the "**Company**")
(incorporated in the Cayman Islands with limited liability)

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Prosper Construction Holdings Limited
瑞港建設控股有限公司

(incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation and the [REDACTED])**
[REDACTED]	**:**	**Not more than HK$[REDACTED] per [REDACTED] and expected to be not less than HK$[REDACTED] per [REDACTED], 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$0.01 per Share**
Stock code	**:**	**[REDACTED]**

Sole Sponsor

Investec

[REDACTED], [REDACTED] and [REDACTED]

[REDACTED]

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A copy of this document, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in the section headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix V to this document, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this document or any of the other documents referred to above.

The [**REDACTED**] is expected to be fixed by agreement between the Sole Sponsor, and our Company on or around Monday, 11 July 2016 or such later time as may be agreed between the parties, but in any event, no later than Monday, 18 July 2016. If, for any reason, the Sole Sponsor and our Company are unable to reach an agreement on the [**REDACTED**] by Monday, 18 July 2016, the [**REDACTED**] will not proceed and will lapse immediately. The [**REDACTED**] will be not more than HK$1.25 per Offer Share and is currently expected to be not less than HK$1.00 per Offer Share unless otherwise announced. The Sole Sponsor may, with the consent of our Company, reduce the number of [**REDACTED**] being offered and/or the indicative [**REDACTED**] range below that stated in this document (being HK$1.00 per Offer Share to HK$1.25 per Offer Share) at any time on or prior to the morning of the last date for lodging applications under the [**REDACTED**]. In such a case, notices of the reduction in the number of [**REDACTED**] and/or the indicative [**REDACTED**] range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.prosperch.com** as soon as practicable but in any event not later than the morning of the day which is the last day for lodging applications under the [**REDACTED**]. For further information, please refer to the sections headed "Structure and conditions of the [**REDACTED**]" and "How to apply for [**REDACTED**] and [**REDACTED**]" in this document.

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

Pursuant to the termination provisions contained in the [**REDACTED**] in respect of the [**REDACTED**], the Sole Sponsor, for itself and on behalf of the other [**REDACTED**], have the right in certain circumstances, in its absolute discretion, to terminate the obligations of the [**REDACTED**] pursuant to the [**REDACTED**] at any time prior to 8:00 a.m. on the [**REDACTED**]. Further details of the terms of the termination provisions are set out in the paragraphs headed "Grounds for termination" in the section headed "[**REDACTED**]" in this document. It is important that you refer to that section for further details.

30 June 2016

EXPECTED TIMETABLE

[**REDACTED**]

EXPECTED TIMETABLE

[**REDACTED**]

EXPECTED TIMETABLE

[**REDACTED**]

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IMPORTANT NOTICE TO INVESTORS

This document is issued by our Company solely in connection with the [**REDACTED**] *and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the* [**REDACTED**] *offered by this document. This document 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 document to make your investment decision. Our Company, the Sole Sponsor, the [**REDACTED**] *and the* [**REDACTED**] *have not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representation not contained in this document must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the* [**REDACTED**]*, the* [**REDACTED**]*, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the* [**REDACTED**].

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This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this document. You should read the whole document including the appendices hereto, which constitute an integral part of this document, before you decide to invest in the [**REDACTED**]. *There are risks associated with any investment. Some of the particular risks in investing in the* [**REDACTED**] *are set out in the section headed "Risk factors" in this document. You should read that section carefully before you decide to invest in the* [**REDACTED**].

OVERVIEW

We are an established contractor based in Hong Kong providing marine construction services to both the private and public sectors, with projects in Hong Kong, Macao and Southeast Asia. Our marine construction services include dredging and non-dredging ground treatment works, reclamation works, pier construction works, offshore facilities foundation works and marine transportation while the remaining portion of our revenue was generated from the leasing and trading of vessels. Our Group has mainly been acting as a subcontractor in the majority of our projects in Hong Kong and overseas. We have our own fleet of vessels specifically designed to carry out marine construction works. As at the Latest Practicable Date, we owned a total of 29 vessels including piling barges, split hopper barges, flat top barges, grab dredgers, derrick lighters, tug boats, anchor boats and floating jetty barges, and a total of 67 construction works equipment including cranes, excavators, earth-moving machines, fork-lift trucks, pile hammers, air compressors and power generators.

Our significant marine construction projects

Our Group has participated in numerous major marine construction projects in Hong Kong since 2001 and commenced our operations in Southeast Asia and Macao in 2008 and 2014, respectively. Some of these significant projects include, among others:

Hong Kong and Macao

- Lamma Power Station Extension - Site Formation – dredging, reclamation, seawall, precast reinforced concrete units works;
- Stonecutters Bridge Project – construction of temporary jetties and marine transportation of steel deck segments;
- Shatin to Central Link Projects – setting up of barging facilities, public fill material transportation and disposal for the Kai Tak Barging Point Facilities and underwater rock filling works in Shek O and channel leveling works and trial trenching at Victoria Harbour;
- Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road Section between Scenic Hill and Hong Kong Boundary Crossing Facilities, Hong Kong, PRC and Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road Section between HKSAR Boundary and Scenic Hill, Hong Kong, PRC – reclamation works, construction of seawall, marine piling works and installation of casing and other related works;

- Wan Chai Development Phase II Central – Wan Chai Bypass at Wan Chai West – construction of seawall and reclamation work; and
- Macao New Town Reclamation Area E1 Reclamation and Seawall Construction project – reclamation works, construction of seawalls and ground improvement works.

Overseas

- Indonesia Palabuhan Ratu Power Plant Project (3x350MW Power Station at Palabuhan Ratu District in Sukabumi Sub-Province in West Java, Indonesia) – construction of breakwater;
- Four contracts providing ground improvement works and ground improvement testing works for the site formation project at the Son Duong Port and an integrated steel mill in Ha Tinh, Vietnam;
- Indonesia Sukabumi Pelletising Plant Project at Tegal Buleud, Indonesia – construction of jetty and approach bridge; and
- Indonesia Bintan Island Port Construction project – marine pile foundation and revetment works.

For details of the significant marine construction projects in which our Group has participated and details of our contracts on hand as at the Latest Practicable Date, please refer to the paragraphs headed "Our significant marine construction projects" and "Contracts on hand as at Latest Practicable Date" in the section headed "Business" in this document.

During the Track Record Period, our Group completed a total of seven contracts comprising of four contracts located in Hong Kong, one contract located in Vietnam and two contracts located in Indonesia. As at the Latest Practicable Date, we have a total of 11 contracts on hand located in Hong Kong, Macao and Indonesia with an aggregate contract sum of approximately HK$1,864.9 million, of which approximately HK$1,004.9 million (excluding variations and claims) had been recognised as revenue during the Track Record Period and the amount of revenue expected to be recognised from these contracts on hand for each of the two years ending 31 December 2016 and 2017 are approximately HK$680.0 million and HK$184.7 million, respectively.

Future business opportunities from the OBOR

In November 2014, President Xi Jinping announced the OBOR for China, which refers to the establishment of an economic land belt that includes countries on the original Silk Road through Central Asia, West Asia, the Middle East and Europe, as well as a maritime road that links China's port facilities with the African coast. The policy aims to promote economic cooperation among the countries within such regions by linking transportation infrastructures, sharing of port resources and facilitating increased economic cooperation and trade. According to the Euromonitor Report, the OBOR has the potential to become an economic driving force for Hong Kong over the next few decades. Hong Kong can serve as a hub for trade, logistics

and finance between the PRC and Southeast Asia under the OBOR framework. This will in turn require further marine construction works in Hong Kong in the future. In respect of overseas opportunities, we believe that major state-owned construction enterprises in the PRC are likely to continue to invest more resources and undertake more infrastructure projects in less economically developed countries in Southeast Asia such as Indonesia, Vietnam, Cambodia, etc. in view of the OBOR. Such less economically developed countries, with their limited economic resources and experience in infrastructure projects, are likely to welcome increased investments in their infrastructure to improve access, trade and standards of living. Our key customers are the key participants and beneficiaries of this policy and business from these key customers for marine and other construction works is expected to increase as a result of implementation of the OBOR.

For each of the three years ended 31 December 2013, 2014 and 2015, aggregate revenue generated from Vietnam and Indonesia represented approximately 38.4%, 39.9% and 56.2%, respectively, of our total revenue. We will continue to pursue new business opportunities in overseas markets, particularly in response to the anticipated increase in business opportunities in Southeast Asia driven by the OBOR. Leveraging on our overseas project experience in various countries in Southeast Asia within the ambit of the OBOR, and our technical experience in solving problems encountered in marine construction works that comply with international standards and requirements, we believe we have a first-mover advantage over our competitors in Hong Kong and the PRC, respectively. By continuing to work closely with our customers in the PRC, which are major state-owned enterprises in the construction and infrastructure industries, we leverage on their business network and contacts and learn of new business opportunities for marine construction projects in Southeast Asia. With such strategy, we believe we are well-positioned to capture the increased business opportunities in Southeast Asia driven by the OBOR.

Synergy with a strategic investor

On 5 February 2016, our Company, Sky Hero, Mr. Cui and CITICC entered into the CITICC [**REDACTED**] Investment Agreement in order to strengthen the relationship between our Group and CITICC, pursuant to which CITICC subscribed for 750 Shares and purchased 750 Shares from Sky Hero (together representing 15% of the shareholding of our Company at the time of completion of such [**REDACTED**] investment) for a total cash consideration of HK$72.0 million. The CITICC [**REDACTED**] Investment Agreement was completed on 11 February 2016. CITICC is a limited liability company incorporated on 16 April 2015 under the laws of Hong Kong. CITICC is wholly-owned by CITIC Construction Co., Ltd. which is wholly-owned by CITIC Limited, a PRC conglomerate listed on the Main Board of the Stock Exchange (stock code: 267). In July 2015, CITIC Construction Co., Ltd. entered into a non-legally binding memorandum of understanding with our Group for the potential joint venture bidding of a construction project regarding the third runway of the Hong Kong International Airport, where our Group and CITIC Construction Co., Ltd. shall be interested in 40% and 60% of the joint venture, respectively. Tendering for the project commenced in April 2016 and is expected to close in August 2016. Further details of the joint venture will be determined through a formal agreement to be entered into between both parties which is currently under negotiation.

OUR KEY COMPETITIVE STRENGTHS

Our Group's competitive advantages are the availability of our own vessels and equipment, work experience and credibility cultivated from years of experience in the industry, robust collaboration with stakeholders in the industry and a wide customer network.

In particular, our Directors believe the following key competitive strengths enable our Group to compete effectively in the marine construction industry in Hong Kong, Macao and Southeast Asia:

- We own a broad range of vessels to optimise our provision of marine construction works and leasing and trading of vessels.
- We have an experienced management team with in-depth technical background and comprehensive knowledge and experience in the industry.
- Our track record and extensive experience have allowed us to build a solid customer base and enabled us to build strong relationships with our customers.
- We are well-positioned to capture opportunities in overseas markets.

For further details of our competitive strengths, please refer to the paragraphs headed "Our competitive strengths" in the section headed "Business" in this document.

OUR STRATEGIES

To continue to grow our business, we intend to utilise the following business strategies:

- Expand our capacity to capture attractive growth opportunities.
- Expand our management team and upgrade our overall techniques and capabilities.
- Capture increased business opportunities from the OBOR and boost our international profile and reputation in the industry.
- Continue to strengthen our market position in Hong Kong by taking up more projects to increase profit and market share.
- Further develop our business in Macao and aim to take up more projects as the main contractor to increase market share and to generate higher profit.
- Maintain our cost structure and operational efficiency.

For a more in-depth discussion on our strategies, please refer to the paragraphs headed "Our strategies" in the section headed "Business" in this document.

HIGHLIGHTS OF RISK FACTORS

There are certain risks involved in our operations which are set out in the section headed "Risk factors" of this document. This is not a comprehensive or conclusive summary of the risk factors faced by our Group and is intended to be a brief summary of what our Directors consider to be the major risk factors faced by us. You should read the "Risk factors" section in its entirety before you decide to invest in the [**REDACTED**]. Some of the major risk factors are as follows:

- Our performance is dependent on the general economic conditions and policies of the markets in which we operate, especially the construction industry, which is cyclical in nature.
- Our performance is dependent on the level of government spending on infrastructure.
- Our future gross and net profit margins are dependent on our contracts on hand and our marine construction projects to be secured.
- Competition in the markets in which we operate could reduce our market share and business results.
- Our overseas operations are subject to various risks and uncertainties.
- In some of the countries in which we operate, the risk of corruption, bribery and other unethical practices may result in a risk of delay in our works, as well as a risk of being accused of such practices.
- Our business operates under various permits or licences for our operations and the loss of or failure to obtain or renew any or all of these permits or licences could materially and adversely affect our business, such as in August 2015 when our eligibility to tender for certain public works was temporarily suspended due to our late filing of the audited accounts of HKR for the year ended 31 December 2014 with the Development Bureau.
- Our ability to compete for projects largely depends on the availability of vessels and equipment.
- Our customers pay us by way of progress payments and require retention money, requiring us to maintain a sufficient amount of working capital and cash flow, and we are exposed to our customers' credit risks. Any delay in progress payments or release of retention money may affect our working capital and cash flow.

TENDER SUCCESS RATE

The table below sets out the number of projects we have tendered for and the number of projects we have been awarded (including projects awarded to unincorporated joint ventures of which our Group is a part) during the Track Record Period:

	Hong Kong	Macao	Overseas	Total
Total number of projects tendered for	34	1	5	40
Total number of projects awarded	5	1	3	9
Success rate	14.7%	100.0%	60.0%	22.5%

COMPETITIVE LANDSCAPE

The competitive landscape of the marine construction industry in the locations in which we operate and have contracts on hand as at the Latest Practicable Date, namely Hong Kong, Macao and Indonesia, is more concentrated at the segment of large scale projects with fewer large scale companies acting as main contractors, supported by a large number of companies of smaller scale at the more fragmented subcontractor level. In the marine construction industry in Hong Kong, Macao and other countries in which our Group has operations, we primarily assume the role of subcontractor, and we maintain good long-term relationships with main contractors in the industry. In terms of the overall gross value/output of marine construction projects in Hong Kong, we managed to acquire a market share of approximately 1.4%, 0.8% and 0.4% in 2013, 2014 and 2015, respectively. Out of the overall gross value/output of marine construction projects in Indonesia, our Group's market share was approximately 0.5%, 0.4% and 1.1% in 2013, 2014 and 2015, respectively.

Gross value/output of marine construction works in Hong Kong grew at a CAGR of 24.1% between 2010 and 2015 to reach HK$19.1 billion in 2015. It is forecasted that the gross value of marine construction works in Hong Kong in the forecast period of 2016 to 2020 will increase at a moderate CAGR of 9.8% to reach HK$30.5 billion in 2020.

Gross value/output of marine construction works in Macao stood at MOP 2.0 billion in 2014, representing a CAGR of 39.4% from MOP 532.3 million since 2010. Growth was driven by increasing construction value of piers, wharves and other port works as well as land formation. Following the conclusion of the reclamation project (along with the expected completion of the Hong Kong-Zhuhai-Macao Bridge project in 2016-2017), the gross value of marine construction works in Macao is forecasted to decrease in 2017 and in subsequent years due to year-on-year performance of the marine construction industry in Macao being less stable than the overall construction industry in Macao as marine construction relies wholly on government projects.

Gross value/output of marine construction works in Indonesia grew at a CAGR of 9.1% between 2010 and 2014. It is forecasted that the gross value of marine construction in Indonesia in the forecast period of 2015 to 2019 will increase at a CAGR of 12.9% to reach IDR69.6 trillion by 2019.

For an overview of the marine construction industry in Hong Kong and overseas jurisdictions where our Group operates, please refer to the section headed "Industry overview" in this document.

CONTROLLING SHAREHOLDERS

Immediately following completion of the [**REDACTED**] and the Capitalisation Issue, and without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] and the exercise of any options which may be granted under the Share Option Scheme, our Controlling Shareholders, namely Mr. Cui, Solid Jewel and Sky Hero together will hold approximately 63.75% of the issued share capital of the Company.

As at the Latest Practicable Date, Mr. Cui, together with his spouse, had an indirect interest in China State Port which is mainly engaged in marine construction activities. As such, China State Port may compete with our Group. As at the Latest Practicable Date, approximately 84.63% of the shareholding interest of China State Port is ultimately owned by Independent Third Parties, while Mr. Cui and his spouse only own a minority shareholding interest of approximately 15.37% in this company through Shenzhen Changsheng. Although Mr. Cui was the vice chairman of the board of directors of China State Port as a representative from Shenzhen Changsheng, he did not participate in the day-to-day management and administrative matters of this company. As confirmed by Mr. Cui, the principal reason for the investment by Shenzhen Changsheng in China State Port was to enable Shenzhen Changsheng to participate in certain marine construction works in the PRC by establishing a strategic business relationship with China State Port through this investment. Our Directors consider that Mr. Cui's interest in China State Port should not have any effect on our Group's ability to carry out our business independently of and at arm's length from the business operated by China State Port. In addition, Mr. Cui will abstain from any decision making of our Group in the event that there is a conflict of interest with China State Port.

Each of our Controlling Shareholders (namely Sky Hero, Solid Jewel and Mr. Cui) has confirmed that, save as disclosed in this document, none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business. To protect our Group from any potential competition, each of our Controlling Shareholders has given an unconditional and irrevocable Non-Competition Undertaking in favour of our Company (for itself and for the benefit of its subsidiaries) on 22 June 2016.

CONTINUING CONNECTED TRANSACTIONS

According to industry practice, certain main contractors would require the subcontractor to provide performance guarantees in the form of (i) performance bond to be given by third parties such as an insurance company or a bank; or (ii) guarantee to be given by the controlling shareholder (either an individual or an entity such as a company, as the case may be) of the subcontractor. During the Track Record Period, Mr. Cui had provided personal guarantees as

performance guarantees ("**Performance Guarantees**") in relation to the performance of HKR regarding two marine construction projects in Hong Kong, one of which was completed in November 2011 and the other is expected to be completed by 2017. We have requested the said contractors to release the Performance Guarantees and/or to accept guarantee provided by our Company in place of the Performance Guarantees but our request had not been granted by the said contractors as at the Latest Practicable Date. Therefore, it is expected that the Performance Guarantees will continue for a certain period of time after [**REDACTED**]. As such, Mr. Cui will be providing financial assistance to our Group upon [**REDACTED**], but they will be fully exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 18 March 2016, Shenzhen Changsheng and Prosper BVI entered into a vessel chartering framework agreement pursuant to which our Group will continue to charter vessels from Shenzhen Changsheng for a term commencing from 18 March 2016 and ending on 31 December 2017, for the purpose of performing marine construction works in the Macao Project. Shenzhen Changsheng is a company established in the PRC and mainly provides marine construction services and trading and leasing of vessels in the PRC. Shenzhen Changsheng is owned as to 20% by Mr. Cui and the remaining 80% by a company which is owned as to 90% by Mr. Cui and 10% by Ms. Mu. The proposed annual caps for the on-going transactions contemplated under the vessel chartering framework agreement are HK$15,360,000 and HK$3,960,000 for each of the two years ending 31 December 2016 and 2017, respectively. Such transactions constitute continuing connected transactions for our Company and are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

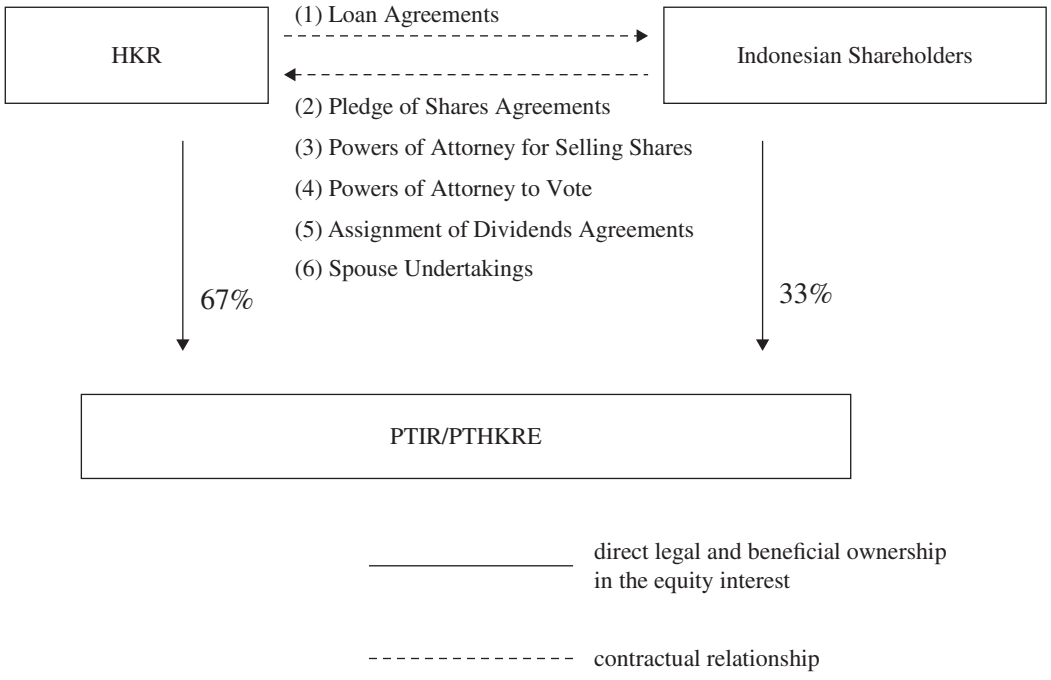
Pursuant to Indonesia law, the maximum foreign ownership in a company engaging in the construction of harbour/port is limited to 67%. As at the Latest Practicable Date, each of PTIR and PTHKRE was held as to 67% shareholding interest by our Group. To consolidate control over and derive the economic benefits and risks from the remaining 33% of the shareholding interest in each of PTIR and PTHKRE, HKR has entered into contractual arrangements with the relevant Indonesian Shareholder in each of PTIR and PTHKRE, being Johannes Wargo and Harris, respectively. The Contractual Arrangements consist of (i) Loan Agreements; (ii) Pledge of Shares Agreements; (iii) PoA for Selling Shares; (iv) PoA to Vote; (v) Assignment of Dividends Agreements; and (vi) Spouse Undertakings. For details and principal terms of these contracts, please refer to the section headed "Contractual Arrangements" in this document. Such transactions constitute continuing connected transactions of our Company and are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details of the abovementioned non-exempt continuing connected transactions and our fully-exempt continuing connected transactions, please refer to the section headed "Continuing connected transactions" in this document.

CONTRACTUAL ARRANGEMENTS

We are an established contractor based in Hong Kong providing marine construction services to both the private and public sectors, with projects in Hong Kong, Macao and Southeast Asia. Pursuant to Indonesia law, the maximum foreign ownership in a company engaging in the construction of harbour/port is limited to 67%. Please refer to the paragraphs headed "Laws and regulations in Indonesia" in the section headed "Regulatory overview" in this document for further details in relation to the applicable laws and regulations in Indonesia. As at the Latest Practicable Date, each of PTIR and PTHKRE was held as to 67% shareholding interest by us, while the remaining 33% of the shareholding interest of each of PTIR and PTHKRE were held by an Indonesian Shareholder. To consolidate control over and derive the economic benefits and risks from the remaining 33% of the shareholding interest in each of PTIR and PTHKRE, HKR has entered into the Contractual Arrangements with the Indonesian Shareholder of each of PTIR and PTHKRE.

The following diagram illustrates the structure of the Contractual Arrangements:



As described in the section headed "Contractual Arrangements" in this document, according to our Indonesia Legal Adviser, the Contractual Arrangements are in compliance with the relevant Indonesia laws and the agreements under the Contractual Arrangements are valid and legally binding on the Indonesian Shareholders and HKR under Indonesia laws. Please refer to the section headed "Contractual Arrangements" in this document for details of the Contractual Arrangements and the paragraphs headed "Risks relating to the Contractual Arrangements" in the section headed "Risk factors" in this document for details of the risks association with the Contractual Arrangements.

SUMMARY OF FINANCIAL INFORMATION

The tables below present selected financial information derived from our combined financial statements set out in the Accountant's Report included in Appendix I to this document. The following information should be read in conjunction with our combined financial statements and related notes in the Accountant's Report and the section headed "Financial information" in this document.

Combined Statements of Comprehensive Income

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	396,168	272,760	572,928
Gross profit	49,814	52,922	114,941
Profit and total comprehensive income attributable to equity holders of the Company	33,907	37,060	95,998*(Note)*

Note: The amount includes a gain on disposal of investment in an associate of approximately HK$19.5 million.

Combined Balance Sheets

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	258,219	253,869	375,312
Total equity	118,776	135,836	171,834
Total liabilities	139,443	118,033	203,478

Combined Statements of Cash Flows

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Net cash generated from operating activities	15,282	14,588	93,714
Net cash used in investing activities	(20,653)	(5,604)	(20,658)
Net cash (used in)/generated from financing activities	(2,345)	5,857	(13,634)
Net increase/(decrease) in cash and cash equivalents	(7,716)	14,841	59,422
Cash and cash equivalents at beginning of the year	16,287	8,571	23,412
Cash and cash equivalents at end of the year	8,571	23,412	82,834

Key Financial Ratios

The following table sets out key financial ratios of our Group during the Track Record Period:

	As at 31 December		
	2013	**2014**	**2015**
Current ratio	1.42 times	1.73 times	1.46 times
Gearing ratio	0.21 times	0.22 times	0.14 times
Debt to equity ratio	0.12 times	0.01 times	N/A

	Year ended 31 December		
	2013	**2014**	**2015**
Return on assets	13.1%	14.6%	25.6%
Return on equity	28.5%	27.3%	55.9%
Interest coverage	33.59 times	34.74 times	104.48 times

Revenue by business segment

The following table sets out a breakdown of our Group's revenue generated during the Track Record Period from (i) marine construction works; (ii) leasing of vessels; and (iii) trading of vessels:

	Year ended 31 December					
Revenue Contribution	**2013**		**2014**		**2015**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Marine construction works	368,188	92.9	257,806	94.5	553,130	96.5
Leasing of vessels	877	0.2	10,222	3.8	2,048	0.4
Trading of vessels	27,103	6.9	4,732	1.7	17,750	3.1
Total	396,168	100.0	272,760	100.0	572,928	100.0

Revenue by geographic location

During the Track Record Period, we generated revenue in Hong Kong, Macao, Indonesia and Vietnam. Most of our overseas revenue was generated from marine construction works. The following table sets out the revenue generated by geographic location for the periods indicated:

	Year ended 31 December					
	2013		2014		2015	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Hong Kong	243,876	61.6	163,918	60.1	100,280	17.5
Indonesia	110,928	28.0	90,695	33.3	321,727	56.2
Vietnam	41,364	10.4	18,147	6.6	–	0.0
Macao	–	0.0	–	0.0	150,921	26.3
	396,168	100.0	272,760	100.0	572,928	100.0

Gross profit

The table below sets out a breakdown of gross profit and gross profit margin of our Group during the Track Record Period:

	Year ended 31 December					
	2013		2014		2015	
	HK$'000	*Gross profit margin %*	*HK$'000*	*Gross profit margin %*	*HK$'000*	*Gross profit margin %*
Gross profit	49,814	12.6	52,922	19.4	114,941	20.1
Gross profit by business segment						
Marine construction works	45,301	12.3	37,968	14.7	109,652	19.8
Leasing of vessels	162	18.5	10,222	100.0	1,962	95.8
Trading of vessels	4,351	16.1	4,732	100.0	3,327	18.7
Gross profit by geographic location						
Hong Kong	28,356	11.6	37,520	22.9	19,182	19.1
Indonesia	13,445	12.1	11,886	13.1	68,380	21.3
Vietnam	8,013	19.4	3,516	19.4	–	–
Macao	–	–	–	–	27,379	18.1

For further details of financial information during the Track Record Period, please refer to the section headed "Financial information" in this document.

Customers, suppliers and subcontractors

For each of the three years ended 31 December 2013, 2014 and 2015, our Group's total revenue attributable to our Group's top five customers in aggregate accounted for approximately 75.7%, 72.6% and 82.0% of our total revenue, respectively, while the revenue attributable to our Group's largest customer accounted for approximately 27.7%, 25.8% and 39.5% of our total revenue, respectively.

For each of the three years ended 31 December 2013, 2014 and 2015, purchases from our top five suppliers in aggregate accounted for approximately 54.0%, 43.6% and 43.1% of our total purchases, respectively. Most of our top five suppliers are suppliers of raw materials. Our largest raw materials supplier accounted for approximately 20.4%, 15.8% and 16.0% of our total purchases, respectively, in each of the three years ended 31 December 2013, 2014 and 2015.

For each of the three years ended 31 December 2013, 2014 and 2015, subcontracting fees paid to our top five subcontractors in aggregate accounted for less than 30% of our total cost of sales.

Our top five customers during the Track Record Period comprised of (i) subsidiaries of PRC state-owned enterprises specialising in infrastructure, transportation, construction of public facilities such as ports and electricity generation; (ii) subsidiaries of construction companies principally engaged in building construction and civil engineering which are listed on the Stock Exchange; (iii) MTR Corporation Limited, which provides public railway services in Hong Kong and is listed on the Stock Exchange; (iv) the Macao Government; (v) a private Hong Kong marine construction company; (vi) a local Indonesian coal and charcoal production company; and (vii) a local Indonesian wharf engineering company. Most of our top five customers acted as the main contractors of the relevant projects, while MTR Corporation Limited and the Macao Government acted as the employers of the relevant projects.

Our top five suppliers during the Track Record Period comprised of (i) suppliers of raw materials including landfilling materials, steel and diesel; (ii) providers of vessels and equipment leasing services; and (iii) providers of logistics arrangement services. Most of these suppliers are either based in Hong Kong or the PRC, and one of them is a local Indonesian company. For further details of our top five customers and top five suppliers during the Track Record Period, please refer to the paragraphs headed "Top five customers" and "Top five suppliers" in the section headed "Business" in this document.

All of our Group's top five customers, top five suppliers and top five subcontractors during the Track Record Period were Independent Third Parties. None of our Directors, their close associates or our Shareholders (whom to the knowledge of our Directors own more than 5% of the issued shares of the Company) had any interest in any of our Group's top five customers, top five suppliers and top five subcontractors for the Track Record Period.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that since 31 December 2015 (being the date to which the latest audited combined financial information of our Group were made up) and up to the date of this document, there has been no material adverse change in the financial or trading position or prospects of our Group. Furthermore, there has been no event since 31 December 2015 and up to the date of this document which would materially and adversely affect the information shown in the Accountant's Report set out in Appendix I to this document.

After the Track Record Period, our Group had a significant increase in borrowings as at 30 April 2016 compared with 31 December 2015. Our Group's gearing ratio as at 30 April 2016 was 0.33.

Based on our contracts on hand as at the Latest Practicable Date, in the event we are not able to secure more marine construction projects with higher gross profit margins in future, the gross profit margin for the year ended 31 December 2015 is expected to be higher than that for the year ending 31 December 2016, mainly due to (i) revenue from successful claims from the Palabuhan Ratu Power Plant project being recognised but no associated costs recorded for the year ended 31 December 2015 since such works had been completed prior to the Track Record Period; and (ii) the expected gross profit margin of the Merak Cement Grinding Project Supporting Specialised Wharf Engineering for the year ending 31 December 2016 being lower than our Group's other projects as our Group intends to enhance its business relationship with the recurring project owner.

Based on our contracts on hand as at the Latest Practicable Date, in the event we are not able to secure more marine construction projects with higher gross profit margins in future, the net profit margin for the year ended 31 December 2015 is expected to be higher than that for the year ending 31 December 2016, mainly due to (i) our Group recorded higher gross profit margin for the year ended 31 December 2015 for the reasons explained above; (ii) the expected increase in administrative expenses for the year ending 31 December 2016 due to expected increases in staff wages, administrative staff headcount, executive Directors' salaries and remunerations for independent non-executive Directors to be incurred upon [**REDACTED**]; (iii) the effective tax rate of the Group is expected to be higher for the year ending 31 December 2016 as a result of a combination of the expected increase in revenue to be generated from Indonesian projects and the effective tax rate in Indonesia being higher than that in Hong Kong and Macao; and (iv) the expected increase in professional fees incurred for the [**REDACTED**] in the year ending 31 December 2016.

DIVIDENDS AND DIVIDEND POLICY

For each of the three years ended 31 December 2013, 2014 and 2015, the dividends declared by our Group amounted to nil, HK$20.0 million and HK$60.0 million, respectively. No dividend had been declared subsequent to the Track Record Period and up to the Latest Practicable Date.

Following completion of the [**REDACTED**], our Shareholders will be entitled to receive dividends only when declared by our Board. The payment and amount of dividends declared by our Board will depend upon our Group's (a) overall results of operation; (b) financial

position; (c) capital requirements; (d) shareholders' interests; (e) future prospects; and (f) other factors which our Board deems relevant. In addition, our Controlling Shareholders, subject to the Articles of Association, may influence our dividend policy. Prospective investors should note that historical dividend distributions are not indicative of our future dividend distribution policy and there is no guarantee that dividends will be paid in future. After completion of the [**REDACTED**], our Directors' priority will be to retain earnings in order to facilitate capital growth and expansion of our Group. We expect to pay not less than 30% of our distributable net profit for the year ending 31 December 2016 as dividends. However, we cannot guarantee that we will be able to make any dividend distributions in the aforesaid proportion of net profit, or at all, in any future year beyond 2016.

For further information on our dividend policy, please refer to the paragraphs headed "Dividends and dividend policy" in the section headed "Financial information" in this document.

USE OF PROCEEDS

We estimate that the aggregate net proceeds from the [**REDACTED**], after deducting [**REDACTED**] commissions and estimated expenses paid and payable by our Company in connection thereto (assuming the [**REDACTED**] is not exercised), to be approximately HK$190.0 million, assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, which is the mid-point of the proposed [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per Share. We intend to apply such net proceeds in the following manner:

- approximately HK$171.0 million or approximately 90% of the net proceeds for acquisition of vessels and equipment with respect to future projects. We intend to acquire a total of nine types of vessels and equipment, including split hopper barges, flat top barges, tug boats, cranes, excavators and other vessels, on or before 31 December 2018, with costs of each vessel and equipment ranging from approximately HK$1.0 million to approximately HK$50.0 million; and

- approximately HK$19.0 million or approximately 10% of the net proceeds will be used as general working capital of our Group for purposes such as payment of performance bonds for our future projects, purchase of raw materials and rental of vessels and equipment.

For further details, please refer to the section headed "Future plans and use of proceeds" in this document.

[**REDACTED**] STATISTICS

The statistics below are based on the assumption that [**REDACTED**] are issued under the [**REDACTED**]:

	Based on the minimum indicative [REDACTED] of HK$[REDACTED] per Share	**Based on the maximum indicative [REDACTED] of HK$[REDACTED] per Share**
Market capitalisation at [**REDACTED**] *(Note 1)*	HK$[**REDACTED**]	HK$[**REDACTED**]
Unaudited pro forma adjusted net tangible assets per Share *(Note 2)*	HK$[**REDACTED**]	HK$[**REDACTED**]

Notes:

1. The calculation of our market capitalisation is based on 800,000,000 Shares which will be in issue immediately following completion of the [**REDACTED**], but takes no account of any Shares which may be allotted and issued pursuant to the exercise of any [**REDACTED**] and any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate to issue shares and general mandate to repurchase shares, as described in the section headed "Share capital" in this document.

2. The unaudited pro forma net tangible assets per Share is calculated after the adjustments referred to in the section headed "Unaudited pro forma financial information" in Appendix II to this document and on the basis of a total of 800,000,000 Shares being in issue, assuming that the [**REDACTED**] had been completed on 31 December 2015. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of any [**REDACTED**] and any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate to issue shares and general mandate to repurchase shares, as described in the section headed "Share capital" in this document.

[**REDACTED**] EXPENSES

The total amount of [**REDACTED**] expenses and commissions borne by us in connection with the [**REDACTED**] is estimated to be approximately HK$35.0 million.

We incurred approximately HK$[**REDACTED**] in [**REDACTED**] expenses during the Track Record Period, which was recorded under administrative expenses. We expect to incur additional [**REDACTED**] expenses of approximately HK$[**REDACTED**] after the Track Record Period, of which approximately HK$[**REDACTED**] is expected to be recognised as administrative expenses in the consolidated statement of comprehensive income for the year ending 31 December 2016 and the remaining amount is expected to be capitalised after [**REDACTED**].

NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, there were certain non-compliance incidents of our Group, namely, (i) failure to apply for a contractor permit in implementing a project in Vietnam; (ii) failure to establish an operation office in Vietnam for the implementation of the project; (iii) failure to obtain a construction licence in Indonesia before commencing a project in Indonesia; (iv) failure to pay branch profits tax in Indonesia for a project; and (v) entering into two contracts for projects in Indonesia which were not written in the official language of Indonesia in accordance with Indonesia law.

For further details of each of the above non-compliance incidences and the respective rectification actions taken by our Group (including our enhanced internal control measures to prevent recurrence of the non-compliances), please refer to the paragraphs headed "Non-compliance" in the section headed "Business" in this document.

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

"Affiliate"	any person or entity, directly or indirectly, controlling, controlled by or under direct or indirect common control with another person or entity
	[**REDACTED**]
"Appropriation Bill"	a bill which provides for appropriation from the general revenue in respect of the approved estimates of expenditure on the services of the Government for a financial year
"Appropriation Ordinance"	an ordinance which provides for appropriation from the general revenue in respect of the approved estimates of expenditure on the services of the Government for a financial year
"Articles" or "Articles of Association"	the articles of association of our Company adopted on 22 June 2016 and as amended from time to time, a summary of which is set out in the paragraph headed "2. Articles of Association" in Appendix III to this document
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which licenced banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate

"Capitalisation Issue"	the issue of 599,990,000 Shares upon capitalisation of part of the share premium account of our Company referred to in the paragraph headed "Resolutions in writing of our Shareholders passed on 22 June 2016" under the section headed "Further information about the Company" in Appendix IV to this document
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person permitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China State Port"	China State Construction Port Engineering Group Corporation Limited* (中建築港集團有限公司), a company established in the PRC, and held as to approximately 84.63% by two Independent Third Parties and approximately 15.37% by Mr. Cui and his spouse through Shenzhen Changsheng
"CHKRJV"	Concentric-Hong Kong River Joint Venture, an unincorporated joint venture formed on 13 August 2012 between Concentric and HKR
"CITICC" or "[**REDACTED**] Investor"	CITICC International Investment Limited, a limited liability company incorporated on 16 April 2015 under the laws of Hong Kong, the [**REDACTED**] investor under the CITICC [**REDACTED**] Investment Agreement

"CITICC [**REDACTED**] Investment Agreement"	the agreement dated 5 February 2016 and entered into between our Company, Sky Hero, Mr. Cui and CITICC International Investment Limited, pursuant to which CITICC conditionally agreed to subscribe for 750 Shares and purchase 750 Shares from Sky Hero for an aggregate cash consideration of HK$72,000,000
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"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"	Prosper Construction Holdings Limited (瑞港建設控股有限公司), a company limited by shares incorporated in the Cayman Islands on 6 October 2015
"Concentric"	Concentric Construction Limited (協力建業有限公司), a company incorporated in Hong Kong, our joint venture partner in the CHKRJV and an Independent Third Party, and according to publicly available information as at the Latest Practicable Date, it is a wholly-owned subsidiary of Man King Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock code: 2193)
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Contractual Arrangements"	a series of contractual arrangements entered into between HKR and the respective Indonesian Shareholder in relation to the 33% shareholding interest in PTIR and PTHKRE, respectively, details of which are set out in the section headed "Contractual Arrangements" in this document

"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and in the context of this document, refers to Mr. Cui, Solid Jewel and Sky Hero individually or as a group of persons where the context requires
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"CPL"	Creator Pacific Limited (海廣有限公司), a company incorporated in Hong Kong on 9 March 2001 and an indirect wholly-owned subsidiary of our Company
"Deed of Indemnity"	the deed of indemnity dated 22 June 2016 entered into by our Controlling Shareholders with and in favour of our Group relating to, among other matters, the tax liabilities of our Group
"Director(s)"	the director(s) of our Company
[**REDACTED**]	all full-time employee(s) of our Group who joined our Group on or before the date falling three months prior to the Latest Practicable Date and who (a) is at least 18 years of age; (b) has a Hong Kong address and is a holder of a Hong Kong Identity Card; (c) remains as a full-time employee of our Company or any of our subsidiaries, and is not on probation, as at the Latest Practicable Date; (d) has not tendered 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) is not the chief executive or director of our Company or any of our subsidiaries; (f) is not an existing beneficial owner of Shares and/or any of our subsidiaries; (g) not an associate of (e) or (f); and (h) is not any other connected persons of our Company

[**REDACTED**]

"Euromonitor Report"	an industry report prepared by Euromonitor International Limited which was commissioned by us in relation to, among other things, the marine construction works industry in Hong Kong, Macao, Indonesia and Vietnam
"Government"	the government of Hong Kong
	[**REDACTED**]
"Group"	our Company and our subsidiaries or any of them or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, its present subsidiaries or entities which carried on the business currently operated by such subsidiaries at the relevant time or (as the case may be) their predecessors
	[**REDACTED**]
"HKFRS(s)"	Hong Kong Financial Reporting Standard(s)
"HKR" or "Hong Kong River"	Hong Kong River Engineering Company Limited (香港瑞沃工程有限公司), previously known as Allied World Engineering Limited (合和工程有限公司), a company incorporated in Hong Kong on 8 August 1995 and an indirect wholly-owned subsidiary of our Company
"HKR-ASL"	HKR-ASL Joint Venture Limited (香港瑞新聯營有限公司), a company incorporated in Hong Kong on 19 July 2005, which was directly owned as to 50% by HKR and 50% by ASL Project Services PTE Limited, an Independent Third Party which was in the process of deregistration as at the Latest Practicable Date
	[**REDACTED**]

[**REDACTED**]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Legal Counsel"	Mr. Leung Wai-Keung, Richard, barrister-at-law and our legal counsel as to certain aspects of Hong Kong law in connection with the [**REDACTED**]

[**REDACTED**]

"Independent Non-Executive Director(s)" or "INED(s)"	the independent non-executive Director(s) of our Company
"Independent Third Party(ies)"	individual(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company or its connected person(s)
"Indonesia Legal Adviser"	Hutabarat Halim & Rekan, the legal advisers of our Company as to Indonesia law in connection with the [**REDACTED**]
"Indonesian Shareholders"	Johannes Wargo, the registered holder of 33% shareholding interest in PTIR, and Harris, the registered holder of 33% shareholding interest in PTHKRE, and an "Indonesian Shareholder" shall be construed accordingly depending on the context
"Investec" or "Sole Sponsor"	Investec Capital Asia Limited, a licenced corporation to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the sole sponsor to the [**REDACTED**]
"IRO"	Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"Latest Practicable Date"	23 June 2016, being the latest practicable date prior to the printing of this document for ascertaining certain information referred to in this document
"laws"	include all laws, rules, regulations, guidelines, opinions (whether formally published or not), notices, circulars, orders, judgments, decrees or rulings of any court, government, governmental or regulatory authority whether or not ejusdem generis with any of the foregoing (including, without limitation, the Stock Exchange) and "law" shall be construed accordingly

[**REDACTED**]

"Listing Committee"	the Listing Committee of the Stock Exchange

[**REDACTED**]

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Macao"	the Macao Special Administrative Region of the PRC
"Macao Government"	the government of Macao
"Macao Legal Adviser"	Rato, Ling, Lei & Cortés – Advogados, legal advisers of our Company as to Macao laws in connection with the [**REDACTED**]

"Macao Project"	the Macao New Town Reclamation Area E1 Reclamation and Seawall Construction Project, which was awarded to MCRJV as the main contractor by the Macao Government and involves reclamation works, construction of seawalls and ground improvement works which commenced in March 2015
"Main Board"	the stock market (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"MCR"	Hong Kong River (Macao) Engineering Company Limited* (香港瑞沃(澳門)工程有限公司), a company incorporated in Macao on 13 January 2015 and an indirect wholly-owned subsidiary of our Company
"MCRJV"	China Civil Engineering Construction Company (Macao) Ltd – Hong Kong River Engineering Company Limited Joint Venture* (中國土木工程(澳門)有限公司 – 香港瑞沃工程有限公司合作經營), an unincorporated joint venture formed on 9 December 2014 between HKR and the MCRJV Partner
"MCRJV Partner"	China Civil Engineering Construction Company (Macao) Limited* (中國土木工程(澳門)有限公司), a company incorporated in Macao, our joint venture partner to MCRJV and an Independent Third Party and according to publicly available information as at the Latest Practicable Date, a subsidiary of China Civil Engineering Construction Corporation (中國土木工程集團有限公司), a PRC state-owned enterprise which is principally engaged in, among other things, railway construction, provision of civil engineering services and real estate development in various locations around the world
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company as amended from time to time
"Mr. Cui"	Mr. Cui Qi, an executive Director, chairman of the Board and a Controlling Shareholder
"Mr. Yu"	Mr. Yu Ming, an executive Director

"Ms. Kui"	Ms. Kui Ching Wah, an executive Director and a joint company secretary
"Ms. Mu"	Ms. Mu Zhen, the spouse of Mr. Cui
"Non-Competition Undertaking"	the non-competition undertaking dated 22 June 2016 given by our Controlling Shareholders in favour of our Company (for itself and as trustee for our subsidiaries from time to time) as more particularly set out in the section headed "Relationship with Controlling Shareholders" in this document
"OBOR"	the "One Belt One Road" policy first introduced by President Xi Jinping in November 2014, which refers to the promotion of economic cooperation with countries along the "Silk Road" through Central Asia, West Asia, the Middle East and Europe, as well as a maritime road that links China's port facilities with the African coast, by linking transportation infrastructures, sharing of port resources and facilitating increased economic cooperation and trade

[**REDACTED**]

[**REDACTED**]

"PRC" or "China"	the People's Republic of China and for the purposes of this document, excludes Hong Kong, Macao and Taiwan
"PRC Government"	the government of the PRC
"PRC Legal Adviser"	Li & Partners (Shenzhen), legal advisers of our Company as to PRC laws in connection with the [**REDACTED**]

[**REDACTED**]

"Prosper BVI"	Prosper Construction Group Ltd. (瑞港建設集團有限公司), a company incorporated in BVI on 11 September 2015 and a direct wholly-owned subsidiary of our Company as at the Latest Practicable Date
"PTHKRE"	PT. Hongkong River Engineering Indonesia, a company incorporated in Indonesia on 15 December 2015, which is held as to 67.0% by HKR and 33.0% by Harris (whose interest was held through the Contractual Arrangements), an Independent Third Party
"PTIR"	PT. Indonesia River Engineering, a company incorporated in Indonesia on 12 September 2008, which is held as to 67.0% by HKR and 33.0% by Johannes Wargo (whose interest was held through the Contractual Arrangements), an Independent Third Party

[**REDACTED**]

[**REDACTED**]

"Reorganisation"	the reorganisation of our Group for the purpose of the [**REDACTED**], particulars of which are set out in the section headed "History and development" in this document
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
[**REDACTED**]	the [**REDACTED**] and the [**REDACTED**]
"Share Option Scheme"	the share option scheme conditionally approved and adopted by our Company on 22 June 2016, the principal terms of which are summarised in the paragraphs headed "Share Option Scheme" in Appendix IV to this document
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shatin to Central Link Projects"	(a) the Shatin to Central Link Advance Works for NSL Cross Harbour Tunnels project, Hong Kong, PRC where our Group was engaged in navigation channel leveling work, rock filling in Shek O and trial trenching at Victoria Harbour for Shatin to Central Link Advance Works for NSL Cross Harbour Tunnels, Hong Kong, PRC; and (b) the Shatin to Central Link – Kai Tak Barging Point Facilities project where our Group was engaged in the setting up of barging facilities, public fill material transportation and disposal, both located in Hong Kong and commissioned by MTR Corporation Limited

"Shenzhen Changsheng"	Shenzhen Changsheng Marine Engineering Limited* (深圳長盛海事工程有限公司), a company established on 14 May 1993 in the PRC which is owned as to 20% by Mr. Cui and the remaining 80% by a company which is owned as to 90% by Mr. Cui and 10% by Ms. Mu
"Sky Hero"	Sky Hero Global Limited, a company incorporated in BVI on 5 May 2015, which was directly wholly-owned by Solid Jewel and a Controlling Shareholder of our Company
"Solid Jewel"	Solid Jewel Investments Limited, a company incorporated in BVI on 2 June 2015, which was directly owned as to 87.0% by Mr. Cui and 13.0% by Mr. Yu and a Controlling Shareholder of our Company
	[**REDACTED**]
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
	[**REDACTED**]
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules, the details of which are set out in the section headed "Substantial shareholders" in this document
"Takeovers Code"	The Hong Kong Codes on Takeovers and Mergers, as amended, modified and supplemented from time to time
"Tax Adviser"	Russell Bedford Hong Kong, the tax adviser to our company as to taxation matters in connection with the [**REDACTED**]
"Track Record Period"	the three years ended 31 December 2013, 2014 and 2015
	[**REDACTED**]

"United States" or "US"	the United States of America
"Vessel Lease Agreement"	the vessel lease agreement dated 22 February 2016 entered into between HKR (as lessor) and MCR (as lessee) for the leasing of vessels
"Vietnam Legal Adviser"	Vietnam International Law Firm (VILAF), the legal advisers of our Company as to Vietnam laws in connection with the [**REDACTED**]

[**REDACTED**]

"HK$" and "cents"	the Hong Kong dollar(s) and cent(s), the lawful currency of Hong Kong
"IDR" or "Rupiah"	Indonesian Rupiah, the lawful currency of Indonesia
"kg"	kilogrammes
"km^2"	square kilometre
"m^2" or "sq.m."	square metre
"MOP" or "Pataca"	Macanese Pataca, the lawful currency of Macao
"RMB"	Renminbi, the lawful currency of the PRC
"SGD"	Singapore dollars, the lawful currency of Singapore
"sq.ft."	square feet
"tonne"	a unit of weight, one tonne equals to 1,000 kg
"US$" or "USD"	United States dollars, the lawful currency of the United States
"VND"	Vietnamese Dong, the lawful currency of Vietnam

"%"	per cent.

In this document, unless otherwise specified, US$ has been converted into HK$ at an exchange rate of US$1: HK$7.76, RMB has been converted into HK$ at the exchange rate of RMB1: HK$1.25 and MOP has been converted into HK$ at an exchange rate of MOP1: HK$0.97 for illustrative purposes only. Such conversions shall not be construed as representations that amounts of US$, RMB or MOP were or could have been converted into HK$ at such rate or any other exchange rates.

The English names of Chinese nationals, companies, entities, departments, facilities, authorities, institutions, certificates, approvals, laws, regulations, titles and the like are translations or transliterations of their Chinese names which may not be their official translations and are included in this document for identification purposes only and should not be regarded as their official English translations. English translations or transliterations of Chinese names which are marked with "" are for identification purposes only, and in the event of inconsistency, such Chinese name(s) shall prevail.*

GLOSSARY OF TECHNICAL TERMS

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

"bored pile"	a type of pile installed by machine boring to the required level and subsequently filling the hole with concrete
"CEDD"	Civil Engineering and Development Department (土木工程拓展署) of the Government
"Construction Industry Council"	Construction Industry Council, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
"Contractor List"	the list of approved contractors for public works (認可公共工程承建商名冊) maintained by the Development Bureau
"Development Bureau"	the Development Bureau (發展局) of the Government
"dolphin structure"	a marine structure with no connection to the shore, constructed to guide, berth or moor floating vessels approaching ports, docks or jetties. It is constructed using a group of piles or in a sheet piled enclosure filled in with plain and reinforced concrete
"dredging"	removal of sand, sediment, rocks or other materials from the seabed
"Government Gazette"	the official publication of the Government for, among other things, statutory notices for public tenders
"Group A"	Group A of the relevant works category in the Contractor List with tender limit for contracts of value up to HK$75 million. A Group A contractor means an approved contractor who has registered with the Development Bureau under Group A and who satisfies the requirements to be qualified and registered under Group A. Please refer to the section headed "Regulatory overview" in this [**REDACTED**] for details of those requirements

"Group B"	Group B of the relevant works category in the Contractor List with tender limit for contracts of value up to HK$185 million. A Group B contractor means an approved contractor who has registered with the Development Bureau under Group B and who satisfies the requirements to be qualified and registered under Group B. Please refer to the section headed "Regulatory overview" in this document for details of those requirements
"Group C"	Group C of the relevant works category in the Contractor List with tender limit for contracts of value exceeding HK$185 million. A Group C contractor means an approved contractor who has registered with the Development Bureau under Group C and who satisfies the requirements to be qualified and registered under Group C. Please refer to the section headed "Regulatory overview" in this document for details of those requirements
"ISO"	International Organisation for Standardisation, a worldwide federation of national standards bodies
"ISO9001"	a standard under ISO used for certification or registration and contractual purposes by organisations seeking recognition of their quality management, which specifies the requirement for quality management systems for any organisation that needs to demonstrate its ability to consistently provide products that meet its requisite standards
"Labour Department"	the Labour Department of the Government
"land reclamation"	the process of filling in areas submerged under sea level with suitable landfill materials to form new land so that development or construction of buildings or other development can take place on such new land
"List of Registered Subcontractors"	the list of registered subcontractors maintained by the Construction Industry Council
"marine piling"	piling works carried out in the construction of various marine structures like ports, bridges, marine platforms that are away from land

"marine platform" or "offshore platform"	a fixed structure erected at a designated location at sea to create a temporary working platform, so that onshore construction equipment can be transported to the marine platform to carry out construction works using onshore techniques in the sea area around the marine platform or used for temporary storage of equipment and materials
"marine transportation"	the transport of landfill materials, equipment and other items over the ocean
"pile cap"	a structure built on the head of a pile or a group of piles for transmission of loads from the structure above to the pile or group of piles
"piling"	any work in connection with or for the sinking or forming of a pile in the ground by hammering, jacking, screwing, augering, boring, jetting, vibrating, casting or any other means and also means the driving or sinking of any casing or tube into the ground to form a well or shaft for foundation purposes, whether or not the casing or tube is later extracted
"seawall"	a structure built in a land reclamation project to protect the land reclamation from ocean waves and erosion
"silt curtain system"	a temporary floating vertical barrier made with fabric fixed in parallel with the shoreline of the reclaimed land or other area to be protected with an anchor system and reaching the bottom of the seabed to prevent sediment leaving such area and polluting the sea
"site improvement" or "soft base treatment"	treatments for soft ground with the aim to reinforce the composition of soft ground to improve its supporting capacity

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relation to:

- our operations and business prospects;
- our business strategies and plans to achieve these strategies;
- our contracts on hand;
- our future debt levels and capital needs;
- the regulatory environment of our industry in general;
- our financial conditions and performance;
- the nature of, and potential for, future development of our business;
- future developments in our industry; and
- our dividend policy.

The words "aim", "anticipate", "believe", "can", "could", "expect", "going forward", "intend", "may", "might", "plan", "project", "seek", "should", "will", "would" and the negative forms of these words with similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events, are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in the section headed "Risk factors" in this document. One or more of these risks or uncertainties may materialise.

Subject to the requirements of the Listing Rules, our Company does not have any obligation and does not undertake to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way our Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to the cautionary statement set out in this section.

In addition to other information in this document, you should carefully consider the following risk factors before making an investment in the [**REDACTED**]. *Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. If any of the possible events described below occurs, our business, financial condition or results of operations could be materially and adversely affected and the market price of the* [**REDACTED**] *could fall significantly and you may lose part or all of your investment.*

There are certain risks relating to an [**REDACTED**] in our Shares. These risks can be broadly categorised into: (i) risks relating to our business; (ii) risks relating to conducting business in Hong Kong; (iii) risks relating to conducting business outside Hong Kong; and (iv) risks relating to the [**REDACTED**]. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that are presently deemed immaterial, could also harm our business, financial condition and operating results.

RISKS RELATING TO OUR BUSINESS

Our performance is dependent on the general economic conditions and policies of the markets in which we operate, especially the construction industry, which is cyclical in nature

During the Track Record Period, we generated the majority of our revenue from the provision of marine construction services in Hong Kong, Macao and Southeast Asia. For each of the three years ended 31 December 2015, our revenue generated from marine construction works was approximately HK$368.2 million, HK$257.8 million and HK$553.1 million, respectively, constituting approximately 92.9%, 94.5% and 96.5% of our Group's total revenue, respectively. We believe that the construction industry is cyclical in nature and any downturn in the construction sector and/or reduction in the overall value and number of infrastructure projects due to, amongst other reasons, economic downturn, government policies and/or civil unrest, may correspondingly reduce the demand for our services. As such, our revenue and profitability may be adversely affected.

Our performance is dependent on the level of government spending on infrastructure

During the Track Record Period, we generated the majority of our revenue from the provision of marine construction services to customers in the public sector or projects in which the owners were government entities or PRC state-owned enterprises. The demand for our services is closely related to the level of government spending on infrastructure and outbound investments in overseas infrastructure projects, in particular those related to the construction and improvement of ports, waterways, sea-crossing viaducts and land reclamation, in the regions and countries where we operate. In the future, our Group aims to continue capturing opportunities in the public sector such as the Ten Major Infrastructure Projects announced in the 2007-08 Policy Address by the Government, the construction of the third runway of the Hong Kong International Airport, reclamation projects in Macao and marine construction

projects in Southeast Asian countries invested by PRC construction enterprises which may benefit from the OBOR. The nature, extent and timing of the projects will be determined by a variety of factors, including the government entities' or state-owned enterprises' spending on infrastructure or investments in overseas infrastructure projects, general macroeconomic conditions and government policies, which are subject to change. Should there be a significant reduction in government spending on or investments in overseas infrastructure projects, we may be unable to secure new contracts which may have a material adverse effect on our business, financial condition, results of operations and prospects.

Our future gross and net profit margins are dependent on our contracts on hand and our marine construction projects to be secured

Our Group's ability to compete for and secure sizeable and profitable marine construction works contracts is one of the main contributors to our success as well as ongoing growth and future profitability. Our marine construction business operates on a non-recurring and project-by-project basis and our customers may vary from year to year. Upon the completion of our contracts on hand, in the event that our Group is unable to secure new contracts or has not commenced work for any of our new contracts, our revenue and financial performance may be adversely affected.

Based on our contracts on hand as at the Latest Practicable Date, in the event that we are not able to secure more marine construction projects with higher gross profit margins, our gross and net profit margins for the year ending 31 December 2016 may decrease significantly when compared with the year ended 31 December 2015.

For details of the reasons of the expected decrease in gross and net profit margins for the year ending 31 December 2016 when compared with the year ended 31 December 2015, please refer to the paragraphs headed "Recent development and no material adverse change" in the section headed "Summary" in this document.

Competition in the markets in which we operate could reduce our market share and business results

We believe that the operation of a business which undertakes marine construction works, in particular, marine piling, dredging, reclamation and pier and marine platform construction, depends highly on specialised vessels and equipment for executing the works and is capital intensive. In addition, we also believe that a thorough understanding and knowledge of the site conditions and the functions and characteristics of different equipment is essential for executing the different types of works effectively and efficiently to meet contracts' and customers' demands. According to the Euromonitor Report, there are visibly no prominent new entrants to the marine construction industry in Hong Kong in the past few years owing to the high natural barriers to entry.

However, new participants may enter the industry if they have the appropriate skills, experience, necessary vessels, equipment and capital and are granted the requisite licences by the relevant regulatory bodies. If there is a relaxation of requirements for requisite licences and

an increase in the number of participants in the industry without a corresponding increase in marine construction works, competition within the marine construction industry would intensify. Under the OBOR promulgated by the PRC Government, PRC construction companies with expertise, experience, necessary machinery, equipment and capital may be able to secure contracts from project owners which are state-owned enterprises for marine construction works in overseas markets and compete with our Group for overseas projects. By participating in overseas marine construction projects, these PRC competitors may accumulate experience and technical expertise in complying with international standards and requirements and in turn may apply such experience to enter the Hong Kong and Macao markets and become our potential competitors.

With intensified competition, we may have to compete for projects by reducing our prices. In addition, there is no assurance that our competitors will not have the necessary technical expertise and resources to provide more competitive services than ours. Failure to maintain or enhance our competitiveness within the marine construction industry and maintain our client base may result in a reduction of profit, which would adversely affect our financial performance. In addition to new participants, we compete with other domestic dredging, reclamation and marine construction businesses and related operations and expect to face increasing competition from both local and international players in the future.

Given the ongoing competition faced by our Group, compounded with possible increases in raw materials and labour costs, there is no assurance that our Group will be able to maintain our gross profit margin, net profit margin and other financial results in the future at a similar level achieved during the Track Record Period or attain growth rates similar to those achieved during the Track Record Period.

Our overseas operations are subject to various risks and uncertainties

To improve our profitability, since 2008 we have expanded our operations to Southeast Asia. During the Track Record Period, the contribution to our revenue from marine construction works conducted in overseas markets has become increasingly significant. Our revenue generated from marine construction works in Indonesia has grown from approximately 28.0% and 33.3% of our total revenue in each of the two years ended 31 December 2013 and 2014, respectively, to approximately 56.2% of our total revenue for the year ended 31 December 2015. We first expanded our operations to Macao in 2014 and our revenue generated from marine construction works in Macao constituted approximately 26.3% of our total revenue for the year ended 31 December 2015. In the foreseeable future, we believe that we will continue to capture opportunities in overseas markets. Our business is therefore subject to changing local and international economic and political conditions, in particular Southeast Asia, where political and economic conditions can often be volatile and unstable. Furthermore, as a result of our overseas operations, we are exposed to various other risks associated with expanding and conducting business in foreign countries and regions which include, among other things:

- political risks, including risks of loss due to civil unrest, acts of terrorism, acts of war, other armed conflict, regional and global political or military tensions, strained

or altered foreign relations, demonstrations or policies such as the implementation of protectionism and increased requirements or general prohibitions against international investors and construction companies. There is no assurance that political unrest would not arise in the countries where we operate;

- changes in foreign government regulations or policies, particularly any restrictions on foreign invested companies in conducting marine construction works in the countries where we operate;

- unfavourable labour conditions or employee strikes;

- natural disasters;

- inflation and currency value fluctuations, conversion and capital restrictions;

- fluctuations in the economy and financial markets, as well as credit risk;

- changes in foreign government or quasi-governmental entities' regulations or policies;

- the lack of a well-developed or independent legal system in foreign countries, which may create difficulties for us to enforce our contractual rights;

- dependence on foreign governments, quasi-governmental entities or entities controlled by such foreign governments for utilities or infrastructure;

- unfamiliarity with local operating and market conditions, lack of knowledge and understanding of local taxation, customs, culture, practices and other laws, rules, regulations, standards and other requirements and risks of non-compliance with the local laws, rules, regulations, standards and other requirements as a result thereof;

- the cyclical nature of the marine construction industry, and competition from other PRC-based, Hong Kong-based and local companies;

- tax increases or adverse tax policies; and

- other factors, barriers to entry or risks that are not presently contemplated or expected.

In addition, we may need to allocate management resources and employees to high risk regions where overseas projects are situated. This may result in excessive pressure on our financial, human and management resources that are otherwise available for our current businesses. In addition, we may have to purchase insurance and adopt other measures to protect employees and assets that may incur significant expenses.

In some of the countries in which we operate, the risk of corruption, bribery and other unethical practices may result in a risk of delay in our works, as well as a risk of being accused of such practices

In some of the countries in which our Group operates, corruption is perceived to exist amongst the local government bodies. The risks of corruption, bribery and other unethical practices of local government officials in such countries, and the lack of transparency within the legal systems of such countries can adversely affect our performance of works and cause delay to our works and may place our Group at risk of being accused of being involved in such practices. This may have material adverse effects on our overseas operations, financial condition and profitability. For details of our Group's anti-corruption policy, please refer to the paragraphs headed "Internal control" in the section headed "Business" in this document. Moreover, any failure of our Group to comply with local anti-corruption laws, rules and regulations in the overseas countries in which we operate could also have a material adverse effect on our reputation, results of operations, financial condition and profitability.

However, the sufficiency and effectiveness of such measures cannot be assured. Our exposure to such risks varies depending on the projects and the specific stage of each project. The above factors may disrupt our projects, incur loss of staff and assets and may adversely affect our overseas expansion, financial condition and profitability.

Our business operates under various permits or licences for our operations and the loss of or failure to obtain or renew any or all of these permits and/or licences could materially and adversely affect our business

Our business is subject to various government laws and regulations in the various countries in which we operate. In accordance with the laws of Hong Kong, Macao and various countries in Southeast Asia, our Group is required to obtain or maintain certain permits or licences to operate our business. Please refer to the section headed "Regulatory overview" in this document for details. These operating permits and licences are granted, renewed and maintained upon our satisfactory compliance with, amongst others, the applicable criteria set by the relevant governmental departments or organisations. Such criteria may include maintenance of a sufficient project track record, continued compliance with the financial, technical and management criteria applicable to the relevant category or group for admission and retention on the approved list and eligibility for tendering public works contracts. These permits or licences may only be valid for a limited period of time and may be subject to periodic reviews and renewal by governmental authorities or relevant organisations. In addition, the standards of compliance required in relation thereto may change from time to time. Besides, there are circumstances which may affect our ability to maintain such licences and permits which may lead to a suspension, downgrading or demotion of the qualifications. For example, in early August 2015, our eligibility to tender for public works under our qualification of being on the Contractor List was temporarily suspended due to our late filing of the audited accounts of HKR for the year ended 31 December 2014 with the Development Bureau. The suspension was lifted in late September 2015 after we filed the audited accounts of HKR for the year ended 31 December 2014 with the Development Bureau. There is no

assurance that all our required permits or licences can be maintained, obtained or renewed in a timely manner or at all. Any changes in the existing governmental policies for the construction industry in the countries in which we operate may result in our failure to obtain or maintain such relevant permits and/or licences. If we are unable to renew or maintain the required permits, licences and/or qualifications, we may be required to suspend our operations and may not be able to secure new projects, which would have a material adverse effect on our business, revenue and profitability.

Our ability to compete for projects largely depends on the availability of vessels and equipment

Our capacity to provide marine construction services for our customers largely depends on the availability of our vessels and equipment. As at the Latest Practicable Date, we owned a total of 29 vessels which includes piling barges, split hopper barges, flat top barges, grab dredgers, derrick lighters, tug boats, anchor boats and floating jetty barges and a total of 67 construction works equipment which includes cranes, excavators, earth-moving machines, fork-lift trucks, pile hammers, air compressors and power generators. Some of the equipment can be used in both marine-based works and land-based works such as cranes. If the projects we take up or are seeking to take up require more than our own available vessels and equipment, we may need to lease vessels and equipment from third parties which may result in higher project costs, lower profit margins and more uncertainty as vessels and equipment for leasing may not necessarily be available on the market at the relevant times. Accordingly, the number of marine construction projects that our Group can take up simultaneously at any given time is to a certain extent limited by our resources including the capacity of our vessels and equipment. When additional capacity is required to fulfil obligations under our contracts, we will have to lease additional vessels and equipment to perform our works. We cannot assure you that we will be able to efficiently and effectively do so for our operations in the future. We may not be able to lease or purchase the proper, compatible or most advanced equipment to take on certain projects in a timely manner or at commercially acceptable terms to us, or at all. In addition, our vessels and equipment may succumb to breakdown and the repair or replacement of such vessels and equipment may not be readily available. Major repairs of these vessels and equipment would result in extra project costs and delay, as it takes time to tow the same to the repairer or ship yard, to queue up for repairs, wait for completion, and return to the project site, or to find a replacement. If replacement vessels and equipment is found, there are opportunity costs for use of such extra vessels and equipment that could have been used in other projects. If replacement vessels and equipment are leased from third parties, it may result in higher project costs. If any of the above events occur with increased frequency, it may cause delays to our projects and higher project costs and as a result, our business, revenue and profitability would be adversely affected.

Furthermore, as we intend to apply approximately 90% of the net proceeds from the [**REDACTED**] to acquire and expand our fleet of vessels and equipment to increase our capacity, our depreciation expense may increase due to the additional vessels and equipment. During the Track Record Period (i) expenditure on the purchase of vessels and equipment by our Group was approximately HK$16.2 million, nil and HK$33.5 million, respectively; and (ii)

the aggregate depreciation expenses related to our vessels and equipment and leased vessels and equipment recorded under cost of sales amounted to approximately HK$8.2 million, HK$7.8 million and HK$8.8 million, respectively. In the event that our depreciation expense increases substantially due to the acquisition of additional vessels and equipment, our financial performance may be adversely affected.

Our customers pay us by way of progress payments and require retention money, requiring us to maintain a sufficient amount of working capital and cash flow, and we are exposed to our customers' credit risks. Any delay in progress payments or release of retention money may affect our working capital and cash flow

In our marine construction projects, we are generally required to submit monthly payment applications to our customers and we are paid according to the quantity of works completed by us or milestones of works. In addition, our works payments are normally subject to retention for up to 5% of the total contract sum, which will only be released to us after a defect liability period of normally one year after completion of our contract works. Accordingly, our contracts require us to commit a certain amount of cash and other resources prior to receiving any payments from our customers as a result of our payments being dependent on work progress and subject to retention money. As such, we typically incur significant costs associated with a project at the beginning of the project or before achieving the relevant project milestones. If we are not able to maintain a sufficient amount of working capital and cash flow for meeting these cost requirements, our capacity to undertake new projects may be limited and accordingly, our financial performance and results of operations may be adversely affected.

The credit terms in relation to the settlement of amounts due from our customers arising from works carried out by our Group vary from contract to contract. Such credit terms may make reference to the payment certificate date or payment application date, with settlement typically ranging from 30 to 60 days from payment application date, depending on the terms and conditions of the contract. Our trade receivables were approximately HK$48.5 million, HK$17.8 million and HK$61.1 million as at 31 December 2013, 2014 and 2015, respectively. We have not written off any receivables as uncollectible during the Track Record Period. However, there is no assurance that the financial position of our customers will remain healthy in the future. In addition, the amount of retention money is normally 10% of the value of the works certified, subject to a maximum retention of 5% of the total contract sum. Our retention receivables amounted to approximately HK$35.4 million, HK$43.5 million and HK$41.4 million as at 31 December 2013, 2014 and 2015, respectively. We have not written off any retention receivables during the Track Record Period. Our Group may, from time to time, be engaged in prolonged negotiation of the settlement of payment applications, which is not uncommon in the industry. If our customers experience financial distress or are unable to settle their payments due to us or release the retention monies to us in a timely manner or at all, our financial condition and results of operations could be materially and adversely affected.

Our Group's top five customers accounted for approximately 75.7%, 72.6%, and 82.0% of our Group's total revenue for the Track Record Period. Failure to retain our business relationships with them or secure new business may affect our Group's operations and financial performance

During the Track Record Period, the percentage of the revenue attributable to our Group's five largest customers amounted to approximately 75.7%, 72.6% and 82.0% of our Group's total revenue, respectively, while the percentage of the revenue attributable to our Group's single largest customer amounted to approximately 27.7%, 25.8% and 39.5%, respectively, for the same period. We have not entered into any long-term or framework agreements with our customers but are engaged by them on a project-by-project basis. Our top five or other major customers are not obligated in any way to continue to provide us with new business in the future at a level similar to that in the past or at all.

Upon completion of our contracts on hand, in the event that our Group is unable to secure new contracts or has not commenced work for any of our new contracts, our revenue and profitability may be adversely affected. We cannot ascertain whether we will be able to secure contracts from our customers and/or potential customers. There is also no assurance over whether our ongoing customers will continue to have projects that require our services or continue to engage us in the future. In the event that our Group is unable to secure new contracts or gain new business from our customers, our business and financial performance may be adversely affected.

A significant portion of our revenue during the Track Record Period was generated from a limited number of overseas projects

During the Track Record Period, our revenue generated from marine construction works in Indonesia increased from approximately 28.0% and 33.3% of our total revenue in each of the two years ended 31 December 2013 and 2014, respectively, to approximately 56.2% of our total revenue for the year ended 31 December 2015. As such, a significant portion of revenue was generated from a limited number of marine construction projects in Indonesia. For the year ended 31 December 2015, our revenue generated from one project in Indonesia and the Macao Project accounted for approximately 39.5% and 26.3% of our total revenue, respectively. Although we will continue to capture further opportunities in overseas markets, our overseas projects and the Macao Project, like our other projects in Hong Kong, are one-off and non-recurring in nature. If we are not able to secure marine construction projects of similar scale and contract sums in future, our business and financial performance may be adversely affected.

If we fail to accurately estimate our costs or fail to execute projects within our cost estimates, our operations and financial performance may be adversely affected

We prepare our tenders or quotations based on our estimates and available information, taking into consideration, the deployment of our resources including our vessels and equipment, costs of raw materials and labour, as well as the operational risks and length of the relevant projects. The significant variation in the size of projects that we can secure may affect

our allocation of resources and business performance. In the event that we fail to allocate our resources efficiently, or should there be any cost overruns or underestimates, we may suffer losses. Our tender or quotation may carry inherent risks, including losses due to underestimating costs and unforeseen complexity in operating projects and other circumstances or incidents that may occur during the contract period that may cause the project costs to increase unexpectedly. If we are unable to perform our contracted works at an acceptable profit margin, our profitability may be adversely affected.

In addition, the revenue, operating costs and operating profit on our contracts may sometimes vary substantially from our original estimates as a result of factors such as:

- failure to properly estimate the costs of engineering, raw materials, vessels and equipment or labour;
- unanticipated technical problems with the vessels and equipment that we own and/or use, which may require us to incur extra costs which we cannot recoup;
- failure to properly estimate the repair and/or maintenance costs of vessels and equipment that we own and/or use;
- our subcontractors' failure to perform on time or at the standard of quality we require;
- unusual or unexpected geological conditions which make it more technically difficult to carry out works than initially anticipated, resulting in additional costs and/or time; and
- exacerbation of any one or more of the above factors as projects grow in size and complexity.

Risk associated with an increase in raw material prices

Our key raw materials include diesel, landfilling materials such as sand, rock and other recycled materials for our land reclamation works. We also use steel and concrete in our construction of ports and marine platforms and marine piling works. During the Track Record Period, costs of raw materials incurred by us represented approximately 40.4%, 31.0% and 43.4% of our total cost of sales, respectively. We cannot guarantee that the costs of these raw materials will be stable as we are exposed to the risk of fluctuations in these raw materials prices. The price and availability of such raw materials may vary significantly from time to time due to factors such as China's export restrictions, consumer demand, production capacity, market conditions and costs of materials.

We cannot assure you that we can continue to source sufficient raw materials either from our existing suppliers or alternative suppliers at the prevailing or acceptable prices, in a timely manner or at all. Moreover, we are unable to factor in these potential fluctuations and risks into each of our tenders or quotations, pass on part or all of such increases to our customers and/or reduce other costs. If there is shortage in the supply of raw materials or prices increase after the contracts are awarded to us, our financial results and position may be materially and adversely affected.

Risk associated with an increase in labour costs

Our total staff costs, which primarily comprise of salaries, wages and employee benefit expenses increased during the Track Record Period and amounted to approximately HK$32.3 million, HK$45.9 million and HK$50.5 million, respectively. According to the Euromonitor Report, the average levels of wages for employees in Hong Kong, Macao and Indonesia have shown an increasing trend over the past few years, and this trend is expected to continue in the near future. We cannot assure you that we will be able to manage or pass along any future increase in labour costs to our customers or project owners. In addition, given the complexity and nature of our projects, we may be constrained by any industrial actions, labour disputes or strikes. We cannot assure you that we will be able to avoid or manage the occurrences of any such industrial actions, labour disputes or strikes in the future. The occurrence of any of the foregoing may have a material adverse effect on our business, financial condition and results of operations.

We may experience delays in projects caused by opposition from community or special interest groups, judicial reviews or failures or delays in passing budget proposals of the Government and we also face unexpected adjustments of work scope and/or quantities of our contracted works

Even when we are able to secure new contracts, we face risks that can affect whether or when our works can begin, as the timing of commencement of works is typically determined by project owners or our customers. Delays in the commencement or execution of works may be caused by opposition from community or special interest groups or judicial review, such as the judicial review proceedings over the environmental impact assessment report of the Government which caused substantial delay in the commencement of the construction of the Hong Kong-Zhuhai-Macao Bridge. In recent years, there have been incidents where committees of the Legislative Council of the HKSAR failed to pass or delayed in passing funding or budget proposals of the Government's spending and funding which included funding of certain public sector projects. Such failure or delay in the Government's budget or funding approvals may affect the work schedule of public sector projects and hence delay the commencement dates of our public sector projects located in Hong Kong after the projects have been awarded to us. Although we may be able to cover idling costs under our contracts, the risk of such delays can present difficulties in matching workforce size and equipment allocation with contract needs. After we have already conducted project execution planning, if the commencement of the project work is delayed, we could incur substantial costs without receipt of any corresponding revenue, as our contract payments are normally based on our quantity of works completed or progress of our works. Delays in commencement or execution of our works may have a material adverse effect on our revenue recognised in the relevant financial years, liquidity, resource allocation, financial condition and results of operations.

Our backlog of project works is also subject to adjustments of works under variation orders from our customers which reduce our scope and/or quantity of works on hand, which could in turn reduce the value of our contract works and ultimately our revenue and profit derived from the contracts concerned.

Risk associated with third party subcontractors for our projects

In our marine construction projects, we will subcontract certain non-major components of works in which we do not have the required expertise or qualifications to professional or licenced subcontractors such as diving works, testing works and environmental monitoring works. While we maintain relationships with a number of qualified subcontractors and have established a system for the selection and control of subcontractors, we may not be able to monitor their performance directly or as closely as we do with our own staff. Our engagement of subcontractors exposes us to certain risks, including difficulties in overseeing their performance directly and closely or losses as a result of unexpected subcontracting cost overruns. As our subcontractors do not have direct contractual relationships with our customers, we bear the risks of subcontractors' non-performance or poor quality works which in turn exposes us to liability for poor quality works and defects caused by them. All these risks may have an adverse impact on our profitability, financial condition and reputation and may result in disputes and litigation. We may also be unable to hire suitable subcontractors to complete our works within our budget and the timeframe required in our projects or when additional works which are required to be completed by qualified subcontractors arise. In case the cost of subcontracting increases when we are in need of their services or additional needs arise after we have already entered into contracts with our customers with fixed unit prices or fixed lump sum contract prices and we may be unable to pass on the risk of increased subcontracting costs to our customers, our profitability may be adversely affected.

Defect liability claims

Our marine construction contracts are subject to a defect liability provision. Our customers would normally require a defect liability period, during which we are responsible for rectifying construction defects. We may be subject to claims due to defects in relation to our marine construction works that are existing but not yet found, developed or visible at the time of completion. In the event that there are any significant claims against us for defect liability or any default or failure in relation to our works by our customers or other parties, our profitability may be adversely affected.

Reliance on key management personnel

Our Group's success is, to a large extent, attributable to the continued commitment of our executive Directors and our senior management team. Details of our Directors and our senior management team are set out in the section headed "Directors, senior management and employees" of this document. Our Directors and senior management team are responsible for our business strategies and development, project planning, daily management and operations. Furthermore, they have established relationships with our Group's customers, suppliers and subcontractors. Any unanticipated departure of any member of the Board and/or our senior management team without appropriate replacement may have a material adverse impact on our business operations and profitability.

Weather conditions, natural disasters, other acts of God, political unrest and other events may have a negative impact on our operations

As part of our marine construction services are performed on or under water, our business, operating results and financial condition may be subject to seasonal weather conditions. For example, our marine construction projects in Indonesia may be scheduled during the monsoon season from November to March. As such, we may need to reschedule our works to be carried out on or under water to avoid the heavy rains which may cause risk to workers and equipment and to arrange for onshore preparation and construction works to be carried out during the time of delay caused by adverse weather conditions. If we are unable to factor in these potential delays into timetables and/or contracts signed with customers and pass on the associated risks of delays to our customers, we may be liable for damages for delays which may in turn adversely affect our results of operations.

Weather conditions, natural disasters and other acts of God which are beyond our control may materially and adversely affect our business, financial condition and results of operations. In addition, acts of war, political unrest and terrorist attacks, including those in foreign countries in which we have overseas operations, and geopolitical tensions which may arise from unresolved sovereignty matters and territorial disputes may cause damage or disruption to our business, our employees and our markets. Any of these events could materially and adversely affect our overall results of operations and financial condition. In addition, power failures, fires, volcanic eruptions, tsunamis or explosions or other natural disasters in places where we have operations could cause disruptions in our Group's operations, damage to our vessels, equipment or works or delays in delivery schedules.

Furthermore, Hong Kong has in recent years encountered different types of epidemics, which have slowed down the economy of Hong Kong. If an epidemic outbreak occurs in Hong Kong, Macao and/or any countries in which we operate, the economy there may suffer which may in turn adversely affect our results of operations.

We may incur higher costs in the future to comply with health and safety and environmental requirements

Under the relevant laws of Hong Kong, Macao and other overseas jurisdictions in which we operate, we are required to fulfil certain health and safety and environmental requirements. Failure to comply with and satisfy such requirements may lead to the suspension of relevant licences or permits to operate, substantial fines and penalties and/or litigation and, in turn, adversely affect our business operations and financial condition. Please refer to the section headed "Regulatory overview" in this document for the magnitude and complexity of these laws and regulations. Compliance with such laws and regulations or the establishment of effective monitoring systems may be onerous or require a significant amount of financial and other resources. As these laws and regulations continue to evolve, we cannot assure you that the Government or the government of other overseas jurisdictions in which we have operations will not impose additional or more onerous laws or regulations, the compliance with which may prevent us from operating in such jurisdictions or lead to increases in project costs that we may not be able to pass on to our customers.

Our business is subject to significant operating risks and hazards that could result in monetary damage or personal injury which could cause us to incur substantial costs and/or liabilities to damages

Our business and operations are generally subject to a number of risks and hazards, including, amongst others, operations under difficult geological conditions. In addition, our marine construction business is exposed to environmental hazards, unusual or unexpected geological conditions, ground sliding or collapse of structures, collisions with fixed objects, disruption of transportation services, flooding, pirates, terrorist attacks, the opposition to projects by community or special interest groups. These risks could result in damage to, or destruction of construction and engineering equipment, vessels, maritime structures and buildings and could also result in personal injury, environmental damage, performance delays, monetary losses and/or legal liability, all of which may have a material adverse effect on our revenue and profitability.

Our safety record is generally an important consideration for our customers in maintaining business relationships. If any serious accident or fatality is to occur in any of our projects, we may be held liable for resulting damages and our safety record may be tarnished which may adversely affect our reputation, our eligibility to bid for certain works in future and our prospects for securing future work which may in turn adversely affect our financial performance.

Our current insurance coverage may not be adequate and we may not be able to obtain insurance at an acceptable rate

We maintain various insurance policies, including office insurance and employees' compensation insurance. We also maintain insurance for our vessels and equipment to protect against accident-related risks. However, our insurance policies may not be adequate to protect us from liabilities that we may incur in our business. In addition, for some of the projects in which our joint ventures act as the main contractors, such joint ventures are required to maintain contractors' all risk insurance. Any inability to obtain such insurance coverage at acceptable rates could have a material adverse effect on our business, operating results and financial condition.

Furthermore, due to a variety of factors such as increases in claims and significant increases in medical costs and wages, our insurance premiums may increase in the future and we may not be able to obtain similar levels of insurance on reasonable terms. Any such inadequacy of, or inability to obtain insurance coverage at acceptable rates could have a material adverse effect on our business, results of operations and financial condition. In addition, we do not maintain business interruption insurance. Any business disruption or natural disaster could result in substantial costs and a diversion of resources which may have a material adverse effect on our business and results of operations.

Our financial results for the year ending 31 December 2016 are expected to be significantly and adversely affected by expenses in relation to the [REDACTED]

We incurred approximately HK$[**REDACTED**] in [**REDACTED**] expenses during the Track Record Period, which was recorded under administrative expenses. We expect to incur additional [**REDACTED**] expenses of approximately HK$[**REDACTED**] after the Track

Record Period, of which approximately HK$[**REDACTED**] is expected to be recognised as administrative expenses in the consolidated statements of comprehensive income for the year ending 31 December 2016 and the remaining amount is expected to be capitalised after [**REDACTED**]. Therefore, our financial results for the year ending 31 December 2016 will be significantly and adversely affected by expenses in relation to the [**REDACTED**].

The tax authorities of Hong Kong and/or Macao may have differing interpretations of the relevant tax provisions and/or the circumstances of the arrangements under the Vessel Lease Agreement

In connection with marine construction works rendered in Macao, on 22 February 2016, HKR, acting as principal and agent to CPL, entered into the Vessel Lease Agreement with MCR which was effective from 1 March 2015 whereby MCR was charged a monthly fee for leasing vessels and equipment from HKR and CPL for use in Macao waters, effective from the delivery date of the respective vessel or equipment. This monthly rental expense for vessels and equipment was considered to be tax deductible for the purposes of calculating Macao tax. As at the Latest Practicable Date, it is expected that the leasing of vessels in MCR from HKR and CPL will continue.

We have been advised by the Tax Adviser that the income derived by HKR and CPL from the leasing of vessels and equipment to MCR for use in Macao under the Vessel Lease Agreement was and is not subject to Hong Kong tax and Macao tax. Moreover, HKR and CPL are not required to be registered locally nor apply for any authorisation or permit from local authorities in Macao in order to perform their obligations under the Vessel Lease Agreement. We have also been advised by the Macao Legal Adviser that the transfer pricing arrangement in respect of the intra-group leasing income under the Vessel Lease Agreement is unlikely to be challenged by the Macao tax authorities and the risk of Macao tax exposure arising from the intra-group transaction is low.

In the event that the tax authorities of Hong Kong and/or Macao have differing interpretations of the relevant tax provisions and/or circumstances of the arrangements under the Vessel Lease Agreement (i) in respect of Hong Kong tax, our Company will consider lodging a notice of objection in writing to the Inland Revenue Department, appealing to the Board of Review (constituted under the IRO) and/or to the courts in Hong Kong; and (ii) in respect of Macao tax, our Company will consider filing an administrative complaint to the Macao Finance Bureau in respect of their decision or act and request for such decision or act to be modified or revoked. Where appropriate, we may submit a hierarchical appeal to the Chief Executive of Macao and/or file a judicial appeal to the Administrative Court of Macao and the higher courts of Macao against such decision or act.

Notwithstanding opinions from the Tax Adviser and Macao Legal Adviser, there is no assurance that (i) the tax authorities of Hong Kong and/or Macao will not have different interpretations on the relevant tax provisions and/or circumstances of the arrangements under the Vessel Lease Agreement; or (ii) under such circumstances, if our Company files objection(s) and/or appeal(s) to the Hong Kong tax authorities and/or Macao tax authorities, our objection(s) and/or appeal(s) will succeed.

Under such circumstances and in the event our Group proceeds and fails with our objection(s) and/or appeal(s) with the relevant Hong Kong tax authorities and/or Macao tax authorities, our Group may be liable for additional tax expenses, which may have a material adverse impact on our profitability and cashflow.

For illustrative purposes only and calculated based on information available as at the Latest Practicable Date, assuming that (i) the leasing income derived by HKR and CPL under the Vessel Lease Agreement is subject to Hong Kong tax; and (ii) we have failed with our objection(s) and/or appeal(s) to be made with the Hong Kong tax authorities, as advised by the Tax Adviser, for the year ended 31 December 2015, the maximum Hong Kong tax liability in relation to the Vessel Lease Agreement on an onshore basis is approximately HK$1.2 million.

For illustrative purposes only and calculated based on information available as at the Latest Practicable Date, assuming that (i) the leasing income derived by HKR and CPL under the Vessel Lease Agreement is subject to Macao tax; and (ii) we have failed with our objection(s) and/or appeal(s) to be made with the Macao tax authorities, as advised by the Tax Adviser, for the year ended 31 December 2015, the maximum Macao complementary tax liability in relation to the Vessel Lease Agreement is approximately MOP4.6 million (equivalent to approximately HK$4.4 million).

Our Controlling Shareholders have executed the Deed of Indemnity with and in favour of our Company to provide indemnities to our Group in relation to, among others, tax which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received on or before the [**REDACTED**], save for tax liabilities which have already been provided for in the audited accounts of our Company and our subsidiaries as at and up to 31 December 2015. For further details, please refer to the paragraphs headed "Other Information – Estate duty, tax indemnity and other indemnities" in Appendix IV to this document.

Notwithstanding the Deed of Indemnity, in respect of our ongoing marine construction works in Macao, our Group may be subject to possible tax exposure from similar intra-group leasing arrangements to those under the Vessel Lease Agreement after the [**REDACTED**], as the Deed of Indemnity does not cover any tax liabilities arising from such intra-group leasing arrangements after the [**REDACTED**].

RISKS RELATING TO CONDUCTING BUSINESS IN HONG KONG

Our operations are principally dependent on the general economic and political conditions in Hong Kong and policies adopted by the Government, especially policies related to infrastructure development in Hong Kong

Our Group is currently based in Hong Kong. We expect that Hong Kong will continue to be our principal place of operations and one of our principal markets. For each of the three years ended 31 December 2013, 2014 and 2015, approximately 61.6%, 60.1% and 17.5%, respectively, of our revenue was generated from projects conducted in Hong Kong. Our

business and prospects substantially depend on the general economic conditions of Hong Kong, especially Government spending on infrastructure, principally land reclamation, construction and improvement of piers, waterways, sea-crossing viaducts and other related engineering projects in Hong Kong. Any reduction in infrastructure development activities may reduce the demand from our customers and consequently adversely affect the profitability and financial performance of our business operations. Our operations and financial results may be adversely affected by changes in political and economic conditions or the relevant policies adopted by the Government. Such changes may include fiscal policies, taxation policies, legal regulations and other relevant changes.

As Hong Kong is a special administrative region of the PRC, it enjoys a high degree of autonomy under the principle of "one country, two systems" under the Basic Law of Hong Kong. However, we are not in a position to guarantee that the political, legal and economic conditions, allocation of resources and infrastructure development activities in Hong Kong will not be influenced directly or indirectly by policies or measures implemented by the PRC government in the near future as a consequence of which our business may in turn be adversely affected.

The annual budget of the Government, including its estimates of expenditure in major infrastructure projects, is subject to the passing of the Appropriation Bill by the Legislative Council of Hong Kong. Upon the enactment of the Appropriation Ordinance, the estimates of expenditure are deemed to be approved to the extent that they are provided for in the Appropriation Ordinance. However, the passing of such bill may from time to time experience undue delay caused by prolonged discussion within the Legislative Council of Hong Kong which could in turn delay the implementation of Government funded projects and thereby may adversely affect our business.

In addition, the Government conducts public consultations prior to the implementation of major infrastructure projects. Such consultation processes may be delayed as a result of demands from different lobbying groups for further tests, studies or reports to be commissioned or applications for judicial review. These would result in delays in the implementation of public sector projects.

There is no assurance that Government policies or the economic or political environment in Hong Kong would not change and changes may adversely affect our business operations. Should there be a decrease in the level of public spending due to any adverse changes in Government policies, or delays in implementation of any infrastructure projects or should our Group be unable to obtain substantial private sector projects in view of the then prevailing economic conditions in Hong Kong, our Group's business and results may be adversely affected. Furthermore, any reduction in infrastructure development activities could bring an adverse effect on our operations in the future.

RISKS RELATING TO CONDUCTING BUSINESS OUTSIDE HONG KONG

Our business outside Hong Kong exposes us to various legal risks and uncertainties

For the various risks and uncertainties that we are subject to and associated with our conducting of business outside Hong Kong, please refer to the paragraphs headed "Risks relating to our business – Our offshore operations are subject to various risks and uncertainties" in this section.

There may also be legal risks arising from our operations in certain overseas jurisdictions. For example, according to the Indonesia Legal Adviser, pursuant to the laws of Indonesia, any contract, agreement or memorandum that involves Indonesian nationals or residents must at least use Bahasa, the official language of Indonesia, as one of the languages in the written contract. Failure to do so may result in the transaction and document signed being deemed null and void.

As at the Latest Practicable Date, our Group had two subsisting contracts entered into with at least one of parties being an Indonesian entity, but they were only written in Chinese and not in Bahasa. Accordingly, the parties may be required to restore what they have respectively received to its original state. As at the Latest Practicable Date, our works under these contracts had already been performed and completed.

If these project owners demand for nullification of the contracts and require our Group to dismantle the completed works and return the project fees, our Group will suffer significant losses which will have an adverse effect on our revenue and profit as a whole.

For details of the enforceability and legal effects of the abovementioned contracts, please refer to the paragraphs headed "Contracts on hand as at the Latest Practicable Date" in the section headed "Business" in this document.

If there are other contracts that our Group enters into in the future in other jurisdictions that may not be enforceable due to certain requirements under their respective local laws and regulations, our business, operations, revenue and profit may be adversely affected.

Our Group has had certain non-compliances of Indonesia and Vietnam laws and regulations which may expose our Group to risks of sanctions and liability

During the Track Record Period, apart from the two contracts for undertaking two respective projects in Indonesia which were not written in Bahasa, our Group has had certain other non-compliances incidents in relation to our projects in Vietnam and Indonesia, namely, failure to (i) apply for a contractor permit in implementing a project in Vietnam; (ii) establish an operation office in Vietnam for the implementation of the project; (iii) obtain a construction licence in Indonesia before implementing a project in Indonesia; and (iv) pay branch profits tax in Indonesia for one of the projects. Due to inadvertent judgmental mistakes in relation to the scope of works carried out by our Group, there were certain incidents where our Group may

be determined by the government or regulatory authorities of Indonesia and/or Vietnam to have violated the relevant local laws, rules and regulations. As at the Latest Practicable Date, we had not been notified, and were not otherwise aware, of any penalties that had been imposed or had been threatened to be imposed on us for our operations in Indonesia or Vietnam. For details of these past non-compliance events and the possible sanctions and liabilities, please refer to the paragraphs headed "Non-compliance" in the section headed "Business" in this document. If our existing or future business operations in Indonesia and/or Vietnam are determined by the local government or regulatory authority to have violated the relevant laws, rules and regulations, we may be subject to investigations, legal proceedings, fines and penalties, sanctions and liabilities, which may divert our management's attention and resources and may have a material adverse effect on our Group's business, results of operations and financial performance.

We may be adversely affected by fluctuations in exchange rates and interest rates

For each of the three years ended 31 December 2013, 2014 and 2015, our Group generated an aggregate revenue from Indonesia, Vietnam and Macao of approximately HK$152.3 million, HK$108.8 million and HK$472.6 million, respectively.

Although our revenue is expressed in Hong Kong dollars, the revenue generated in Indonesia, Vietnam and Macao are mainly denominated in US$ and MOP. As we have projects located in Hong Kong, Macao, Indonesia and Vietnam and we procure supplies of raw materials, supplies of services, subcontractors and labour from the PRC, Hong Kong, Macao, Indonesia and Japan, our cost of sales are mainly denominated in HK$, IDR, MOP, US$ and RMB. Our borrowings are primarily denominated in HK$. As such, any appreciation or depreciation in these currencies may increase our costs and decrease our revenue from projects located outside Hong Kong. For example, the recent depreciation in RMB lowered our cost of purchases of raw materials from the PRC. Fluctuations in exchange rates between these currencies may impact our results of operations and financial conditions. Additionally, as all agreements entered into after 1 July 2015 regarding projects in Indonesia must stipulate that all corresponding payments must be denominated in IDR, our exposure to fluctuations in IDR will increase if we accept more projects in Indonesia in future. As at the Latest Practicable Date, the Merak Cement Grinding Project Supporting Specialised Wharf Engineering (for details please refer to the paragraphs headed "Business overview – Contracts on hand as at the Latest Practicable Date" in the section headed "Business" in this document) was our only project where all payments must be denominated in IDR. Fluctuations in exchange rates between these currencies are subject to, among other things, international and domestic economic and political conditions. MOP is pegged to HK$, and in many cases the two are used interchangeably in Macao. HK$ is pegged to US$. We cannot provide assurance that this will continue or that MOP will continue to be pegged to HK$. Any delinkage may result in severe fluctuations in the exchange rates for these currencies. We also cannot assure you that the current rate of exchange fixed by the applicable monetary authorities for these currencies will remain at the same level.

We may also be subject to interest rate risk arising from our borrowings. Increase in interest rates will increase our cost of new borrowings and interest expenses in respect of our outstanding floating rate borrowings, which could have a material adverse effect on our results of operations and financial conditions.

RISKS RELATING TO THE CONTRACTUAL ARRANGEMENTS

Due to the foreign ownership restriction under Indonesia law, 33% shareholding interest in each of PTIR and PTHKRE are controlled by us through the Contractual Arrangements. For details of the Contractual Arrangements, please refer to the section headed "Contractual Arrangements" in this document.

We rely on the Contractual Arrangements to control 33% shareholding interest in each of PTIR and PTHKRE, which may not be as effective in providing control as direct ownership of equity interest

The Contractual Arrangements may not be as secure or as effective in providing control over the relevant shareholding interest in PTIR and PTHKRE as direct ownership of equity interest.

There is no assurance that the Contractual Arrangements will be considered to be in compliance with the relevant laws and regulations of Indonesia in the future

There is no assurance that in the future the relevant laws and regulations of Indonesia will not change and that the Contractual Arrangements will still be considered to be in compliance with the then prevailing laws and regulations of Indonesia. It is also uncertain as to whether governmental or judicial authorities in Indonesia may in the future interpret the then prevailing laws or regulations to the effect that the Contractual Arrangements would be considered non-compliant with the then prevailing laws or regulations of Indonesia. In such event, our business, financial condition and results of operations in relation to our operations in Indonesia may be adversely affected.

There are limitations when we exercise our rights to demand for and effect the transfer of the 33% shareholding in PTIR and PTHKRE under the Contractual Arrangements

Due to the foreign ownership restriction under Indonesia law, in the event of death or bankruptcy of any of the Indonesian Shareholders, HKR would have to cause all of the shares registered under the name of the relevant Indonesian Shareholder to be transferred to a third party designated by HKR and such third party must also be an Indonesian citizen(s) or legal entity fully owned by Indonesian citizen(s), and to procure such third party to take up and hold all such shares subject to arrangements similar to that of the Contractual Arrangements. In the event that HKR is unable to procure such a third party to replace the relevant Indonesian Shareholder to take up the shares subject to arrangements similar to that of the Contractual Arrangements and in the event that HKR itself takes up those shares and becomes the registered shareholder of those shares, as advised by the Indonesia Legal Adviser, (i) HKR may violate the Indonesia law which imposes the foreign ownership restriction; (ii) PTIR and/or PTHKRE (as the case may be) may not be able to renew or amend their business licence; (iii) the relevant government authority may not process the application for registration of change in the company's shareholders composition, directors or commissioners or articles of association when PTIR, and/or PTHKRE (as the case may be) are legally required to register

such changes; and (iv) any transfer of shares of PTIR, and/or PTHKRE (as the case may be) that violates Indonesia law and regulations may be declared null and void by Indonesia courts in case a party applies to the relevant Indonesia courts to nullify and void such transfers. In addition, such transfer of shares may also be subject to substantial costs including professional fees which may be incurred in preparing the relevant documentation and attending to the filing regarding such transfers.

We may not be able to enforce the Contractual Arrangements in the event of any dispute between the parties

In the event of any dispute between the parties to the Contractual Arrangements or if the respective Indonesian Shareholders or, as the case may be and where applicable, their respective spouses, fail to comply with any agreements, assignments, undertakings or powers of attorney under the Contractual Arrangements, we would have to resolve such dispute or enforce our rights under the relevant legal documents by arbitration in Hong Kong in accordance with the Arbitration Rules of the Hong Kong International Arbitration Centre. The arbitrators may award remedies over the shares and assets of each of PTIR and PTHKRE, injunctive relief (such as for the conduct of business or to compel the transfer of assets) or order the winding up of each of PTIR and PTHKRE. For the purpose of enforcing any arbitral awards, the disputing parties shall go to the Clerks Office of the District Court of Central Jakarta. In the event of pending the formation of the arbitral tribunal or in appropriate cases in the arbitration proceedings, the courts of Hong Kong, Cayman Islands and Indonesia should have jurisdiction to grant interim remedies that will support the further arbitration process. However, there is no assurance that such remedies will be effective or readily available under Indonesia law. In addition, any arbitration and/or enforcement proceedings could result in disruption to our business in Indonesia and result in extra costs incurred by us. There is also no assurance that the outcome of such arbitration and/or enforcement proceedings would be in our favour or satisfactory to us.

The Indonesian Shareholders as borrowers under the Contractual Arrangements may have potential conflicts of interest with us

The Indonesian Shareholders as borrowers under the Contractual Arrangements may have potential conflicts of interest with us and they may commit breaches of their respective contractual obligations under the Contractual Arrangements if they believe that it would further their own interest, if they are fraudulent, act in bad faith or for whatever reasons. In such circumstances, there is no assurance that when such conflicts of interest arise, the Indonesian Shareholders as borrowers of the respective loans provided by HKR will act completely in our interests or that the conflicts of interest will be resolved in our favour.

The Contractual Arrangements may be subject to scrutiny of tax authorities of Indonesia and additional tax may be imposed if there is any change in laws or change in the interpretation of laws or regulations by the tax authorities of Indonesia in the future

There is no assurance that there will not be any change in laws or regulations or change in the interpretation of laws or regulations by tax authorities of Indonesia in the future which may result in the Contractual Arrangements being scrutinised by the tax authorities and higher tax rates or additional taxes being imposed on and incurred by PTIR and/or PTHKRE in connection with the Contractual Arrangements and thereby adversely affecting our results of operations.

We do not have any insurance coverage to cover our risks relating to the Contractual Arrangements

We have not purchased nor do we maintain any insurance policy to cover any of the risks relating to the Contractual Arrangements. In the event that the Contractual Arrangements are held or declared to be illegal, invalid or not legally binding, or if we fail to enforce our rights under the Contractual Arrangements, or if we fail to seek remedies against the Indonesian Shareholders under the Contractual Arrangements, we may not be adequately compensated for our losses.

RISKS RELATING TO THE [REDACTED]

An active trading market for our Shares may not develop

Prior to the [**REDACTED**], there was no public market for our Shares. The [**REDACTED**] is the result of negotiations between our Company and the Sole Sponsor and may differ from the market prices of the Shares after the [**REDACTED**]. However, there is no assurance that the [**REDACTED**] will result in the development of an active and liquid public trading market for our Shares.

The price and trading volume of our Shares may be volatile

Factors such as variations in our earnings, turnover and cash flows and announcements of new investments, strategic alliances and/or acquisitions, fluctuations in prices for our marine construction works or fluctuations in market prices for comparable companies could cause the market price of our Shares to change substantially. In addition, the market price of our Shares may also fluctuate significantly and rapidly as a result of factors which are beyond our control. Furthermore, stock markets and the shares of some listed companies in Hong Kong have experienced increasing price and volume fluctuations in recent years, some of which may have been unrelated or disproportionate to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the market price of our Shares.

Investors of our Shares may experience dilution if we issue additional Shares in the future

We may need to raise additional funds in the future to finance expansion or acquisitions relating to our existing operations. If additional funds are raised through the issuance of new equity or equity-linked securities of our Group other than on a pro-rata basis to our existing Shareholders, the percentage ownership of our Shareholders in our Group may be reduced or such new securities may confer rights and privileges that take priority over those conferred by our Shares.

Future sales of a substantial number of our Shares by our existing Shareholders in the public market may materially and adversely affect the prevailing market price of our Shares

The Shares held by certain of our existing Shareholders are subject to lock-up commencing on the date on which [**REDACTED**] commences on the Stock Exchange. While we are not aware of any intentions of our existing Shareholders to dispose of a significant amount of their Shares upon expiry of the relevant lock-up periods, there is no assurance that they would not dispose of the Shares held by them. We cannot predict the subsequent effect on the market price of our Shares after any of such disposal. Sale of substantial amounts of the Shares by any of our existing Shareholders, or the market perception that such sales may occur, could have a material and adverse effect on the prevailing market price of our Shares.

Our future dividend policy and payments are subject to the discretion of our Board

The amount of dividends that we may declare and pay to our Shareholders in the future will be subject to the discretion of our Board and depends on our overall results of operation, financial position, capital requirements, shareholders' interests, future prospects and other factors that our Directors deem relevant. In addition, our Controlling Shareholders, subject to the Articles of Association, may influence our dividend policy. The amount of distributions that any company within our Group has paid in the past may not be used as an indication of the dividends that we may pay in the future.

No undue reliance should be placed by prospective investors on industry and market overview and statistics derived from official government publications contained in this document

Certain statistics, facts, data and forecasts presented in the section headed "Industry overview" and elsewhere in this document including those relating to Hong Kong, Macao and Southeast Asia, the economies of Hong Kong, Macao and Southeast Asia and the marine construction industry have been derived, in part, from various publications and industry-related sources prepared by governmental officials or Independent Third Parties. Such statistics, facts, data and forecasts have not been independently verified by us, the Sole Sponsor, the [**REDACTED**], the [**REDACTED**] or any of their respective affiliates or advisers or any other party involved in the [**REDACTED**] and no representation is given as to their accuracy and completeness. Therefore our Group makes no representation as to the accuracy of such statistics, facts, data, forecasts and other information, which may not be consistent with other information compiled within or outside Hong Kong, Macao or Southeast Asia. Due to the possible flawed or ineffective collection methods or discrepancies in the published information, market practice and other problems, the statistics from official government publications referred to or contained in this document may be inaccurate or may not be comparable to statistics produced for other economies. In addition, there is no assurance and guarantee that they were stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, you should consider how much weight or importance you would place on such statistics, facts, data, forecasts and other information.

In preparation for the [**REDACTED**], we have applied to the Stock Exchange for the following waivers from strict compliance with the relevant provisions of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

After [**REDACTED**], certain transactions, which we have entered into or will continue to conduct, will constitute non-exempt continuing connected transactions for us under the Listing Rules.

On 18 March 2016, Shenzhen Changsheng and Prosper BVI entered into a vessel chartering framework agreement pursuant to which our Group will continue to charter vessels from Shenzhen Changsheng for a term commencing from 18 March 2016 and ending on 31 December 2017, for the purpose of performing marine construction works in the Macao Project. Shenzhen Changsheng is a company established in the PRC and mainly provides marine construction services and trading and leasing of vessels in the PRC. Shenzhen Changsheng is owned as to 20% by Mr. Cui and the remaining 80% by a company which is owned as to 90% by Mr. Cui and 10% by Ms. Mu. The proposed annual caps for the on-going transactions contemplated under the vessel chartering framework agreement are HK$15,360,000 and HK$3,960,000 for each of the two years ending 31 December 2016 and 2017, respectively. Such transactions constitute continuing connected transactions for our Company and are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules. We have applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with the announcement requirement set out in Chapter 14A of the Listing Rules in respect of such non-exempt continuing connected transactions.

Pursuant to Indonesia law, the maximum foreign ownership in a company engaging in the construction of harbour/port is limited to 67%. As at the Latest Practicable Date, each of PTIR and PTHKRE was held as to 67% shareholding interest by our Group. To consolidate control over and derive the economic benefits and risks from the remaining 33% of the shareholding interest in each of PTIR and PTHKRE, HKR has entered into contractual arrangements with the relevant Indonesian Shareholder in each of PTIR and PTHKRE, being Johannes Wargo and Harris, respectively. The Contractual Arrangements consist of (i) Loan Agreements; (ii) Pledge of Shares Agreements; (iii) PoA for Selling Shares; (iv) PoA to Vote; (v) Assignment of Dividends Agreements; and (vi) Spouse Undertakings. For details and principal terms of these contracts, please refer to the section headed "Contractual Arrangements" in this document. Such transactions constitute continuing connected transactions of our Company and are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. We have applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with the announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules in respect of such non-exempt continuing connected transactions.

Further details of such non-exempt continuing connected transactions are set out in the section headed "Continuing connected transactions" in this document.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Cui Qi (崔琦先生) *(Chairman)*	Flat C, 29/F, Luna Sky The Cullinan 1 Austin Road West Tsim Sha Tsui, Hong Kong	Chinese
Mr. Yu Ming (俞明先生) (formerly known as Mr. Yu Ming (喻明先生))	Flat BE-1D 1-7 Sai Tso Wan Road Tsing Yi New Territories Hong Kong	Chinese
Ms. Kui Ching Wah (具正華小姐)	Flat E, 27/F, Tower 2 8 King Ling Road Metro Town, Tseung Kwan O Kowloon Hong Kong	Chinese
Mr. Tao Yang (陶揚先生)	No.3, Unit 1, Building No. 2 Zhen Wu Miao Tou Tiao Xicheng District Beijing PRC	Chinese
Independent non-executive Directors		
Mr. Ge Zhenming (葛震明先生)	Room 1001, No.12 Lane No. 201, Zhaojiabin Road Xuhui District Shanghai PRC	Chinese
Ms. Leung Sau Fan Sylvia (梁秀芬小姐)	Flat A, 11/F, Maple Garden Phase 3 51-55 Kin Wah Street North Point Hong Kong	Chinese
Mr. Leung Yee Tak (梁以德先生)	9/F, 114 Argyle Street Ho Man Tin Kowloon Hong Kong	Chinese

Further information is disclosed in the "Directors, senior management and employees" section of this document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor

Investec Capital Asia Limited
Suite 3609, 36/F
Two International Finance Centre
8 Finance Street
Central
Hong Kong

[**REDACTED**]

[REDACTED]

[**REDACTED**]

Legal advisers to our Company

As to Hong Kong law:
Chiu & Partners
40/F, Jardine House
1 Connaught Place
Hong Kong

As to Hong Kong law:
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38/F,
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As to Macao law:
Rato, Ling, Lei & Cortés – Advogados
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Macau Landmark
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As to Cayman Islands law:
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Cayman Islands

As to Vietnam law:
Vietnam International Law Firm (VILAF)
HCO Building (Melia), Suite 603
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Hoan Kiem District
Hanoi
Vietnam

As to Indonesia law:
Hutabarat Halim & Rekan
20/F DBS Bank Tower
Ciputra World 1
JI. Prof. DR. Satrio Kav., 3-5
Jakarta 12940 – Indonesia

	As to PRC law: **Li & Partners (Shenzhen)** 10/F, Hantang Building OCT, Nanshan District Shenzhen PRC
Tax adviser to our Company	**Russell Bedford Hong Kong** Room 1708, Dominion Centre 43-59 Queen's Road East Wanchai Hong Kong
Legal advisers to the Sole Sponsor and the [REDACTED]	*As to Hong Kong law:* **Iu, Lai & Li** Solicitors & Notaries Rooms 2201, 2201A & 2202 22nd Floor Tower I, Admiralty Centre No. 18 Harcourt Road Hong Kong
Reporting Accountant	**PricewaterhouseCoopers** *Certified Public Accountants* 22/F, Prince's Building Central Hong Kong
Receiving Bank	**Bank of Communications Co., Ltd. Hong Kong Branch** 20 Pedder Street Central Hong Kong **Wing Lung Bank Limited** Room 1503, Wing Lung Bank Center 636 Nathan Road Kowloon Hong Kong

Compliance Adviser

Investec Capital Asia Limited
Suite 3609, 36/F
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8 Finance Street
Central
Hong Kong

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Unit Nos. 04-05 on the 5th Floor K. Wah Centre No. 191 Java Road North Point Hong Kong
Company's website	**www.prosperch.com** *(information on this website does not form part of this document)*
Joint company secretaries	Ms. Kui Ching Wah (具正華小姐) Flat E, 27/F, Tower 2 8 King Ling Road Metro Town, Tseung Kwan O Kowloon Hong Kong Mr. Lee Baldwin (李博彥先生) *CPA* House 114, Hong Lok Road West Hong Lok Yuen, Tai Po New Territories Hong Kong
Authorised representatives	Mr. Cui Qi (崔琦先生) Flat C, 29/F, Luna Sky The Cullinan 1 Austin Road West Tsim Sha Tsui Hong Kong Ms. Kui Ching Wah (具正華小姐) Flat E, 27/F, Tower 2 8 King Ling Road Metro Town, Tseung Kwan O Kowloon Hong Kong
Audit committee	Ms. Leung Sau Fan Sylvia *(Chairman)* Mr. Ge Zhenming Mr. Leung Yee Tak

Remuneration committee	Mr. Leung Yee Tak (*Chairman*) Mr. Ge Zhenming Ms Leung Sau Fan Sylvia
Nomination committee	Mr. Cui Qi (*Chairman*) Mr. Ge Zhenming Ms. Leung Sau Fan Sylvia Mr. Leung Yee Tak
Risk management committee	Mr. Yu Ming (*Chairman*) Ms. Kui Ching Wah Mr. Ge Zhenming Ms. Leung Sau Fan Sylvia Mr. Leung Yee Tak

[**REDACTED**]

Cayman Islands share registrar and transfer agent	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong

The information that appears in this section has been prepared by Euromonitor International Limited and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor International Limited should not be considered as the opinion of Euromonitor International Limited as to the value of any security or the advisability of investing in the Company. Our Directors believe that the sources of information contained in this Industry Overview are appropriate sources for such information and we have taken reasonable care in reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Euromonitor International Limited and set out in this Industry Overview has not been independently verified by our Group, the Sole Sponsor, the **[REDACTED]***, the* **[REDACTED]** *or any other party involved in the* **[REDACTED]** *and none of them gives any representations as to its accuracy and the information should not be unduly relied upon in making, or refraining from making, any investment decision.*

REPORT COMMISSIONED FROM EUROMONITOR

We commissioned Euromonitor International Limited ("**Euromonitor**"), an international market intelligence provider and an Independent Third Party, to conduct an analysis of the marine construction works markets in Hong Kong, Macao, Indonesia and Vietnam in the form of an industry report ("**Euromonitor Report**"). We were charged a total of US$92,093, which we believe reflects fair market rate. Established in 1972, Euromonitor is a global research organisation with offices around the world and analysts in 80 countries. Euromonitor researches for both consumer and industrial markets with international coverage.

Except as otherwise stated, all of the data and forecasts contained in this section are derived from the Euromonitor Report.

Research Methodology

The Euromonitor Report was compiled and prepared mainly by conducting primary research and secondary research from various sources. Primary research involved interviews with a sample of leading industry participants and industry experts for latest data and insights on future trends and to verify and cross check the consistency of data and research estimates. Secondary research involved reviewing published sources including official statistics, company reports including audited financial statements where available, independent research reports, and data based on Euromonitor's own research database. Projected data was obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related drivers. Reviews and cross-checks were conducted for all sources and independent analysis was used to build all final estimates and prepare the final report.

Basis and assumptions

Euromonitor based the Euromonitor Report on the following assumptions:

- The economy is expected to maintain steady growth over the forecast period;
- The social, economic, and political environment is expected to remain stable in the forecast period;
- There will be no external shock, such as financial crisis or raw material shortage that affects the demand and supply of marine construction works in Hong Kong, Macao, Indonesia and Vietnam during the forecast period; and
- Key market drivers are expected to boost the development of the marine construction industry as well as its future growth.

The market research was completed in June 2016 and all statistics in the Euromonitor Report are based on information available at the time of reporting. The Directors confirm that there is no material adverse change in the market information since the date of the Euromonitor Report.

This section covers marine construction works, defined as construction projects pertaining to the construction and installation of structures and facilities in a marine environment, as well as onshore ground treatment works in Vietnam which employ similar methods and certain equipment used in marine seabed treatment and land reclamation works. Examples include pier construction and marine piling works, dredging and reclamation works, construction of ports and harbours, etc.

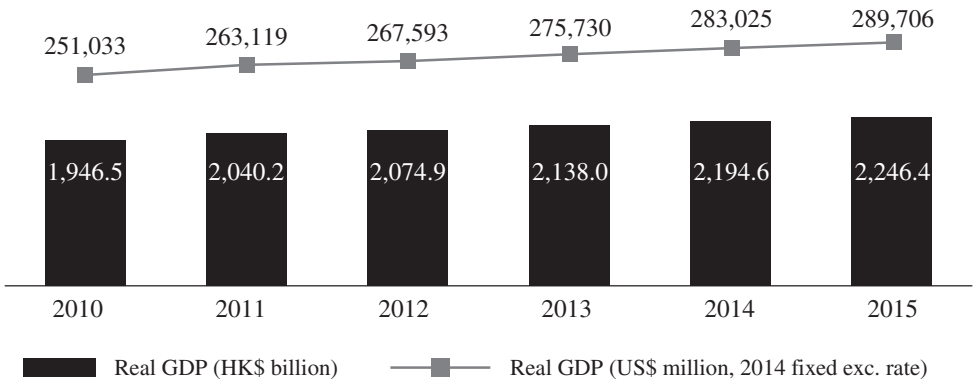
In this section, "Construction works output" is defined as the value of output/work done by construction companies in the one-year period (namely the 2015 calendar year). The data is estimated from modelled calculations of the value of marine construction contracts for each construction company. Euromonitor then validated the rankings through interviews with stakeholders in the industry.

ECONOMIC ENVIRONMENT AND MARINE CONSTRUCTION INDUSTRY

Hong Kong

Hong Kong's economy grew at a CAGR of 2.9% over the five-year period of 2010-2015 to reach HK$2,246.4 billion in 2015. Hong Kong's economy grew at a slower pace of 2.4% in 2015 compared to the growth of 2.6% in 2014 mainly due to the decline in investment and exports. Real growth of government consumption expenditure was steady at 3.0% for both 2013 and 2014 and rose to 3.4% in 2015.

Chart 1 Real GDP (2013 Prices) of Hong Kong, Historic 2010-2015



Source: Census and Statistics Department, Hong Kong SAR

Construction is the largest non-service sector contributor to Hong Kong's GDP

Hong Kong has a service-based economy, as evidenced by the fact that services consistently contributed to more than 90% of GDP during the review period 2010-2014. Within the non-services sector, construction was the largest contributor to GDP at 4.3% in 2015, steadily rising every year since 2010, from 3.3% of GDP in 2010 to 4.4% in 2014, and decreasing slightly to 4.3% in 2015.

Overview of the marine construction industry in Hong Kong

Marine construction is a substantial component of the Hong Kong construction industry. Due to limited land supply, Hong Kong is reliant on land reclamation to improve its usable land area. Areas such as Central and Wan Chai, as well as landmarks such as Hong Kong Disneyland Resort, Hong Kong International Airport and Kai Tak Airport were built on reclaimed land. The construction of ports, harbours, piers, cross harbour tunnels and viaducts involves various kinds of marine construction works such as marine piling, construction of marine platforms, construction of seawalls and marine transportation.

Varied business models of companies involved in marine construction

Companies involved in marine construction in Hong Kong can be categorised into two major classifications: main contractors and subcontractors. There are relatively fewer companies acting as main contractors compared to subcontractors, although these main contractor companies have larger capital sizes.

Larger construction companies that provide marine construction services in Hong Kong are typically involved in the whole range of marine construction activities including dredging, reclamation, and construction of large and medium sized ports, channels, shipyards, and docks. These companies are also typically involved in other types of non-marine construction (e.g. road, bridges, railways, buildings).

During the Track Record Period and up to the Latest Practicable Date, our Group has mainly acted as a subcontractor specialising in marine construction works in Hong Kong, except for the Shatin to Central Link Projects where we formed an unincorporated joint venture, which is jointly managed by our Group and our joint venture partner and acts as the main contractor in those two projects.

Macao

Macao's economy grew at a robust pace in the early part of the review period, with real GDP (at constant 2013 prices) expanding by 21.7%, 9.2% and 11.2% in 2011, 2012 and 2013, respectively. Macao's economy contracted in 2015 as evidenced by the decline in real GDP by -20.3% in the year. This was mainly due to reduced spending by visitors from Mainland China and Macao's overreliance on the gaming industry which was dented by China's continued anti-corruption campaign.

Rise in gross fixed capital formation by construction underpinned by massive projects

Gross fixed capital formation by construction in Macao rose by a CAGR of 18.1% in real terms from MOP28.6 billion in 2010 to MOP66.1 billion in 2015. Macao's population grew at a CAGR of 3.7% from 540,600 in 2010 to 646,800 in 2015. With a total area of only 30.4 km^2, Macao is one of the most densely populated regions in the world. Macao's population growth will continue to drive further land reclamation projects led by the Macao Government.

External policies such as the OBOR in the future will also benefit Macao, as Macao can be a key service platform between China and Portuguese-speaking countries to promote the successful implementation of the policy. This should benefit the marine construction industry as it ensures busy logistic activities at ports, which in turn requires constant maintenance and expansion of sea ports and container terminals.

Overview of the marine construction industry in Macao

Due to its limited land supply, marine construction, particularly in the form of land reclamation is very important for Macao. The enclave has grown in land area from 11.6 km^2 in 1912 to 27.5 km^2 in 2004, and has been gradually growing at a CAGR of 1.0% in the past decade to 30.3 km^2 in 2014 as a result of land reclamation along its coastline. Latest information from the 2015 Environmental Statistics shows that the land area of Macao expanded to 30.4km^2 in 2015.

Varied business models of companies involved in marine construction

Companies involved in marine construction business in Macao can be categorised into two classifications: main contractors and subcontractors. There are relatively fewer companies acting as main contractors, although these main contractor companies have larger capital sizes.

Larger construction companies that provide marine construction services in Macao are typically involved in a whole range of marine construction activities including dredging, reclamation, and construction of ports/harbours. These companies are also typically involved

in other types of non-marine construction works. The marine construction industry in Macao is characterised by a small number of local contractors and high presence of a smaller number of foreign contractors, particularly from Hong Kong and China. Typical marine construction activities in Macao involve reclamation, dredging and other marine infrastructure works.

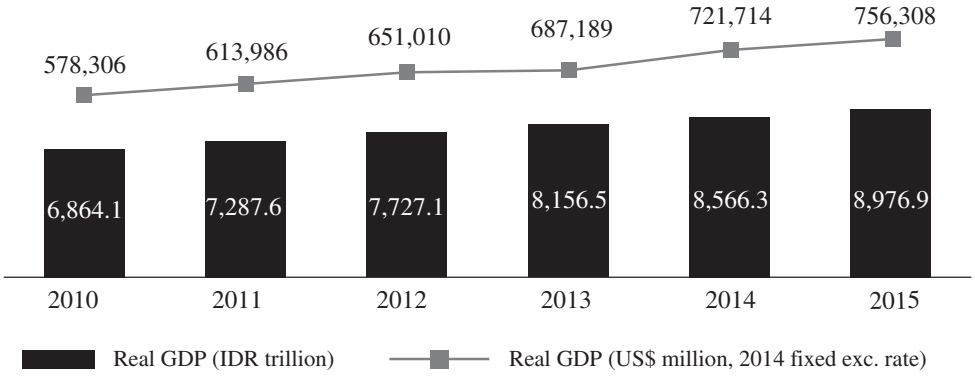
Our Group first entered the Macao market by forming an unincorporated joint venture with another construction company, which secured a marine construction project as the main contractor in Macao in November 2014, i.e. the Macao Project, which involves the construction of sea walls and land reclamation and ground treatment works. For details of this project, please refer to the paragraphs headed "Contracts on hand as at Latest Practicable Date" in the section headed "Business" in this document.

Indonesia

The Indonesia economy is the largest and among the strongest performing in Southeast Asia. Real GDP (at constant 2010 prices) grew strongly at a CAGR of 5.5% between 2010 and 2015, reaching IDR8,976.9 trillion in 2015. Private consumption, which accounted for about 55% of GDP, was an important factor in sustaining growth while gains in employment and wages helped support consumer spending. A surge in both inflows of foreign direct investment ("**FDI**") and domestic investment also contributed to economic growth.

Despite the fact that the economic growth rate in 2015 declined to 4.8%, it is believed that the Indonesian economy has stabilised. Moreover, the government's accommodative fiscal and monetary stance is expected to underpin future economic growth in the country. Indonesia's decision in early 2015 to abolish fuel subsidies in order to fund infrastructure spending is viewed as an encouraging sign that the government is committed to long-term economic development.

Chart 2 Real GDP (2010 Prices) of Indonesia, Historic 2010-2015



Source: Statistics Indonesia

Construction industry to remain a strong foundation for further economic growth

Contribution of the construction industry to real GDP (at constant 2010 prices) grew at a CAGR of 7.1% from 2010 to IDR881.6 trillion in 2015. Increasing at a slightly faster rate than the overall real GDP CAGR of 5.5% during the same period, this translates to a steadily increasing contribution by the construction industry to the overall economy from 9.1% of real GDP in 2010 to 9.8% of real GDP in 2015.

Indonesia's construction industry is predicted to remain strong, supported by various large-scale construction projects, as well as government efforts to augment infrastructure in the country. The Masterplan for Acceleration and Expansion of Indonesia's Economic Development 2011-2025 (MP3EI) includes the development of regional economic potential in six Economic Corridors (EC), i.e. Sumatra EC, Java EC, Kalimantan EC, Sulawesi EC, Bali-Nusa Tenggara EC and Papua-Maluku EC, and highlights planned construction projects such as sea ports, roads and railways. These factors point to the increasing importance of the construction industry as a contributor to the growth of the Indonesian economy in the future.

PRC's OBOR provides synergy and drives FDI from China

There is enormous potential for synergy between the vision of the President of Indonesia to transform Indonesia as a maritime fulcrum by rebuilding Indonesia's maritime infrastructure to improve connectivity and that of the OBOR, as China's appeal in developing greater maritime connectivity through the 21st Century Maritime Silk Road is happening at the same time as renewed interest from Indonesia to redefine its maritime viewpoint. Although the impact of the OBOR on marine construction in Indonesia was non-existent during the review period (given the fact that the OBOR was only announced in 2014), the OBOR provides future opportunities in cooperation not only in maritime transportation infrastructure, but also in other industries such as energy and manufacturing.

The OBOR will also help to pour in FDI from China to Indonesia in various industries. Realisation of FDI from China in value terms has grown by a robust CAGR of 29.3% to reach US$628.3 million in 2015 from US$173.6 million in 2010, notching up a proportion of 2.1% out of overall value of realised FDI in Indonesia in 2015 (up from only 1.1% value proportion in 2010). The growth in FDI value from China is evident in the number of realised FDI projects from China. 1,052 FDI projects from China were realised in 2015, up from 113 FDI projects from China in 2010, representing a CAGR of 56.2%.

Overview of marine construction works in Indonesia

The construction industry is an essential component of Indonesia's economic development and provides infrastructure for other economic sectors such as agriculture, energy, tourism, manufacturing and trade. Unlike Hong Kong and Macao, land reclamation is not a key feature of the construction industry in Indonesia owing to the country's large land supply.

As an archipelago comprising thousands of islands, the maritime sector of Indonesia has been marginalised for much of the national development agenda in the past. Many of the smaller islands, particularly in the eastern region, remain unconnected and several benefit from only loose or intermittent contact. In recent years, a majority of marine construction works in Indonesia were port construction due to the Indonesian government's prioritising of maritime connectivity development to improve shipping and maritime logistics and maritime tourism. Our Group's main business in Indonesia has been mainly acting as a subcontractor in port construction projects.

Main contractor – sub-contractor business models in marine construction

PT Pelabuhan Indonesia (PT Pelindo), a state-owned enterprise, is responsible for the development, maintenance, operation and management of ports and harbours in Indonesia. The company is separated into four companies in accordance with different regions: PT Pelindo I is responsible for ports in Aceh, North Sumatra, Riau and Riau Islands; PT Pelindo II is responsible for ports in West Sumatra, Jambi, South Sumatra, Bengkulu, Lampung, Bangka Belitung, Banten, Jakarta, West Java and West Kalimantan; PT Pelindo III is responsible for ports in Central Java, East Java, Bali, South Kalimantan, Central Kalimantan, West Nusa Tenggara and East Nusa Tenggara; and the rest fall under PT Pelindo IV.

Companies involved in marine construction works in Indonesia can be classified as either main contractors or subcontractors. There are relatively fewer companies acting as main contractors as compared to subcontractors. Main marine construction contractors are typically large-scale state-owned companies (e.g. PT Wijaya Karya Tbk, PT Adhi Karya Tbk, etc.).

Subcontractor companies providing marine construction services are typically involved in a wide range of marine construction activities including dredging, reclamation, and construction of ports, channels, shipyards and docks. These companies may also provide other types of non-marine construction and non-construction services.

For our Group's operations in Indonesia, we have acted as a subcontractor for a majority of the projects we have undertaken and have acted as the main contractor for two of the projects. Our Group has historically secured most of our marine construction projects in Indonesia following invitations from customers to submit quotations, among other contractors on their internal list. After being selected by the customers, we then negotiated and entered into subcontracts with the customers instead of entering into public tendering processes organised by Indonesian government bodies or enterprises. For the one Indonesian project in which we acted as the main contractor, we secured the project through private negotiation directly with the Indonesian project owner which is a local private developer.

Government increasingly encouraging foreign investment

With its abundant natural resources and sizeable and burgeoning domestic market, Indonesia is attractive to foreign investors. The Indonesian government has sought to encourage foreign investment by issuing regulations and policies intended to simplify the investment licence process.

Vietnam

Vietnam's economy grew at a CAGR of 5.9% in real terms (at constant 2010 prices) from VND2,157.8 trillion in 2010 to VND2,875.9 trillion in 2015.

Construction is a key economic sector for the development of Vietnam

The construction industry is one of Vietnam's key economic sectors, attracting investment as the country has transformed from one of the poorest in the world to one of the fastest developing middle-income Southeast Asian countries over the past few decades. The construction industry is supported by growth of the low-cost and affordable housing sector amidst increasing purchasing power of the population.

Table 1 Real GDP (2010 Prices) by Construction Industry of Vietnam, Historic 2010-2015

	2010	2011	2012	2013	2014	2015	CAGR 2010-2015
Real GDP by construction industry (VND trillion)	132.6	132.3	137.1	145.1	155.2	172.0	5.3%
Proportion to real GDP (%)	6.1%	5.8%	5.7%	5.7%	5.8%	6.0%	n/a

Source: The General Statistics Office of Vietnam

Overview of marine construction works in Vietnam

Strategically located south of China bordering the South China Sea with a vast coastline of approximately 3,400 kilometres along one of the world's busiest cargo lanes, Vietnam has been focused heavily on developing its sea ports since the 2000s in a bid to rival neighbouring countries in marine logistics. This includes projects such as the relocation of Saigon Port and the development of Cai Mep – Thi Vai Port. Construction and development of sea ports is thus the typical marine construction activity in Vietnam, along with maintenance dredging.

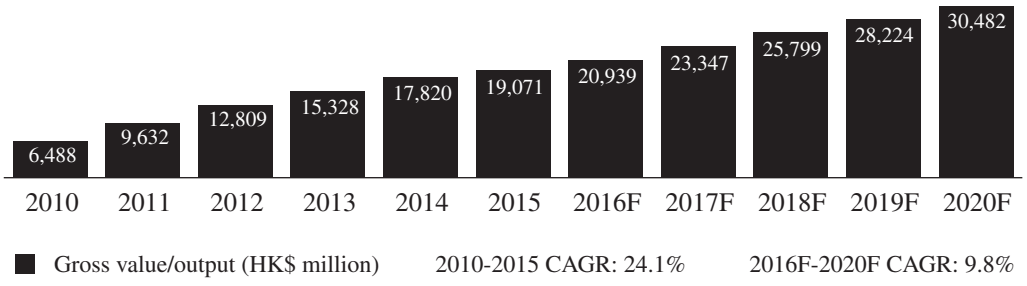
Similar to the construction industry in general, the marine construction industry in Vietnam is regulated by The Ministry of Construction of The Socialist Republic of Vietnam (*Bộ Xây dựng*) under the Vietnam Law on Construction No.50/2014/QH13. There are no additional permits required for marine construction aside from the construction permit as stipulated in Article 89 of the law.

MARINE CONSTRUCTION GROSS VALUE/OUTPUT, GROWTH DRIVERS AND PROSPECTS

Hong Kong

Gross value/output of marine construction works in Hong Kong grew at a CAGR of 24.1% in the review period 2010-2015 to reach HK$19.1 billion in 2015. Growth throughout the historic period was driven by ongoing land reclamation in the face of limited land supply and soaring land prices. It is predicted that the gross value of marine construction in the forecast period 2016-2020 will increase at a moderated CAGR of 9.8% to reach HK$30.5 billion in 2020.

Chart 3 Gross Value/Output of Marine Construction Works in Hong Kong, 2010-2020F



Source: Euromonitor estimates from trade interview and desk research

Growth driven by limited land supply

Due to limited land supply, Hong Kong is reliant on land reclamation to boost its usable land area. As of February 2015, data from the Lands Department shows that total land reclamation since 1887 amounted to 69.47 km^2 in areas such as Central and Wan Chai, as well as landmarks such as Hong Kong Disneyland Resort, Hong Kong International Airport and Kai Tak Airport. Land reclamation will continue to be the backbone of the marine construction industry in Hong Kong and is expected to drive growth of the marine construction industry in the forecast period, as the Government has targeted reclamation areas ranging from 30 hectares to 300 hectares. Sites targeted for reclamation include Lung Kwu Tan at Tuen Mun, Siu Ho Wan on Lantau, Ma Liu Shui in Sha Tin, the southwestern side of Tsing Yi and Sunny Bay, as well as the Tung Chung New Town Extension.

A future project that is undergoing feasibility studies is the plan to reclaim a 130-hectare plot of land between Hong Kong Island and Lantau to develop a new core business district that will accommodate 400,000-700,000 people within the next 15 years.

Growth driven by other major infrastructure projects

To further economic development in Hong Kong, the 2007-08 Policy Address of the Government announced the Ten Major Infrastructure Projects, of which only three projects had not yet commenced (with two of those having completed their Environmental Impact Assessment Report in 2013). The first of the 10 major infrastructure projects to commence was Kai Tak Development, which began with construction of the first berth of the cruise terminal on November 2009. Major marine construction projects within the review period include the Hong Kong-Zhuhai-Macao Bridge (HZMB) and the Kai Tak Cruise Terminal. The former includes a 150-hectare land reclamation at the northeast of the Hong Kong International Airport for the construction of an artificial island for the purpose of the 130-hectare Hong Kong Boundary Crossing Facilities (HKBCF) which will provide clearance facilities for passengers and vehicles for entering or leaving Hong Kong via the HZMB; as well as an approximately 20-hectare site for the southern landfall of the Tuen Mun-Chek Lap Kok Link. Besides infrastructure projects commissioned by the Government, other public utilities projects such as the Shatin to Central Link Projects and the Express Rail Link project, both of which are commissioned by the MTR Corporation Limited, have also contributed to the growth.

Separately, the proposed expansion of the Hong Kong International Airport into a Three-runway System (3RS) will require a further 650-hectare land reclamation to build the third runway, passenger concourse and other related facilities. In April 2016, the Chief Executive in Council authorised the proposed reclamation, with construction works expected to commence at the earliest opportunity.

Expansion and maintenance of sea ports and harbours will also aid in supporting the future growth of marine construction industry. Kwai Tsing Container Port has laid out a 10-year project development programme (2013-2023) which includes construction of new barge berths and upgrading of existing berths. Continuous construction of ports, harbours and piers which involves dredging and maintenance is also necessary to support seaborne merchandise trading, as well as cruise/ferry and pleasure vessel businesses in Hong Kong.

OBOR benefits Hong Kong's marine construction

The OBOR also has the potential to become an economic driving force for Hong Kong over the next few decades. From a marine point of view, Hong Kong can serve as a hub for trade, logistics and finance between the PRC and Southeast Asia under the OBOR framework. This will in turn require further marine construction works in Hong Kong in the future.

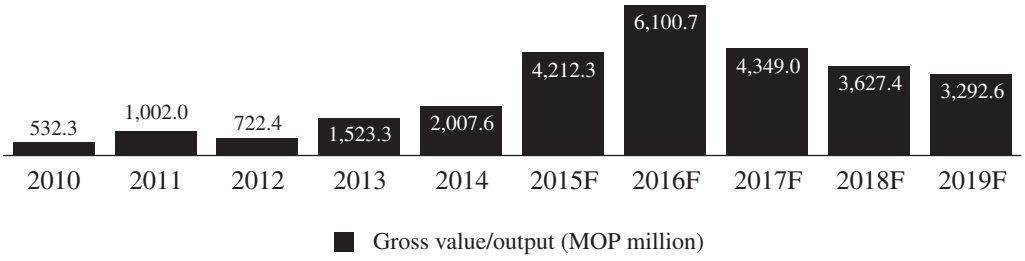
Macao

Gross value/output of marine construction works in Macao stood at MOP 2.0 billion in 2014, recording a CAGR of 39.4% from MOP 532.3 million in 2010. Growth was driven by increasing construction value of piers, wharves and other port works as well as land formation. Construction of the HZMB also boosted growth of marine construction works in Macao in the review period.

Gross value/output of marine construction in the early part of the forecast period is expected to rise significantly as a result of land reclamations of various zones in Macao and commencement of works on the other zones of the Macao New Urban Zone reclamation project. Following the conclusion of the reclamation project (along with expected completion of the HZMB construction in 2016-2017), the gross value of marine construction is estimated to decrease in 2017 and subsequent years, reaching MOP3.3 billion by 2019. Compared to the overall construction industry in Macao, year-on-year performance of the marine construction industry is less stable as marine construction relies wholly on government projects, whereas other sectors of the construction industry in Macao (i.e. private construction projects of various hotels and entertainment facilities) are not overly reliant on one party as there are a number of casino gaming companies consistently investing in Macao.

Macao's population grew at a CAGR of 3.7% from 540,600 in 2010 to 646,800 in 2015 with incoming migration being a vital component of population growth in Macao, most notably from Mainland China. Macao's population growth will continue to drive further land reclamation projects led by the Macao Government.

Chart 4 Gross Value/Output of Marine Construction Works in Macao, 2010-2019F



Source: Euromonitor estimates from trade interview and desk research

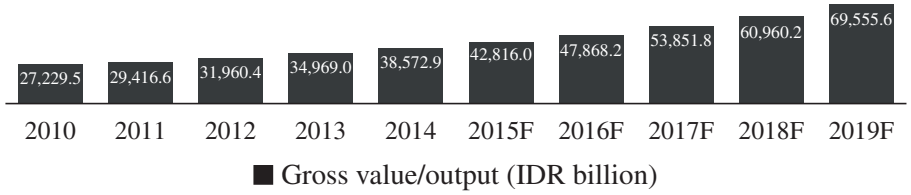
Note: 2015 data is not yet available

Macao is currently in the process of reclaiming a combined 350 hectares of land that is divided into six zones. Work in reclaiming 47 hectares of land (Zone B) was the first to take place and is already finished. It was followed by work on Zone A (the largest amongst the six zones with 138 hectares of reclamation planned) which is likely to be completed in early 2017. Continuation of this land reclamation plan will positively impact the outlook of marine construction in Macao in the near future.

On 20 December 2015, China granted Macao exclusive control and jurisdiction of coastal waters covering an area of 85 km^2. Although approvals will be required for any future reclamation in these waters, this will nonetheless expand the available area to be reclaimed for Macao, and it will benefit future land reclamation projects in Macao in terms of the project planning and approval process.

Indonesia

Chart 5 Gross Value/Output of Marine Construction Works in Indonesia, 2010-2019F



Source: Euromonitor estimates from trade interviews and desk research

Note: 2015 data is not yet available

The marine construction industry in Indonesia has been fairly robust over the past few years due to the development of several sea ports such as the ongoing expansion of Tanjong Priok port via Kalibaru dock and the completed Teluk Lamong Terminal in Surabaya, both of which are part of MP3EI.

With the President of Indonesia's policy envisaging for Indonesia to become a maritime fulcrum, it is expected that the marine construction industry in Indonesia is going to grow rapidly in the near future. Gross value/output of marine construction works in Indonesia is expected to grow at a CAGR of 12.9% during the forecast period 2015-2019 to reach IDR69.6 trillion by 2019. Within this period, the government is planning works on 24 sea ports, which includes building, expanding and provision of better facilities valued at a total of IDR39.5 trillion to support the long-term improvement of marine transportation and logistics infrastructure. In addition to new port construction, there will also be increased maintenance and expansion projects of existing ports in Indonesia.

As mentioned earlier, it is estimated that FDI from China will rise even further in the near future as infrastructure development is ramped up in light of the OBOR. Investors from China are showing interest in investing in marine construction works. As an example, our Group has acted as a subcontractor for various port construction projects, with customers being Chinese state-owned enterprises investing in infrastructure projects in Indonesia.

Table 2 Foreign Direct Investment Realisation from the People's Republic of China, 2010-2015

	2010	2011	2012	2013	2014	2015	CAGR 2010-2015
FDI realisation from China (value in US$ mn)	173.6	128.2	141.0	296.9	800.0	628.3	29.3%
FDI realisation from China (% out of overall value of FDI)	1.1%	0.7%	0.6%	1.0%	2.8%	2.1%	n/a

Source: Indonesia Investment Coordinating Board (BKPM)

Indonesia's trade policy indirectly benefits marine construction

Indonesia is a member of the Association of Southeast Asian Nations (ASEAN), which aims to further economic co-operation and development amongst its member countries. Through ASEAN, Indonesia also benefits from Free Trade Agreements (FTA) with Australia, New Zealand, China, India, Japan and Korea. These initiatives will further advance Indonesia's international trade and thereby increase traffic in ports and harbours in Indonesia, enhancing the overall prospects of marine construction industry in the country.

Robust growth of international cargo throughput positively impacts marine construction

Overall international cargo throughput in Indonesia rose at a CAGR of 26.2% from 298.9 million tonnes in 2010 to 600.2 million tonnes in 2013. The robust growth is underpinned by increasing international cargo loading volume, which grew at a CAGR of 29.9% during the same period and contributed to more than 90% of overall international cargo throughput in Indonesia in 2013. Robust growth in international cargo throughput translates to busy port traffic which should in turn impact marine construction positively.

Improvement in infrastructure to support further growth

As indicated in Table 3 below, the number of ship calls at all sea ports in Indonesia remained largely constant between 2010-2013. However, in anticipation of future growth as described previously, the Indonesian government is actively augmenting transportation infrastructure to support further economic growth, as evidenced by the number of planned ports, roads and railways construction projects laid out in MP3EI.

Table 3 Number of Ship Calls at All Sea Ports in Indonesia, Historic 2010-2013

'000	2010	2011	2012	2013	CAGR 2010-2013
Indonesia	826,363	701,599	872,706	832,559	0.2%

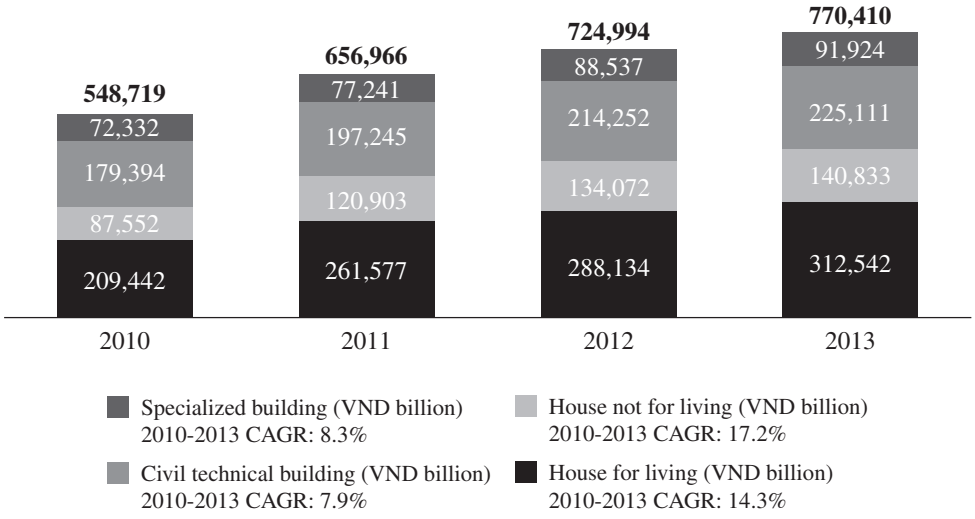
Source: Statistics Indonesia

Note: 2014 and 2015 data is not yet available

Vietnam

The total gross construction output in Vietnam grew at a CAGR of 12.0% from VND548.7 trillion in 2010 to VND770.4 trillion in 2013, of which residential and non-residential building construction accounted for the largest portion.

Chart 6 Gross Output of Construction in Vietnam, Historic 2010-2013



Source: The General Statistics Office of Vietnam

Note: 2014 and 2015 data is not yet available

In the long-term, the construction industry has potential to grow further and better contribute to the economy due to increasing demand for infrastructure and housing.

Most of the marine construction projects in Vietnam (e.g. the ground treatment projects undertaken by our Group) were invested in by PRC enterprises under the OBOR. The main contractors or subcontractors engaged in such projects are usually PRC-based or Hong Kong-based construction companies which have strong relationships with the PRC project owners and have a proven track record of carrying out marine construction works in Hong Kong.

MARKET INFORMATION, KEY FACTORS AND CONSTRAINTS OF THE MARINE CONSTRUCTION WORKS INDUSTRY

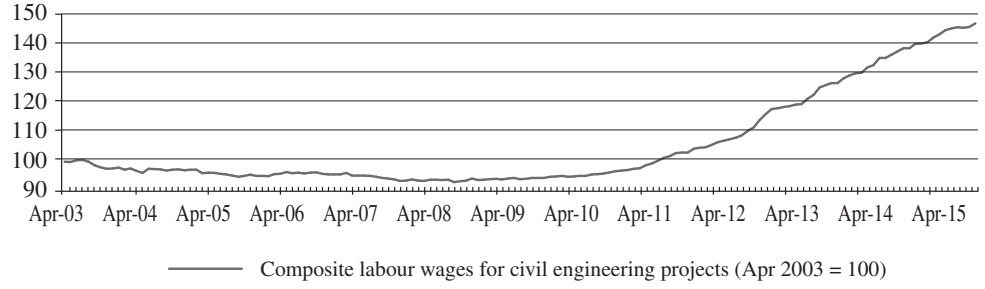
For details of the Group's top five customers, suppliers and subcontractors during each of the three years ended 31 December 2013, 2014 and 2015, please refer to the paragraphs headed "Customers", "Suppliers" and "Subcontracting arrangements" in the section headed "Business" in this document.

Hong Kong

Environmental concerns – Industry stakeholders also voiced concerns that delays in obtaining funding approval for civil construction works (not exclusive to marine construction) which resulted from disagreements relating to environmental concerns amongst various parties of the Legislative Council is a constraint to the development of the industry.

Rising labour cost driving up construction project fees – Marine construction project costs have been increasing over the past few years. Industry players believe that this is due to the increasingly limited supply of qualified labour. Monthly composite labour wages for civil engineering projects (based at 100 points in April 2003) fluctuated between 93.1 and 100.6 during April 2003 to December 2010, but has steadily risen since mid-2011 when the index reached a then-new high of 101.3 points in August 2011. As of December 2015, the index of composite labour wages for civil engineering contracts stood at 146.8 points. The trend is expected to continue in the near future given the continuing limited labour supply.

Chart 7 Monthly Composite Labour Wages for Civil Engineering Projects (April 2003 = 100) in Hong Kong, Historic April 2003 – December 2015



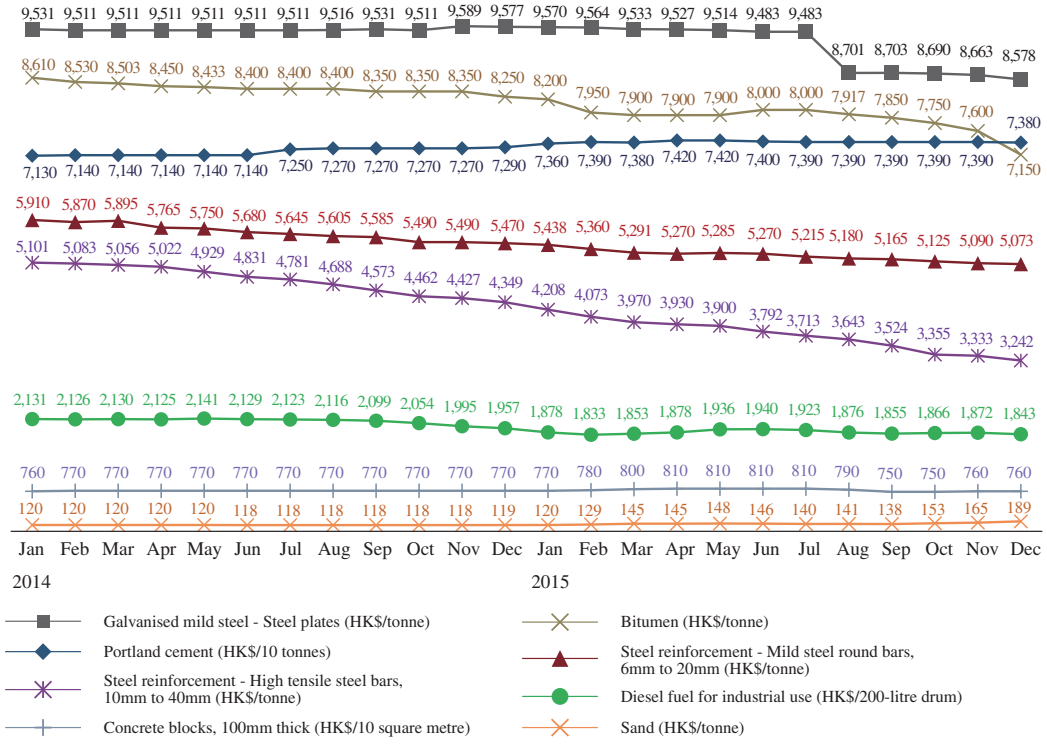
Source: Census and Statistics Department, Hong Kong SAR

Raw materials price trends

As raw materials account for a significant portion of marine construction project costs, fluctuations in such costs may have a material impact on marine construction companies. From Chart 8, it can be seen that while several raw materials such as bitumen and steel bars have decreased in price between 2014-2015, the price of sand increased significantly in the first three months of 2015, remaining relatively stable thereafter.

Towards the end of 2015, the price of Portland cement decreased slightly following the highs of April-May, and its December 2015 price was only slightly higher than its price in January 2015. During the same period, the price of bitumen continued its downward trend to end up 12.8% cheaper in December 2015 compared to January 2015. There was a sharp drop in the price of galvanised mild steel (steel plates) in August 2015 and its price continued to decline to HK$8,578 in December 2015. Steel reinforcements continued to be cheaper towards the end of 2015, whereas the price of concrete blocks in December 2015 ended up largely the same as they were in January 2015. The price of diesel in Hong Kong was quite stable in 2015 since the slight drop early that year, as compared with the price in 2014. Meanwhile, the price of sand continued to climb, particularly during the last three months of 2015.

Chart 8 Monthly Average Wholesale Prices of Selected Materials in Hong Kong, Historic January 2014 – December 2015



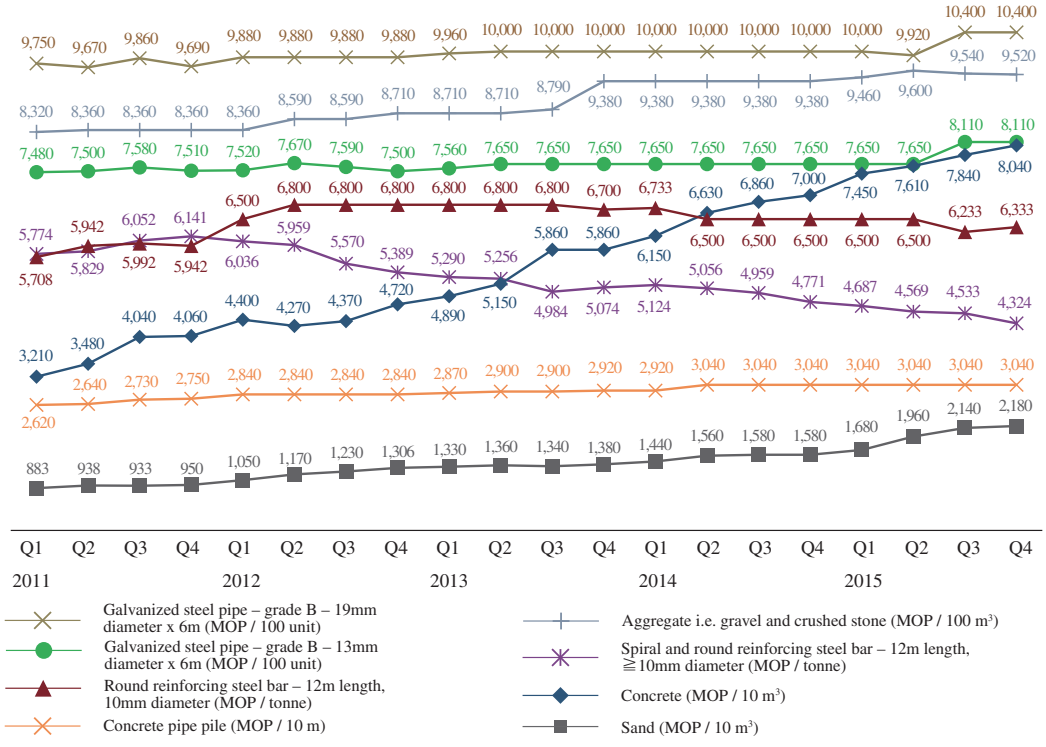
Source: Census and Statistics Department, Hong Kong SAR

Macao

Marine construction project fees have been trending upwards over the past few years. Increasing key raw material prices and wages of construction workers have resulted in increasing construction project costs.

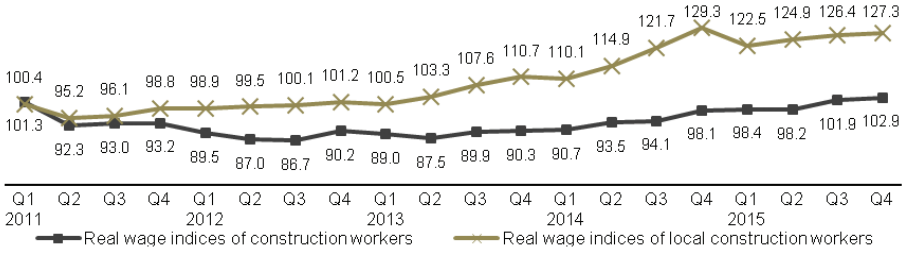
In Macao, fluctuations in the costs of key raw materials used in marine construction projects can have material impacts to marine construction companies. From Chart 9, it can be seen that notably, the quarterly average price of sand and concrete increased by over two times over the past four years, while the price of other raw materials showed more modest increases or even decreases, as in the case of spiral and round enforcing steel bars. In addition, the real wage index of construction workers has been increasing since 2013, primarily driven by increasingly inflated wages of local construction workers. These upward trends of prices of sand and concrete, as well as wages of construction workers persisted up to Q4 2015.

Chart 9 Quarterly Average Prices of Selected Materials in Macao, Historic Q1 2011 – Q4 2015



Source: Statistics and Census Service, Macao SAR

Chart 10 Quarterly Real Wage Indices of Construction Workers (2010 = 100) in Macao, Historic Q1 2011 – Q4 2015



Source: Statistics and Census Service, Macao SAR

Indonesia

Rising labour cost and material prices driving up construction project fees

Marine construction project fees in Indonesia have been trending upwards over the past few years. Industry players believe that this is due to rising labour wages, which pushed up overall construction costs and thus project fees. Indices of compensation and wages in the construction industry increased to 166.83 in 2014 (2010 = 100) and the trend is expected to continue in the near future.

The increasing price of raw materials also underpins the rise of construction costs and project fees. Wholesale price indices of building materials relevant to marine construction including sand, iron, metal construction materials and cement showed an increase from the base year of 2010. Aggregate prices of diesel fuel for industry (High Speed Diesel/HSD) are not available due to the fact that these prices are negotiated business-to-business, and the fact that the state-owned enterprise, PT Pertamina, has hundreds of commercial business entities selling HSD with different reference prices for each region (with the rule of thumb that prices for Region I – Sumatera, Java, Bali and Madura – are cheaper than prices for the other three regions). These reference prices are re-evaluated every two weeks. It is nevertheless understood that the price of HSD has been declining in recent years due to the decline of global crude oil prices. As HSD is not subsidised by the government, its price moves according to crude oil prices.

Wholesale price indices of building/construction materials by type of construction also affirms the fact that material costs are increasing, which consequently drives up project fees. Price indices of materials used for the construction of public works for roads, bridges, and ports reached 119 in 2014 (from 2010 = 100).

Table 4 Indices of Compensation and Wages in the Construction Industry, 2010-2014

2010 = 100	2010	2011	2012	2013	2014
Compensation and wages	100.00	117.59	133.00	148.64	166.83

Source: Statistics Indonesia

Note: 2015 data is not yet available

Table 5 Wholesale Price Indices of Building/ Construction Materials, 2010-2014

2010 = 100	2010	2011	2012	2013	2014
By type of Commodity					
All kind of quarrying products	100	104	111	117	–
– Natural stone and decorative natural stone	–	–	–	–	132
– Gravel	–	–	–	–	128
– Sands	–	–	–	–	135
Products of iron and steel	100	104	107	108	–
– Iron rods for reinforced concrete	–	–	–	–	118
– Other iron	–	–	–	–	115
Metal construction material	100	103	107	109	–
Cements	100	102	109	111	113
Overall wholesale price index of building/construction materials for public works for roads, bridges and ports	100	104	109	113	119

Source: Statistics Indonesia

Note 1: Actual indices figures presented in Statistics Indonesia are using 2005 = 100 for years 2010 to 2013; and 2010 = 100 for year 2014. For easier reference, the indices for years 2010 to 2013 have been rebased to 2010 = 100 in the table above.

Detailed breakdown indices figures for year 2010 to 2013 for 'natural stone and decorative natural stone', 'gravel', 'sands', 'iron rods for reinforced concrete', and 'other iron' are not available.

Note 2: 2015 data is not yet available

One key constraint to the marine construction industry in Indonesia is its reliance on government projects, which typically involves a long and complicated tender process. There is also still a stigma of rampant corruption amongst government bodies in Indonesia, which can deter private investment and delay works. Nevertheless, it is evident that the Indonesian government has been continuing to crack down on corruption practices through stricter control aided by the Corruption Eradication Commission (KPK).

Vietnam

Whilst Vietnam's desire to feature in the competition of marine logistics amongst its neighbouring countries translated to the development of a number of sea ports which has underpinned the growth of marine construction in the past, the ineffectiveness resulting from the abundance of sea ports in Vietnam serves as a problem that will drive the growth and development of marine construction works in the future. The haphazard growth of sea ports in Vietnam has prompted a review that calls for redevelopment of existing ports to accommodate larger cargo ships through dredging, as well as grouping the existing small ports and changing their use.

Key constraints on the development of marine construction works in Vietnam are a decentralised system that resulted in too much political power being held by regional governments, and a stigma of rampant corruption amongst government bodies. The central government should plan multimodal transportation infrastructure projects using an integrated corridor approach and encourage collaboration amongst provincial governments. It should also tackle corruption and ensure transparent interpretation, application and enforcement of regulations.

PRICE OF STEEL AND CEMENT IN THE PRC

Steel and concrete are major raw materials which our Group uses in port construction, marine piling works and construction of offshore platforms. Unless our customers have specific requirements, we usually source these raw materials from the PRC, which is cheaper than in Hong Kong and other places where our projects are located, such as Indonesia.

Price of steel on a bearish trend since the highs in mid-2011

Steel prices in China were on a declining trend over the past few years since its peak in August 2011. Slower economic growth domestically has culminated in a drop in China's steel consumption in 2014, the first time in more than a decade. Persisting lower demand for steel drove down the China Steel Price Index to a six-year low in the closing months of 2015.

The first four months of 2016 saw a surging recovery in steel prices as demand increased, underpinned by a rebound in the property market, a surge in lending and the PRC government's positive views on growth.

Chart 11 Monthly Value of China Steel Price Index – Integrated, Historic January 2010 – April 2016

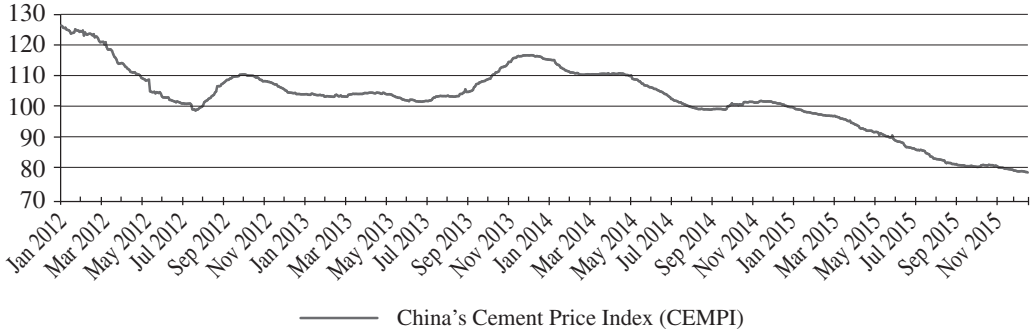
Source: Beijing Custeel E-Commerce Co.,Ltd., China Iron and Steel Association

Note: The integrated index is calculated and compiled based on consideration of weight of wire rod, rebar, HRC, medium plate, CR plate, galvanized plate, color coated plate, seamless pipe, welded pipe, and section.

Price of cement gradually declining since January 2014

The price of cement in China has fallen over the past couple of years from the height of January 2014, when the Cement Price Index (CEMPI) stood at 116.58 points. By the end of 2015 the index closed at only 79.3 points. According to the China Cement Research Institute (CCRI), overcapacity of cement coupled with a continued downward trend in demand for cement since 2014 led to the price slump and the future outlook from the CCRI expects that this trend will continue in 2016.

Chart 14 China's Cement Price Index (CEMPI), Historic January 2012 – December 2015



Source: China Cement Research Institute

ENTRY BARRIERS AND COMPETITIVE LANDSCAPE

Hong Kong

Barriers to entry to the marine construction industry in Hong Kong are mostly natural. The key factors limiting entry are knowledge/expertise in the industry and strong financial requirements to survive. Contractors who possess the financial ability to acquire equipment and vessels act as an entry barrier as subcontractors who have equipment of their own (such as our Group) are able to provide higher certainty to meeting project requirements without having the need to depend largely on leasing of equipment from third parties. Existing companies providing marine construction services who have already built strong rapport with stakeholders in the industry also act as an important barrier to entry as good relationships between contractors and subcontractors are highly valued and take time to establish.

There are virtually no artificial barriers to entry as the Government encourages fair competition in the market with little intervention. Tender processes are also fairly unbiased, while laws and regulations are transparent.

Concentrated landscape on main contractor level but fragmented on sub-contractor level

There are differing competitive landscapes within the marine construction industry in Hong Kong. At the upper level is a more concentrated landscape with few large companies acting as main contractors. On the other hand, there are a lot of smaller companies that act as subcontractors and hence the competitive landscape at this level is more fragmented. As at the Latest Practicable Date, there were 35 companies which are approved contractors for public marine construction works.

There are visibly no prominent new entrants to the industry in the past few years owing to the high natural barriers to entry. Whilst marine construction companies compete amongst themselves, they often work collaboratively in projects as marine construction projects are typically large and involve a main contractor and several subcontractors.

Leading companies have successfully bid for the tenders of major works

Leading companies in the marine construction market, which are set out in Table 6 below, are primarily acting as main contractors that bid for large public works. Companies A, C and E are affiliates/subsidiaries of PRC-based companies, while the second ranked company is a subsidiary of a multinational construction firm.

Company A led the marine construction market in terms of marine construction works output in 2015, owing to its successful tender bid in the Hong Kong-Zhuhai-Macao Bridge Hong Kong Boundary Crossing Facilities. Works for the 52-month contract commenced in November 2011.

Company B ranked second in terms of marine construction works output in 2015. A key marine project of Company B includes construction of Northern Connection Sub-sea Tunnel Section of the Tuen Mun-Chek Lap Kok Link that started in the second-half of 2013. This project is slated to be completed by the end of 2018.

Company C ranked third in terms of marine construction works output in 2015. The company successfully bid for the tender of Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road for the section between Scenic Hill and Hong Kong Boundary Crossing Facilities. The 54-month contract commenced in May 2012, and included amongst the list of works is a new reclamation of a 23-hectare area along the east coast of Hong Kong International Airport.

Companies D and E are known to have been involved in public works of The Civil Engineering and Development Department (CEDD), e.g. maintenance of piers, seawalls and navigation channels, as well as dredging works.

Table 6 Leading Marine Construction Companies (in Terms of Market Share) in Hong Kong, 2015

Ranking	Company Name	Ownership (Private or Public)	2015 Market Share (%)
1	Company A	Private	10.0
2	Company B	Private	9.1
3	Company C	Public	7.7
4	Company D	Private	3.1
5	Company E	Private	1.0

Source: Euromonitor estimates from trade interview and desk research

Note: The ranking reported above has been determined via a fieldwork programme consisting of desk research and trade interviews. While audited data was available for some of the companies, they typically do not break the revenue numbers into the relevant categories which were covered in this study. For these companies as well as those companies that are included in the ranking table but are not publicly listed, we have estimated the rankings based on estimates provided by various trade sources (i.e. not just the companies themselves) and seeking a consensus on these estimates as much as possible.

HKR is a versatile player with strong expertise and wide network

Our Company's main operating subsidiary in Hong Kong, HKR, was established in 1995 in Hong Kong and came into formal operation in 2001 starting with three projects at a total contract value of HK$0.4 billion. HKR is primarily involved in marine construction works (e.g. land reclamation, dredging, construction of piers and marine platforms). HKR is also involved in the leasing and trading of vessels and related equipment (e.g. grab dredger, tug boat, piling barge, etc.). In the marine construction business, HKR primarily assumes the role of subcontractor and has had good long-term relationships with main contractors in the industry. Out of the overall gross value/output of marine construction projects in Hong Kong, we managed to acquire market shares of 1.4%, 0.8% and 0.4% in 2013, 2014 and 2015, respectively.

Our Group's competitive advantages are the availability of our own equipment, work experience and credibility cultivated from years of involvement in the industry, robust collaboration with stakeholders in the industry and wide a customer network. Our Group

expanded operations to Indonesia in 2008/2009, followed by Vietnam in the second half of 2012 and we won our first marine work contract in Macao at the end of 2014. As at the Latest Practicable Date, our Group has completed a cumulative total of more than 30 marine construction projects.

Macao

Our Group entered the Macao market by securing our first marine construction works contract through MCRJV in Macao for land reclamation and construction of sea walls in late 2014 with works commencing in mid-2015. Barriers to entry to the marine construction industry in Macao are mostly natural. Macao is a small market with a limited number of projects targeted by a high number of existing local and foreign companies from Hong Kong and Mainland China, who already have strong rapport within the industry through years of operation. Strong financial footing and knowledge/expertise to operate in the localised market are also major barriers for new entrants. Financial capability enables contractors to acquire equipment and vessels, which act as entry barriers as subcontractors who have equipment of their own (such as HKR) are able to provide higher certainty to meeting project requirements, as is the case in Hong Kong.

Raw material and labour suppliers in the industry have high bargaining power, which contribute to entry barriers to the industry. The Macao Government also imposes a fixed ratio of local labour to foreign labour, which further raises entry barriers to foreign companies due to the fact that they would need to comply with such regulations and recruit local labour.

The marine construction industry is characterised by a small number of local contractors and strong presence of a smaller number of foreign contractors, particularly from Hong Kong and China. Typical marine construction activities in Macao are related to reclamation, dredging and other marine infrastructure.

Indonesia

Barriers to entry

A main barrier to entry to the construction industry in Indonesia is local knowledge required in order to effectively navigate the country's bureaucracy system. The World Bank ranked Indonesia 114th in terms of ease of doing business, which, though improving, still lies behind neighbouring countries such as the Philippines (95th), Vietnam (78th), Thailand (26th), Malaysia (18th) and Singapore (1st). Dealing with construction permits in Indonesia took an average of 211 days involving 17 procedures, which is longer than the average for East Asia & Pacific economies at 134 days involving 14.6 procedures.

Numerous relevant certifications are required to conduct marine construction works in Indonesia. Tender documents for public construction works (including marine construction works) normally specify that one of the eligibility qualification requirements is that a bidder has to have been involved in at least one construction project within the past four years.

Certifications such as ISO9001 (Quality Management Systems), OHSAS 18001 (Occupational Health and Safety Standard) and ISO14001 (Environmental Management Systems) are also increasingly required for eligibility to participate in tenders for public marine construction works. The Indonesia Investment Coordinating Board (BKPM) is in talks with several ministries in a bid to simplify permits in the marine construction sector, specifically in sea ports construction, as the government aims to improve its infrastructure and build more sea ports to support maritime connectivity.

Other barriers to entry to the marine construction industry in Indonesia are knowledge/expertise and strong financial requirements required to survive. Existing companies that provide marine construction services have strong rapport with stakeholders in the industry, and thus possess advantages in terms of knowhow and contacts. For instance, for port construction projects in Indonesia invested by PRC enterprises under the OBOR, the main contractors or subcontractors engaged are usually PRC or Hong Kong-based construction companies which have strong rapport with the PRC project owners and a proven track record of carrying out marine construction works overseas.

Customers relationship is also a key success factor that can act as a barrier especially for subcontractors, due to the fact that connections and good rapport with main contractors play a part in securing sub-contracting works.

Main contractor level more concentrated; market is enlivened by entry of foreign contractors

The competitive landscape of marine construction industry in Indonesia is more concentrated at the upper level with fewer large companies acting as main contractors. These companies tend to be major state-owned enterprises which have good relationships with the government, putting them in an advantageous position to tender for large-scale marine construction projects.

Such companies that typically act as main contractors include PT Pembangunan Perumahan (Persero) Tbk, which was involved in the construction of the Kalibaru Port (New Tanjung Priok Port), PT Wijaya Karya (Persero) Tbk, which was involved in the construction of Suramadu Bridge, and PT Adhi Karya (Persero) Tbk, which was involved in the construction of the Teluk Lamong sea port.

On the other hand, there are a larger number of companies acting at the subcontractor level. These companies may also provide other types of non-marine construction and non-construction services. There are also subcontractor companies specialising in marine construction works in Indonesia such as PT Dharma Subur Satya, PT Rukina Sukses Abadi, PT Pengerukan Indonesia, PT Geocean Indonesia, and PT Aquanur Sinergindo, etc. There is no information on the number of companies involved in marine construction in Indonesia.

Although there is no one specific new entrant to the marine construction industry in Indonesia that is considered a standout and prominent company, there have been a number of overseas contractors – most notably from Mainland China and Hong Kong – that have entered the market in the past few years, for example China State Construction Engineering Company

(that has won several projects in Banten, Bali and Bintan), China Harbour Engineering Company (Palabuhan Ratu in West Java), as well as HKR, which acted as a subcontractor in some of the abovementioned projects.

Our Company's advantage in Indonesia stemmed from its operations in other countries

Our Group entered the Indonesia market through the incorporation of PTIR in September 2008. During our operations in Indonesia, our Group was involved, mainly as a subcontractor, in significant marine construction projects, including Palabuhan Ratu Power Plant Project (construction of seawalls, wave breaker, seawater outfalls and intake facilities), Tegal Buleud Port Construction Project (design and construction works for the construction of the Tegal Buleud Port), Bali Power Plant Pier Construction Project (design and construction works for the construction of the Bali Power Plant Pier) and Bintan Island Port Construction Project (construction works for the construction of a port on Bintan).

Our Group's competitive advantage in Indonesia stemmed from our track record in Hong Kong and our management's relationships with large state-owned construction companies in Mainland China. Our Group is able to reduce costs by procuring pre-fabricated steel parts or concrete parts from Mainland China to its project sites in Indonesia. Furthermore, as mentioned earlier, the OBOR will boost FDI from China to Indonesia in various industries, including marine construction works, the nature of which will likely be similar to the types of marine structures in which our Group has been involved during the Track Record Period.

Out of the overall gross value/output of marine construction projects in Indonesia, our Group managed to acquire market shares of 0.5%, 0.4% and 1.1% in 2013, 2014 and 2015, respectively.

Vietnam

Key barriers to entry to the marine construction industry in Vietnam are knowledge/expertise in the industry and strong financial requirements to survive in the business amidst the competition. Existing companies that provide marine construction services have strong rapport with stakeholders in the industry, and thus possess an advantage in terms of industry knowhow and contacts.

This is especially important as one of the conditions for foreign contractors to be granted a contracting licence (which also includes construction licence to do works in marine environment) is that the foreign contractors must enter into partnerships with Vietnamese contractors or employ Vietnamese subcontractors.

LAWS AND REGULATIONS IN HONG KONG

In Hong Kong, every person carrying out any business (including activity carried on for the purpose of gain) is required, within one month of the commencement of the business to register with the Commissioner of Inland Revenue by paying the prescribed fee and/or levy (Section 5(1), Section 5(2) and Section 7 of the Business Registration Ordinance (Cap 310 of the laws of Hong Kong)). Further Section 12 of the Business Registration Ordinance also provides that valid business registration certificates shall be displayed at every address where business is carried out.

As HKR, CPL and HKR – ASL are companies incorporated under the laws of Hong Kong, they need to comply with the requirements set out in the Companies (Winding Up and Miscellaneous Provisions) Ordinance and then since March 2014 the Companies Ordinance. Under the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance, a private limited company with its capital limited by shares are required to comply with inter alia the following requirements:

(i) keeping of a register of shareholders;

(ii) keeping of minutes of general meetings of shareholders and meetings of directors;

(iii) filing of annual returns with the Registrar of Companies;

(iv) convening an annual general meeting for shareholders annually;

(v) keeping of proper book of accounts;

(vi) laying before an annual general meeting a profits and loss account and balance sheet that give a "true and fair" view within nine-months after its financial year end; and

(vii) keeping a register of directors and secretaries.

Failure to comply with the above requirements would constitute an offence punishment by fine usually, and in case of wilful default of non-compliance to prepare accounts and have them laid before the annual general meeting, the directors concerned may be subject to punishment by way of imprisonment if such breaches are done wilfully. HKR, CPL and HKR-ASL have complied with the above laws throughout the Track Record Period.

Laws and regulations in relation to the business of our Group in Hong Kong

Construction services

HKR is included in the Approved List under Group B on probation of the Port Works Category since 14 November 2012 for the Works Branch, Development Bureau of the Government of Hong Kong. HKR is also a registered subcontractor with the Construction Industry Council since 21 July 2014 for various trades including demolishment works, piling works, cementing works, scaffolding works, structural steel works, general civil engineering works and metal works.

For government works in Hong Kong, very often, only entities within the Approved List can make submissions of tender for those works. In Hong Kong, the Government plays a significant role in laying down the proper infrastructure for the entire economy and is often one of the biggest employers in town requirement works from contractors of various trades or disciplines to do various works. The inclusion in the Approved List would mean that HKR is allowed to do government works under Group B as the main subcontractor. That will help enlarge the potential business opportunities of HKR.

Companies on the Contractor List are organised in groups, namely, Group A, Group B and Group C. Under Group B on probation of the Port Works Category, HKR is eligible to tender for government works of value up to HK$185 million. Group A contractors can submit tender for contracts of value up to HK$75 million and Group C contractors can submit tender for contracts of value exceeding HK$185 million. To be considered for inclusion, a contractor has to submit an application to the Development Bureau showing that it has the capabilities to meet the financial, technical and management criteria for admission and retention on the approved lists and for the award of public works contracts. That shows that HKR has already met those criteria required by the Development Bureau and thus HKR has been put on probation list an approved contractor under Group B in the Government's list.

Details of the requirements for application to be included in the respective approved lists can be found in "Contractor Management Handbook" by Development Bureau Revision B – 13 May 2014. Key essential requirements include inter alia financial criteria, technical and management criteria. 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 in accordance with the following rules:

Financial criteria

Group	**Minimum employed capital** *(HK$)*	**Minimum working capital** *(HK$)*
Group A – probationary	$2.1 million plus $1.2 million for every $12 million of annualised outstanding works or part thereof above $21 million, subject to a maximum of $4.4 million	$2.1 million or 15% on annualised outstanding works, whichever is higher
Group A – confirmed	$4 million plus $2.2 million for every $22 million of annualised outstanding works or part thereof above $30 million, subject to a maximum of $8.3 million	$4 million or 15% on annualised outstanding works, whichever is higher

Group	**Minimum employed capital** *(HK$)*	**Minimum working capital** *(HK$)*
Group B – probationary	$4.9 million plus $2.9 million for every $43 million of annualised outstanding works or part thereof above $73 million subject to a maximum of $10.6 million	$4.9 million or 10% annualised outstanding works, whichever is higher
Group B – confirmed	$10 million plus $5.8 million for every $86 million of annualised outstanding works or part thereof above $150 million, subject to a maximum of $21.7 million	$10 million or 10% on annualised outstanding works, whichever is higher
Group C – probationary	$14.8 million plus $2 million for every $100 million of annualised outstanding works or part thereof above $950 million	$14.8 million or 8% on the first $950 million of annualised outstanding works and 10% on remainder, whichever is higher
Group C – confirmed	$18.8 million plus $2 million for every $100 million of annualised outstanding works or part thereof above $950 million	$18.8 million or 8% on the first $950 million of annualised outstanding works and 10% on remainder, whichever is higher

Technical & management criteria (only setting out buildings and port works for reference)

Group	**Buildings**	**Port Works**
Group A – probationary	Registration with the Building Authority's Register of General Building Contractors Satisfactory completion of one building works contract within the past five years	No Group A contractors for this category
Group A – confirmed	Satisfactory completion as the main contractor of one government or non-government building works contracts in HK within the past five years after inclusion on probation of value over 50% of the Group A limit	

Group	Buildings	Port Works
Group B – probationary	Registration with the Building Authority's Register of General Building Contractors Satisfactory completion of one building works contract within the past five years. The contract shall be of value over 70% of the Group B limit	Satisfactory completion of one port works contract within the past five years. The contract shall be of value 50% of the Group B limit
Group B – confirmed	Satisfactory completion as the main contractor of one government or non-government building works contract executed in HK within the past five years, after inclusion in the Group B on probation, of value over 70% of the Group B limit	Satisfactory completion as the main contractor of one government or non-government port works contract executed in HK within the past five years, after inclusion in the Group B on probation, of value over 50% of the Group B limit
Group C – probationary	Direct Entry: Satisfactory completion of at least one building works contract within the past seven years with total value of not more than two of the above contracts shall be over 140% of probationary limit of Group C Promotion: Satisfactory completion as the main contractor of one government contract in Buildings category within the past five years, after confirmation of Group B, of value over 75% of the Group B limit	Direct Entry: Satisfactory completion as the main contractor of at least one port works contract within the past seven years with total value of not more than two of the above contracts shall be over 140% of the probationary limit of Group C Promotion: Satisfactory completion as the main contractor of one government contract in port works category within the past five years, after confirmation in Group B, of value over 75% of the Group B limit
Group C – confirmed	Satisfactory completion as the main contractor of one government or non-government building works contract executed in HK within the past five years after inclusion to Group C on probation, of value over 70% of probationary limit of Group C	Satisfactory completion as the main contractor of one government or non-government port works contract executed in HK within the past five years, after inclusion to Group C on probation of value over 70% of probationary limit of Group C

According to the latest minimum criteria for admission to the confirmed status published by the Development Bureau, it is expected that HKR will meet the criteria for confirmation status under Group B upon its satisfactory completion of the Shatin to Central Link Contract - Kai Tak Barging Point Facilities in the name of the CHKRJV as the main contractor as the total contract sum of that contract is over 50% of the Group B limit and the contract works were commenced after the inclusion of HKR in Group B on probation.

As at the Latest Practicable Date, there are currently a total of 12 contractors on the List of Approved Contractors for Public Works under Group B for port works, out of which seven contractors, including our Group, were on probation. There are a total of 23 contractors on the List of Approved Contractors for Public Works under Group C for port works. As at the Latest Practicable Date, there are no Group A contractors for port works on the Contractor List.

The Construction Industry Council ("**CIC**") was set up in about 2007/2008 to replace the Construction Industry Training Authority under the Construction Industry Council Ordinance (Cap 587 of the laws of Hong Kong).

The functions of the CIC are:

(a) to advise and make recommendations to the Government on strategic matters, major policies and legislative proposals, that may affect or are connected with the construction industry, and on matters of concern to the construction industry;

(b) to reflect to the Government the construction industry' needs and aspirations;

(c) to elevate the quality and competitiveness of the construction industry by promoting the ongoing development and improvement of the industry;

(d) to uphold professionalism and integrity within the construction industry by promoting self-regulation, formulating codes of conduct and enforcing such codes;

(e) to improve the performance of persons connected with the construction industry through establishing or administering registration schemes or rating schemes;

(f) to advance the skills of personnel in the construction industry through planning, promotion, supervision, provision or coordination of training courses or programmes;

(g) to encourage research activities and the use of innovative techniques and to establish or promote the establishment of standards for the construction industry;

(h) to promote good practices in the construction industry in relation to dispute resolution, environmental protection, multi-layer subcontracting, occupational safety and health, procurement methods, project management and supervision, sustainable construction and other areas conducive to improving construction quality;

(i) to enhance the cohesiveness of the construction industry by promoting harmonious labour relations and the observance or statutory requirements relating to employment, and by facilitating communication among various sectors of the industry;

(j) to serve as a resource centre for the sharing of knowledge and experience within the construction industry;

(k) to assess improvements made by the construction industry through the compilation of performance indicators;

(l) to make recommendations with respect to the rate of the levy imposed under the Construction Industry Council Ordinance;

(m) to conduct or finance educational, publicity, research or other programme relating to occupational safety and health, environmental protection or sustainable development in the construction industry; and

(n) to perform any other functions relevant to the construction industry, including those functions conferred or imposed on it by or under the Construction Industry Council Ordinance, the Construction Workers Registration Ordinance (Cap 583 of the laws of Hong Kong) or any other enactment.

Under the Construction Industry Council Ordinance, it provides that a levy to be paid by contractors in the construction industry in respect of construction operations. Under Section 32 of the Construction Industry Council Ordinance, a levy at 0.5% of the value of the contract is to be imposed and paid if the total value of the construction operations exceeds HK$1,000,000.

Section 34 of the Construction Industry Council Ordinance also provides that it is incumbent upon the contractor and/or authorised person of any construction operations to notify the CIC of their carrying out of construction operations. A person who fails to do so without reasonable excuse commits an offence and is liable on conviction to a fine at level 1. There has been no non-compliance by HKR during the Track Record Period in respect of the requirements under the Construction Industry Council Ordinance.

Further, although it is not a must, very often contractors would apply to be registered under the CIC register. The requirements for registration are simple and accommodating. Any subcontractors who have completed at least one job within the last five years as a main contractor or subcontractor, or have acquired comparable experience in the industry will be eligible to register. Listing on one or more relevant government registration schemes will also suffice. Besides registration may also apply through the recognised personal qualification of proprietor, partner, director, of the applicant. Details are contained in the Rules and Procedures published by the CIC.

A registration is due for renewal every two years and a subcontractor may apply at any time for inclusion of additional trades in his registration, subject to the availability of supporting information and documents as well as the payment of relevant fees and charges.

Once within the register in the CIC list, that contractor or subcontractor may be subject to regulatory actions for misconducts by the CIC who is charged with the duty to maintain credibility and integrity of the scheme. Details are set out in the Rules and Procedures published by the CIC.

At the same time, the CIC is also charged with the duties under Section 8 of the Construction Workers Registration Ordinance (Cap 583 of the laws of Hong Kong) which came into operation on 1 April 2015 (save for several sections in particularly the offence provisions):

(a) to be responsible for the administration of this Ordinance and the supervision of the registration of person;

(b) to set the qualification requirements for registration or renewal or registration;

(c) to make recommendations with respect to the rate of levy; and

(d) to perform any other functions imposed on the CIC under this ordinance.

There are prohibitions against unregistered construction workers carrying out on construction sites construction work unless the person is a registered construction worker. Further in respect of particular trade and skill, a person shall not personally carry out on a construction site construction work that involves any work described in column 2 of Part 1 of Schedule 1 of the Construction Workers Registration Ordinance opposite a designated trade set out in that Part unless the person is (a) a registered skilled worker for the trade or (b) a registered skilled worker (provisional) for the trade: see Section 3 of this ordinance.

In short, no person shall employ another person to personally carry out on a construction site construction work unless that another person is a registered construction worker and/or a registered skilled worker in respect of particular trade if the work of particular trade in the construction work is involved. Contravention of the same is an offence under Section 6 of the Construction Workers Registration Ordinance.

There has been no contravention of the Construction Workers Registration Ordinance (Cap 583 of the laws of Hong Kong) by HKR during the Track Record Period.

Labour health and safety

The Factories and Industrial Undertakings Ordinance (Cap 59 of the laws of Hong Kong) provides for the safety and health protection to workers in an industrial undertaking. Under the Factories and Industrial Undertakings Ordinance, every proprietor shall, as far as is reasonably practicable take care of the safety and health at work of all person employed by him at the industrial undertaking by inter alia:

(a) providing and maintaining plant and work systems that are safe and without risks to health;

(b) making arrangements for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;

(c) providing all necessary information, instruction, training, and supervision for ensuring safety and health;

(d) providing and maintaining safe access to and egress from the workplaces; and

(e) providing and maintaining a work environment that is safe and without risks to health.

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

Section 6BA(5) of the Factories and Industrial Undertakings Ordinance also provides that on and after the appointed day (as defined in the Factories and Industrial Undertakings Ordinance) every proprietor shall not employ at the undertaking a relevant person who has not been issued a relevant safety training certificate or whose relevant certificate has expired. A proprietor who contravenes this section commits an offence and is liable to a fine of HK$50,000 (level 5).

The Occupational Safety and Health Ordinance (Cap 509 of the laws of Hong Kong) 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 of their employees at work by attending to the following:

(a) providing and maintaining plant and work systems that are safe and without risks to health;

(b) making arrangement for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substance;

(c) providing all necessary information, instruction, training, and supervision for ensuring safety and health;

(d) maintaining the workspace in a condition that is safe and without risks to health;

(e) providing and maintaining safe access to and egress from the workplaces; and

(f) providing and maintaining a working environment that is safe and without risks to health.

Failure to comply with 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 to a fine of HK$200,000 and to imprisonment for six months.

The Commissioner for Labour may also issue improvement notices against non-compliance of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance (Cap 59 of the laws of Hong Kong), or suspension notices against activity of workplace which may create imminent hazard to the employees. Failure to comply with such notices constitutes an offence punishable by a fine of HK$200,000 and HK$500,000 respectively and imprisonment of up to 12 months.

The Employees' Compensation Ordinance (Cap 282 of the laws of Hong Kong) establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

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

According to Section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities 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 liabilities and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law. An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction to a fine of HK$100,000 (level 6) and imprisonment for two years.

Pursuant 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 however entitled to be indemnified by any person who would have been liable to pay compensation to the injured employee.

Further according to Section 15 of the Employees' Compensation Ordinance, if any accident happens, an employer must notify the Commissioner for Labour by submitting Form 2 (within 14 days for general work accidents and within 7 days for fatal accidents) irrespective of whether the accident gives rise to any liability to pay compensation. If the happening of such accident was not brought to the notice of the employer or did not otherwise come to his knowledge within such periods of seven and 14 days respectively, then such notice shall be given not later than seven days or, as may be appropriate, 14 days after the happening of the accident was first brought to the notice of the employer or otherwise came to his knowledge.

A principal contractor is subject to the provision on subcontractor's employees' wages in the Employment Ordinance (Cap 57 of the laws of Hong Kong). Section 43C of the Employment Ordinance provides that if any wages become due to an employee who is

employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior subcontractor jointly and severally. A principal contractor's liability 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 work; and (b) to the wages due to such an employee for two months without any deductions (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 or another 90 days if permissible. A principal contractor and superior subcontractor, where applicable, shall not be liable to pay any wage to the employee of the subcontractor if that employee fails to serve a notice on the principal contractor.

Upon receipt of such notice from the relevant employee, a principal contractor shall, within, 14 days after receipt of the notice, serve a copy of the notice on every superior 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 shall be guilty of an offence and shall be liable on conviction to a fine of HK$50,000 (level 5).

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 (i) 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 (ii) deduct by way of set-off the amount paid by him from any sum due or may become due to the subcontractor in respect of the work that he has subcontracted.

Environmental protection

The Air Pollution Control Ordinance (Cap 311 of the laws of Hong Kong) is the principal legislation in Hong Kong for controlling emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licences and permits.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations. 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 minimize 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.

The Noise Control Ordinance (Cap 400 of the laws of Hong Kong) 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 at all times, construction noise permits are required from the Environmental Protection Department in advance.

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment in populated areas are not allowed between 7pm and 7am 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 is in contravention of the aforesaid provisions, according to the Noise Control Ordinance, shall be liable (a) on first conviction to a fine of HK$100,000; (b) on second or subsequent conviction, to a fine of HK$200,000, and in any case to a fine HK$20,000 for each day during which the offence continues.

The Water Pollution Control Ordinance (Cap 358 of the laws of Hong Kong) 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), they are subject to licensing control by the Environmental Protection Department.

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

The Waste Disposal Ordinance (Cap 354 of the laws of Hong Kong) controls the production, storage, collection, treatment, recycling and disposal of wastes. At present, livestock waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited. Import and export of waste is generally controlled through a permit system.

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, 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$1,000,000 or above will be required 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, within 21 days after the contract is awarded.

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

Under the Dumping at Sea Ordinance (Cap 466 of the laws of Hong Kong), any waste producers involved in marine dumping and related loading operations are required to obtain permits from the Director of Environmental Protection. Under the Dumping at Sea Ordinance, a person who except under and in accordance with a permit, does anything or causes or allows another person to do anything for which a permit is needed commits an offence and is liable on conviction to a fine of HK$200,000 and to imprisonment for six months on a first conviction and HK$500,000 and to an imprisonment for two years on a second or subsequent conviction; and in additional, to a further fine of HK$10,000 for each day that the court is satisfied that the operation has continued.

The Environmental Impact Assessment Ordinance (Cap 499 of the laws of Hong Kong) is to avoid, minimise and control adverse environmental impacts from designated projects as specified in Schedule 2 of the Environmental Impact Assessment Ordinance through the application of the environmental impact assessment process and the environmental permit system prior to their construction and operation unless exempted.

According to the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designed projects listed in Part 1 of Schedule 2 of the Environmental Impact Assessment Ordinance without an environmental permit for the project; or contract 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 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 that the offence has continued.

Compliance with the laws and regulations of Hong Kong

Our Group has, in the course of its business, complied with all applicable laws and regulations in Hong Kong in all material respects.

LAWS AND REGULATIONS IN INDONESIA

Law and regulations relating to the activity of our Group in Indonesia

Investment related regulations

A foreign investor which intends to establish a business in Indonesia must comply with certain regulations related to the investment sector. In general, investment activities in Indonesia are regulated by Law No. 25 of 2007 on Investments ("**Investment Law**"). Currently, investment activities in Indonesia are being coordinated and supervised by *Badan Kordinasi Penanaman* Modal ("**BKPM**") as the authorised authority in the investment field.

Negative list of investments

After the implementation of the Investment Law, the President of Indonesia has issued the President Regulation No. 77 of 2007 dated 3 July 2007 (which has been amended several times, by President Regulation No. 36 of 2010 on 25 May 2010, by President Regulation No. 39 of 2014 on 23 April 2014, and lastly amended by President Regulation No. 44 of 2016 dated 12 May 2016) on the List of the Lines of Business which are Closed and Open with Certain Requirements Related to Investments ("**Presidential Regulation No. 44**").

The foreign investment restriction on construction services has also changed since 2007. Pursuant to the Presidential Regulation No. 77 of 2007, the foreign investment ownership in construction services was restricted to 55%, this restriction was amended since the issuance of the Presidential Regulation No. 36 of 2010 which relaxed the foreign investment ownership for construction services to 67%.

Based on the Presidential Regulation No. 44, any activities relating to the construction of harbour/port in Indonesia are categorised or classified as construction services. Moreover, under the Presidential Regulation No. 44 the maximum foreign ownerships in a company engaging in the construction of harbour/port are limited to 67%.

The composition of foreign shareholders in PTIR and PTHKRE are each 67%. As such, PTIR and PTHKRE have complied with the regulation regarding the maximum foreign shares ownership allowed in a company engaging in the construction of harbour/port in Indonesia.

General investment licencing requirements

Under Indonesian laws, foreign investors can make its investments through the establishment of a foreign investment company (commonly known as *Perusahaan Penanaman Modal Asing* – "**PMA Company**"). In relation to the general procedures for investment application, the application to establish a PMA Company must be submitted to BKPM.

According to the Regulation of the Chairman of BKPM No. 14 of 2015 on Guidelines and Procedures on Investment Principle Licenses ("**BKPM Regulation No. 14/2015**"), the first licence to be obtained with regards to establish a PMA Company is an In-Principle License (*Izin Prinsip*) issued by the BKPM. Generally, this In-Principle License will be valid for a certain period of time with the maximum of three years depending on the PMA Company's business activities.

Within such time period, the PMA Company shall prepare its operational activity/commercial production. Once the PMA Company is ready to conduct its operational activity/commercial production, BKPM Regulation No. 15 of 2015 on Guidelines and Procedures on Investment Licenses and Non-Investment Licences requires the PMA Company to obtain a Permanent Business License from BKPM which will be valid for so long the PMA Company conduct its operation in Indonesia.

In addition, a PMA Company has an obligation to periodically submit a Capital Investment Activities Report (*Laporan Kegiatan Penanaman Modal* – "**LKPM**") to the BKPM. If the PMA Company only holds an In-Principle License, the LKPM must be submitted in a quarterly basis. On the other hand, if the PMA Company already holds a Permanent Business Licence then the LKPM must be submitted within a six-month basis to BKPM.

Basic provision on manpower issues in Indonesia is generally stipulated in Law No. 13 of 2003 regarding Manpower (the "**Employment Law**"). Based on Article 43 of the Employment Law in conjunction of Regulation of the Minister of Manpower Number 16 of 2015 which was lastly amended by the Regulation of the Minister of Manpower No. 35 of 2015 on the Procedures to Utilise Foreign Manpower ("**Regulation No.16/2015**"), the employer of foreign worker must have a Foreign Worker Plan (*Rencana Penggunaan Tenaga Kerja Asing* – "**RPTKA**") from the Ministry of Manpower ("**MoM**"). After obtaining RPTKA, the employer (in this sense including a PMA Company) must then obtain the Foreign Manpower Utilisation Permit (*Izin Menggunakan Tenaga Kerja Asing* – "**IMTA**"). Law No. 6 of 2011 on Immigration Affairs (the "**Immigration Law**") also requires that the foreign worker residing in Indonesia shall obtain a Limited-Stay Visa (*Visa Tinggal Terbatas* – "**VITAS**") or a Limited-Stay Permit (*Kartu Izin Tinggal Terbatas* – "**KITAS**").

In addition to that, Law No. 7 of 1981 on the Mandatory Manpower Report in a Company (the "**Manpower Report Law**") provides that every company in Indonesia (including PMA Company) must submit an annual report regarding its manpower issues (known as *Wajb Lapor* Ketenagakerjan – "**WLTK**") to the relevant authority. Pursuant to Article 10 paragraph (1) of the Manpower Report Law any violation to this requirement will cause the company to be imposed with the sanction of penalty of a maximum amount of one million Rupiah or imprisonment of a maximum of three months.

Pursuant to Article 111 of Employment Law, a company that employs at least 10 employees must have company regulation. The company regulation will be effective after it has been ratified by the Ministry of Manpower. A company regulation will remain to be effective for the period of two years.

Pursuant to Presidential Regulation No. 111 of 2013, a company must register its employees for employee social security (BPJS).

Construction services

In Indonesia, construction activities are generally governed under the Law No. 18 of 1999 on Construction Services (the "**Construction Services Law**").

Construction Services Law classified construction services into: (i) planning and design; (ii) construction works implementation carried out by contractor; and (iii) construction supervisor.

All these services either carried out by main contractor or subcontractor must be done by the following companies that have obtained licences from the Indonesian government:

(a) a limited liability company (either a company wholly-owned by an Indonesian shareholder or a joint venture foreign investment company) which has obtained licence from the Indonesian government, among others:

    (i) Professional certificates of competency (SKA/SKTK) issued by the Construction Services Development Board to the construction professionals employed by the construction company;

    (ii) Certificate of Business Entity (SBU); and

    (iii) Construction Service Business License (IUJK).

(b) a foreign contractor which has set up a representative office in Indonesia and has entered into joint operation with local company (being wholly-owned by an Indonesian shareholder or being owned as to 65% by Indonesian company, provided that the company has obtained approval from the government to enter into such joint operation with the foreign contractor), and has obtained among others, the following licence:

    (i) Professional certificates of competency (SKA/SKTK) issued by the Construction Services Development Board to the construction professionals employed by the construction company;

    (ii) Certificate of Business Entity (SBU); and

    (iii) Foreign Construction Services Representative Office Licence (BUJKA).

Pursuant to Article 5 paragraph 4 of the Construction Services Law, a construction work of high risks and involves sophisticated technology and/or requires high cost may only be carried out by legal entity in the form of a limited liability company established under the Indonesian law or a foreign company of an equal status.

It was stated in Article 8 of the Construction Services Law that the legal entity that carries out the activities as construction planner, contractor and construction supervisor must obtain licences, have certificates, classification and meet the qualifications of construction service companies. These requirements also apply to subcontractors.

To undertake construction services relating to the establishment of harbour/port and civil buildings in Indonesia, the Ministry of Public Works Regulation No. 03 of 2016 on the Guidelines of the Issuance of the Foreign Investment Construction Entity Licence ("**MPW**

Regulation No. 3/2016") which is an ancillary regulation of the Government Regulation No. 28 of 2000 on Business and the Public Role of Construction Services, as lastly amended by Government Regulation no. 92 of 2010 ("**Government Regulation No. 28/2000**"), requires that foreign construction services company must submit an application for a Foreign Construction Services Licence (*Izin Usaha Jasa Konstruksi PMA* – "**IUJK PMA**") from BKPM. It bears noting that the IUJK PMA applies throughout the territory of the Republic of Indonesia and has a validity period of three years which can be extended.

However, prior to submitting an application for the Construction Service Business Licence (IUJK), the Ministry of Public Works Regulation No. 4 of 2011 on the Guidelines for Granting Business Licence to National Business Entity ("**MPW Regulation No. 4/2011**") requires that a certification (known as *Sertifikat Badan Usaha* – "**SBU**") from the Construction Service Development Agency (*Lembaga Pengembangan Jasa Konstruksi* – "**LPJK**") must be obtained.

Prior to applying for Construction Service Business License, a construction service company must firstly obtain Certificate of Expertise and Skill for its technical employees. Following that it will apply for Construction Certificate (SBU) at the Construction Service Development Agency (LPJK). The SBU will be valid for three years and shall be renewed. The application for SBU is governed in detail under LPJK Regulation Number 10 of 2013 on Registration of Construction Services Business Entity.

After SBU has been obtained, the application for Construction Service Business Licence (IUJK) can be submitted to the regional government of the domicile of the company. The Construction Service Business Licence is valid for three years and can be renewed.

In view of the above, each construction work in Indonesia must be carried out by contractor/subcontractor who has: (i) certificate of expertise and skill for its technical employees; (ii) construction certificate; and (iii) construction service business licence.

Article 41 and 42 of the Construction Services Law stipulate that violation to this law will cause the offender to be subject to administrative sanction. The administrative sanction include: (i) written warning; (ii) temporary termination of construction work; (iii) restriction on activities of business and/or professions; (iv) suspension of business and/or professional licences; and (v) revocation of business and/or professional licences.

Other than the requirements to obtain construction licence and certificate, Ministry of Public Works Regulation No. 4/2011 also requires the construction services company to file annual report to the relevant regional government no later than the month of December of the respective year.

General licencing requirements

Aside from the requirement to obtain the technical licence that is related with the company's business activity, based on the Law No. 3 of 1982 on Company Registration Certificate, every company that is established and conducts its activity within the territory of

Indonesia must be registered in the Ministry of Trade. Once registered, the company will be given a Company Registration Certificate (Tanda Daftar Perusahaan – "**TDP**") that will be valid for five years and must be renewed no longer than three months before its expiry date. Furthermore, companies are also required to obtain a Certificate of Domicile (*Surat Keterangan Domisili Perusahaan* – "**SKDP**") that is issued by the local regional government.

It should be noted as well that based on the Law No. 226 of 1926 on Nuisance Permit, any company conducting its business/activity in a certain location which pose danger, harm and disruption must obtain a business location permit (Surat Izin Tempat Usaha – "**SITU**"). The ancillary regulation to this law is the Ministry of Domestic Affairs Regulation No. 27 of 2009 on Guidelines for the Determination of Nuisance Permit, ("**MODA Regulation No. 27/2009**"). Based on MODA Regulation No. 27/2009, the application and issuance for SITU will be further governed by the relevant regional government in which the location concerned is situated.

Transaction requirements

Recently the Bank of Indonesia ("**BI**"), as the authorised authority which supervises the monetary and the banking system of Indonesia, issued the Regulation of BI No. 17 of 2015 on the Mandatory Use of Rupiah in the Territory of the Republic of Indonesia ("**BI Regulation No. 17/2015**").

Basically, according to this regulation, Rupiah as the lawful currency of Indonesia must be used as the payment instrument for any cash and non-cash transaction conducted within the territory of the Republic of Indonesia ("**Indonesian Territory**") that is: (i) intended for payment purposes; (ii) intended to fulfil obligations that must be performed by money; and/or (iii) other financial services transactions, such as deposit money into a bank account – whether it is conducted by Indonesian or non-Indonesian parties.

The only transactions that are excluded from the mandatory use of Rupiah are: (i) transactions for implementing State Budget; (ii) acceptance or distribution of grant from or to outside the Indonesian Territory; (iii) international trading transaction; (iv) bank deposit; (v) international financing transaction; (vi) transaction in accordance to the prevailing laws and regulations; and (vii) the strategic infrastructure projects.

The non-compliance to the requirements of BI Regulation No.17/2015 will be subject to the one year imprisonment and the fine of two hundred million Rupiah – at the maximum. Other than this criminal sanction, there are administrative sanctions in the form of: (i) a written warning; (ii) a fine of 1% (one percent) from the transaction value (the maximum fine is amounting to one billion Rupiah)); (iii) prohibition to participate in payment transaction; and/or (iv) to be recommended by the BI to the relevant authority for further actions.

Nevertheless, the transitional provision of BI Regulation No. 17/2015 stipulates that any written agreement that is (i) relating to the mandatory transactions as mentioned above; (ii) using the foreign currency as its payment instruments; and (iii) signed prior to 1 July 2015, will remain valid until the expiration of such agreement. However, this transitional provision will not be applicable for any extension and/or amendment of the said written agreement. It should be noted that the extension and/or amendment shall comprise of the period extension, the change of parties, the change of goods and/or services price, and/or the change of object.

Other than the mandatory use of Rupiah as payment instrument in a transaction conducted in Indonesia, BI has also required any Indonesian company which has an offshore loan from a foreign entity under: (i) a loan agreement, or (ii) the debt securities, or (iii) the trade credits, or (iv) the other loans, shall submit a report informing the main data and the recapitulation of such offshore loan to the BI ("**Offshore Loan Report**") as set forth in the BI Circular Letter No. 15 of 2013 on the Reporting of Foreign Exchange Flow in the Form of Realisation and Position of Offshore Loan.

In addition to that, BI has issued BI Regulation No. 16/21/PBI/2014 and Circular Letter No. 16/24/DKEM as amended by Circular Letter No. 17/18/DKEM dated 30 June 2015 and lastly amended by BI Regulation No. 18/4/PBI/2016 and Circular Letter No. 18/6/DKEM dated 22 April 2016 on the Implementation of Prudential Principles in the Management of Offshore Borrowing for Non-Bank borrowers. Pursuant to these regulations, all non-bank borrowers are required to conduct prudent financial management in managing their offshore borrowings through minimum requirements for hedging and liquidity ratios and maintaining credit ratings.

BI regulation requires non-bank borrowers to:

(a) hedge at least 20% (partial hedging) of their open foreign exchange positions (the negative difference between current assets in foreign currency and current liabilities in foreign currency) that fall due within three months and within three to six months. All hedging transactions must be conducted with Indonesian banks, effective from 1 January 2017;

(b) maintain a minimum liquidity ratio of 50% (current assets equal to 50% of their current liabilities which are due within three months); and

(c) beginning from 1 January 2016 to maintain a minimum credit rating equivalent to BB-, where the credit rating must be issued by the rating agencies recognised by BI.

Failure to comply with the regulation will lead to monetary penalties and administrative sanctions in the form of written warnings.

Work safety and health requirements and employee social insurance

The provisions on health and safety protection are generally governed under the Law No. 1 Year 1970 on Occupational Health and Safety ("**Occupational Health and Safety Law**"). The provision set out under the Occupational Health and Safety Law covers all working place conducted in the territory of the Republic of Indonesia including work place conducted under water and/or above water. It should be noted that the Occupational Health and Safety Law applies in the working place which involves machinery, and/or any other dangerous tools that may cause harm.

The rights of the employee to have occupational health and safety protection is also stipulated under Article 86 of the Employment Law. In addition, Article 87 of the Employment Law in conjunction with Government Regulation Number 50 of 2012 on Implementation of

Occupational Health and Safety Management clearly stated that: (i) every company which has 100 or more employees, or (ii) whose works may cause harm or occupational accidents, must implement Occupational Health and Safety Management System. Any violation of Article 87 of the Employment Law would result in administrative sanctions, which are (i) notification; (ii) written warning; (iii) limitation of the business activities; (iv) suspension of the business activities; (v) annulment of approval(s); (vi) annulment of registration(s); (vii) temporary termination of all or parts of the production unit; and (viii) license revocation.

Pursuant to Article 15 of Law No. 24 of 2011 regarding Agency of Employee Social Security – *Badan Penyelenggaran Jaminan Sosial (BPJS)* ("**Law 24/2011**") in conjunction with Presidential Regulation No. 111 of 2013 and Article 3 paragraph (1) of Government Regulation No. 86 of 2013 on Guidelines of Administrative Sanctions of Employer Besides Government and Everyone Beside Employer, Worker, and Tuitions Recipient for Social Security Implication ("**GR 86/2013**"), PTIR and PTHKRE are obligated to register for Employee Social Security (*Jaminan Sosial Tenaga Kerja – "**BPJS**"*) which are divided into: (i) Employment BPJS; and (ii) Health BPJS for its workers (permanent or temporary). The non-compliance of this obligation in Article 17 of Law 24/2011 *jo.* Article 5 paragraph (2) of GR 86/2013 will be in the form of administrative sanction of written warning, fine payment, and/or rejection to obtain public services.

Environmental protection

Law No. 32 of 2009 on Environmental Protection and Management in conjunction with Governmental Regulation No. 27 of 2012 on Environmental License and Regulation of the State of Minister of Environmental Affairs No. 5 of 2012 on Types of Business and/or Activities that Require Environmental Impact Analysis (AMDAL), stipulates among others that project owner of port which has either one of the following facilities: (i) sheet pile or open pile dock which length is more than or equal to 200 metres or area of more than or equal to 6,000 square metres; or (ii) dock with massive construction, must prepare and maintain AMDAL document which consists of Terms of Reference on Environmental Impact Analysis.

Based on Article 1 of the Law No. 226 Year 1926 on Nuisance License ("**Nuisance Law**"), construction of any facilities that may cause harm, losses and nuisance must obtain Nuisance License. This Nuisance License is issued by the relevant regional government.

Furthermore, according to Article 14 of the Nuisance Law, any facilities that were constructed without the Nuisance License could result in the seizure of the facility and the confiscation of machinery or tools used to build such facility. Other sanctions for violating the obligation to obtain a Nuisance Licenses are further specified under the relevant regional government regulation.

Restriction on foreign vessels deployment

According to Article 8 paragraph (2) of Law No. 17 of 2008 on Shipping ("**Indonesian Shipping Law**"), foreign vessels are prohibited from transporting passenger and/or goods between islands or between ports in Indonesian sea. Further, pursuant to Article 284 of the Indonesian Shipping Law, the non-compliance of such prohibition shall be punished with imprisonment of 5 (five) years and a fine of not more than IDR600 million.

However, in 2011 due to unavailability and lack of Indonesian-flagged vessels, by the issuance of Government Regulation No. 22 of 2011 on Amendment of Government Regulation No. 20 of 2010 on Sea Transportation, particularly in Article 206, the prohibition was excluded for foreign vessels specifically designated for:

a. Oil and gas survey;

b. Drilling;

c. Offshore Construction;

d. Supporting Offshore Operations;

e. Dredging; and

f. Salvage and Underwater Works.

Other sea transportation activities not mentioned above must be operated by Indonesian-flagged vessels.

Compliance with the laws and regulations of Indonesia

As at the Latest Practicable Date, save as disclosed in the paragraph headed "Non-compliance" in the section headed "Business" in this document, our Group has complied with all applicable laws and regulations in Indonesia in all material respects.

LAWS AND REGULATIONS IN MACAO

Laws and regulations in relation to the contractor licencing regime

Construction/Foundation works and safety

The construction/foundation works regime in Macao is mostly based on the General Construction Works Regulation, the Fire Safety Regulation, the Foundation Works Regulation, the Support Structures and Works on Land Regulation and the Safety and Action in Building Structures and Bridges Regulation.

The General Construction Works Regulation establishes administrative rules governing the process of approval of projects, licencing and supervision of construction works to be carried out in Macao. For the purposes of the said Regulation, the construction of new buildings, as well as reconstructions, restorations, repairs, modifications or expansions in existing buildings, demolitions of buildings and any further works that determine a change in topography (in which can be included the land reclamations) and soil application infrastructures are considered "construction works". Pursuant to the said Regulation, a constructor, individual or corporate, must register with the Land, Public Works and Transport Bureau (abbreviated "DSSOPT" in Macao), in order to carry out construction works in Macao.

The Fire Safety Regulation provides a set of rules aimed at preventing and controlling fires.

Under said Regulation, buildings should be compartmentalised by walls and floors that are fire resistant and hinder the spread of fire. Moreover, the construction material must have sufficient fire resistance in order to minimise the risk of collapse, particularly during the period of time required for the evacuation of people and the operations of firefighting.

The Foundation Works Regulation applies to the geotechnical aspects of foundation projects of buildings and other structures, taking into account requirements of strength, stability, functionality and durability of geotechnical structures. The Foundation Works Regulation should be interpreted in conjunction with the Safety and Actions in Building Structures and Bridges Regulation, which establishes the general criteria for safety and the methodologies used for its verification.

Under the Foundation Works Regulation, the following basic rules are of particular importance:

(a) the necessary data for the implementation of the project must be collected, recorded and interpreted appropriately;

(b) the foundation works must be designed by professionals with appropriate qualifications and experience;

(c) there must be continuity and adequate communication between those involved in the data collection, the project and the construction;

(d) there must be suitable supervision and quality control in factories, shipyards and construction sites;

(e) the construction must be performed in accordance with the relevant specifications, and by personnel with appropriate knowledge and experience;

(f) construction materials must be used as recommended in the Regulation or other normative documents and relevant specifications;

(g) the work must be adequately maintained; and

(h) the work must be used for the purpose defined in the project.

The Safety and Action in Building Structure and Bridges Regulation establishes specific rules for verifying the safety of building structures, road bridges and footbridges, as well as other types of structures. The verification of the security of structures must be made in relation to limit states, by comparing them to the states to which the structure is driven by the performance of the actions to which it is subject. Limit states are defined as the state at which a structure is fully or partially impaired in its ability to perform the functions for which it was designed.

Labour, health and safety

The Macao Labour Relations Law of 2008 establishes the general regime of labour relations, containing various rules concerning employment contracts that range from, but are not limited to, general principles applicable to employment relationships, duties and obligations of the employer and the employee, probation period, employment contract requirements, employment contract for a fixed period, working hours, overtime, weekly time-off, annual leave, and compensation in case of contract termination without justifiable cause. The regulatory authority in charge of monitoring compliance with the labour, safety and insurance regime is the labour department of Macao, in general, and the DSSOPT with respect to construction sites, in particular.

Regarding the employment of foreign labour, it is important to note that non-residents of Macao 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 Macao 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 authorizations to employ non-resident workers along with the prohibition to request new authorisations for a period of six months to two years, and/or criminal offenses related to illegal employment, sanctioned with effective incarceration periods, fines and/or accessory sanctions of (i) revocation of all or part of the authorizations to employ non-resident workers and the prohibition for a period of six months to two years to request new authorisations; (ii) prohibition, for a period of six months to two years, to participate in public tenders related to public works or public concessions; and (iii) prohibition, for the period of six months to two years, to receive any subsidies or benefits conferred by Macao public entities.

Regarding the working environment, an employer must comply with the rules provided under the General Regulation of Work Safety and Hygiene of Offices, Services and Commercial Establishments, in order to provide a safe and clean working environment for its employees. Failure to comply with those rules may result in the application of fines to the employer, according to the provisions set out by Decree Law no. 13/91/M (sanctions for the non-compliance with the General Regulation of working safety and hygiene of office, service and commercial establishments).

Moreover, MCR must comply with the rules provided under Decree Law no. 44/91/M (General Regulation of Working Safety and Hygiene in the Construction Industry) and Decree Law no. 34/93/M (Legal Regime of Noise at Work), in order to provide a safe, clean and environmentally friendly working conditions for the employees. Failure to comply with those rules may result in the application of fines, according to the provisions set out by Decree Law no. 67/92/M and Decree Law no. 48/94/M.

Pursuant to Decree Law no. 40/95/M (Legal Regime of Compensation of Damages Caused by Industrial Accidents and Occupational Diseases), our Group must provide industrial accident insurance for its employees. In case the employer fails to provide such insurance, fines may be charged as legal sanction.

Environmental protection

The guidelines and fundamental principles governing environmental policy in Macao are set out in Law no. 2/91/M, dated 11 March 1991 (the Macao Environmental Law), which seeks to enhance the protection and sustainable development of the environment. As a general principle, the Macao Environmental Law prescribes that everyone has the right to an ecologically balanced environment, as well as the duty to collectively promote an improved quality of life.

In order to achieve this goal, all projects and constructions which may affect the environment or the health of citizens must be subject to a preliminary study of environmental impact. Moreover, the Macao Environmental Law prescribes that violations of the environmental legislation will be punished with civil liability, administrative fines or criminal liability (Article 268 of the Macao Criminal Code prescribes pollution-related crimes), depending on the degree of the violation in question. Also injunctions may be granted in order to cease environmental infringements. The regulatory authority in charge of monitoring environmental protection matters is the Environment Protection Services Bureau. However, police authorities are also legally entitled to impose preventive measures with respect to time period restrictions.

Concerning noise pollution in particular, Law no. 8/2014 establishes rules on prevention and control of environmental noise pollution and sets noise limits. Pursuant to this Law, the use of pile-driving hammers is not allowed on Sundays and on holidays, as well as between 7 p.m. and 9 a.m. on weekdays. Moreover, the use of mechanical equipment, fixed or mobile, in construction works less than 200 metres from residential buildings and hospitals is prohibited on Sundays and on holidays, as well as between 8 p.m. and 8 a.m. on weekdays.

Regarding water and marine pollution, in particular, Decree Law no. 46/96/M defines the technical conditions that must be satisfied in order to ensure the global functioning of the public water distribution system, the preservation of public health, and the safety firefighting water installations, whereas Decree Law no 35/97/M provides for the protection of the marine environment from pollution. The latter further prohibits the discharge of any solid or liquid residues, in particular petroleum or chemical substances, which may contaminate marine water, beaches or coastal areas and affect their flora and fauna wildlife.

Requirements for constructor/subcontractor registration in Macao

According to the General Construction Works Regulation, in order to legally carry out construction works in Macao, a constructor/subcontractor, individual or corporate, must register with the DSSOPT. Moreover, the direction of any works carried out in Macao must be done by a technician also duly registered with the DSSOPT.

The DSSOPT is one of the public organisations under the Macao Government, providing technical support and giving suggestions for policy making related to Macao's physical development in the areas of land management and utilisation, urban planning, infrastructures, and basic services. Concerning construction work, the DSSOPT promotes coast protection, conservation and maintenance, infrastructure and sanitation network development, public building and monument construction, and licencing for urban buildings and the utilisation of electrical installations.

1. Registration procedure

The procedure for the registration of a constructor/subcontractor with the DSSOPT, provided for in Article 8 ff. of the General Construction Works Regulation, is as follows:

(a) A written request for the registration of a constructor/subcontractor must be submitted to the Director of the DSSOPT, accompanied by a list of the technical means at the constructor/subcontractor's disposal, as well as by a list of the construction works previously carried out, and also a declaration made by a technician registered with the DSSOPT, who declares to be the responsible technician of the constructor/subcontractor. The qualifications of the constructor/subcontractor shall be assessed based on the documents submitted to the DSSOPT.

(b) In case the registration request is accepted, a registration fee, currently in the amount of MOP6,600.00, must be paid within 10 days of the date of the notification of acceptance of the registration.

The registration as a constructor/subcontractor with the DSSOPT is valid for a period of one year, i.e., until the end of the civil year in which it was requested, and its renewal must be requested during the month of January of each subsequent civil year. Failure to comply with this deadline will result in the expiration of the registration as constructor with the DSSOPT.

The process of renewal of a registration with the DSSOPT normally takes around 15 working days counted from the submission by the applicant of all the required documents for that purpose, which are the same as those submitted upon registration as a constructor/subcontractor.

The DSSOPT will maintain an updated individual file of every registered entity which will include (a) the individual's full name and respective domicile or, if a corporate entity, its business name and articles of association and or registered address; (b) the documentation revealing professional qualifications and expertise; (c) specimen signatures containing the full and abbreviated names adopted, which, in the case of corporate entities, will be those of the directors who have legal capacity to bind the company; and (d) the indication of occurrences relating to projects directed by technicians, or occurrences relating to works carried out by construction companies.

The change of domicile or registered address of an entity registered with the DSSOPT must be communicated to DSSOPT within eight days counting from said change.

2. Constructor and Subcontractor's requirement

There are no specific requirements for a company to be registered as a constructor/subcontractor with the DSSOPT. The qualifications of the applicant company shall be assessed based on the documents submitted to the DSSOPT, namely the list of the technical means at the constructor/subcontractor's disposal, as well as the list of the construction works previously carried out.

3. Employee's requirement

For each project, the constructor/subcontractor should have a technician responsible for the works, who must also be registered as such with the DSSOPT. The qualifications of the applicant technician shall be assessed based on the documents submitted to the DSSOPT at the time of registration, namely a professional certificate and a declaration under oath regarding the observation and fulfilment of regulatory and technical provisions applicable to technicians responsible for works.

The technician in charge of a project may renounce to its direction at any time, as long as he/she communicates that fact in writing to the DSSOPT. However, such technician will be responsible and liable for the works carried out until the date of the resignation.

4. Job experience of constructor/subcontractor

There are no specific requirements for the job experience of a constructor/subcontractor.

Compliance with the laws and regulations of Macao

Our Group has, in the course of its business, complied with all applicable laws, regulations and rules in Macao in all material respects.

LAWS AND REGULATIONS IN VIETNAM

Laws and regulations in relation to construction services in Vietnam

On 26 November 2003, the Law on Construction (as subsequently amended by Law No. 38/2009/QH12 on 19 June 2009) (the "**Law on Construction 2003**") was promulgated to provide a legal framework on construction activities conducted in Vietnam. Together with Decision 87 of the Prime Minister on 19 May 2004 (as subsequently amended by Decision 03 on 16 January 2012) ("**Decision 87**"), the Law on Construction 2003 set out specific regulations applicable to foreign contractors engaging in construction activities in Vietnam.

On 18 June 2014, the new Law on Construction was promulgated by the National Assembly (the "**New Law on Construction**") to replace the Law on Construction 2003 from 1 January 2015. Also, Decision 87 has been replaced by Decree 59 of the Government dated 18 June 2015 ("**Decree 59**") with effectiveness from 5 August 2015.

Construction activities

Under the Law on Construction 2003, the scope of construction activities is fairly wide and somewhat undeterminable, specifically: formulation of construction master plan, formulation of investment projects for construction of works, construction survey, design of construction works, execution of building works, supervision of execution of building works, management of investment projects for construction of works, selection of contractors in construction activities and other activities related to construction works. Decision 87 has further narrowed down and specified activities that require foreign contractors to obtain contractor permits, which comprise of the aforementioned activities and "*provision of technical supplies and equipment alongside technical services related to building works*". The ambiguity of "*other activities related to construction works*" under the Law on Construction 2003 has been eliminated in Decision 87. Furthermore, the Ministry of Construction, under Official Letter 68/BXD-HDXD dated 8 July 2011, once took the view that the procurement of construction equipment and materials by a foreign contractor without participating in the instalment of such equipment would not be considered as construction activities in Vietnam.

On the other hand, the New Law on Construction stipulates the list of construction activities as follows: formulation of construction master plan, formulation of investment projects for construction of works, construction survey, design of construction works, execution of building works, construction supervision, management of projects, selection of contractors, check and acceptance and commissioning of works, warranty and maintenance of construction works and other activities related to construction of works. However, unlike Decision 87, Decree 59 does not limit the scope of construction activities mentioned in the New Law on Construction and, instead, use the term "construction activities" in all provisions regarding the rights and obligations of foreign contractors engaging in construction activities. This implies that such term in Decree 59 will be interpreted and understood in the same way as defined under the New Law on Construction.

Contractor permit

Under Decision 87, foreign contractors are only permitted to conduct certain construction activities in Vietnam after obtaining a contractor permit. Under Decree 59, the contractor permit has been changed into a construction activity licence, which remains compulsory for foreign contractors engaging in construction activities in Vietnam. In order to obtain contractor permit, the foreign contractor must win a tender or be selected under a decision of the developer, and must have a partnership with a Vietnamese contractor or employ a Vietnamese subcontractor, unless no domestic contractor is capable of participating in any part of the tender package. The items of work, volume and value of the work to be allocated to Vietnamese contractors or subcontractors must be clearly defined.

In accordance with Decree 121 of the Government dated 10 October 2013 regulating handling of administrative violations with respect to construction activities ("**Decree 121**"), foreign contractors will have to pay a fine of up to VND50,000,000 (approximately USD2,225) in case of failure to partner with Vietnamese contractors. Also, a failure to obtain contractor

permit for implementing construction activities in Vietnam would result in a monetary fine of up to VND40,000,000 (approximately USD1,790) against the foreign contractor. According to Article 4.2 of Decree 121, the statute of limitation for dealing with an administrative violation in construction activities is two years. If such violation has already ended when being detected, the statute of limitation for imposing administrative sanction against such violation shall be calculated from the date when the project is handed over and put into operation; if such violation still continues, from the date of detection of such violation.

Operation office

Under both Decision 87 and Decree 59, one of the obligations of foreign contractors is to establish an operation office and register its address, phone number, fax, email, and seal to the competent authorities of the locality where the construction project takes place, then notify relevant state and local authorities of such registration. If the contractors are selected to perform formulation of construction master plan, formulation of investment projects for construction of works, construction survey, and design of construction works, information of the operation office can be registered in other localities apart from the abovementioned. The law and implementing documents do not impose any administrative sanction on the act of not establishing an operational office.

Laws and regulations in relation to enterprise and investment in Vietnam

On 26 November 2014, the Law on Enterprise ("**Law on Enterprise**") and the Law on Investment ("**Law on Investment**") were promulgated by the National Assembly of Vietnam to simplify administrative procedures and provide more equal treatment to local and foreign businesses.

The laws and its implementing document, namely Decree 78 of the Government dated 14 September 2015 regulating enterprise registration and Decree 118 of the Government dated 12 November 2015 implementing the Law on Investment, enable foreign investors to invest in any sector of the Vietnamese economy except certain prohibited sectors (for example, projects that are detrimental to national security, morals or are harmful to public health) subject to caps in specific circumstances. In certain sectors listed in Appendix 4 of the Law on Investment (for example, broadcasting and television, transportation, education and training, and hospitals and clinics), investments are subject to specific entry conditions. These conditions must, however, be consistent with the market entry commitments that Vietnam has made in international treaties including the World Trade Organisation commitments.

Compliance with the laws and regulations of Vietnam

As at the Latest Practicable Date, save as disclosed in the paragraph headed "Non-compliance" in the section headed "Business" in this document, our Group has complied with all applicable laws and regulations in Vietnam in all material respects.

OUR BUSINESS HISTORY

Our Group was established in 2001 when Mr. Cui, our chairman, chief executive officer, and executive Director, who had accumulated extensive knowledge and in-depth market understanding in the marine construction industry through his industry-related working experience, along with Mr. Yu, ventured into their own business pursuit and founded our Group by acquiring HKR in 2001 to engage in provision of marine construction services. Mr. Cui and Mr. Yu financed the establishment of our Group through injection of their own capital.

Prior to founding our Group, Mr. Cui started his career in the industry back in 1984 when he was employed by China Harbour Engineering Company Ltd. ("**CHEC**") in Beijing, the PRC. During his tenure with the China Harbour group of companies from 1984 to 1998, he took up various roles including engineer, construction and project manager, deputy general manager and also managing director of China Harbour Engineering Company Hong Kong Branch ("**CHECHK**"). The extensive industry-related career experience enabled Mr. Cui to acquire in-depth industry knowledge and market understanding in the provision of various marine construction services. Mr. Yu, our executive Director, has over 25 years of experience in the marine construction industry and had worked with Mr. Cui in CHECHK during the period from 1992 to 1998 when Mr. Cui was also at the company. During his tenure with CHECHK, Mr. Yu had served in various roles including engineer, project advisor, and he was the acting department manager of CHECHK in 2000. Mr. Cui and Mr. Yu oversee the key functions of our business operations. With the industry-related experience of Mr. Cui, Mr. Yu and the accounting and finance background of Ms. Kui, another executive Director, our Group was established with a solid foundation in 2001. For further details regarding the experience of Mr. Cui, Mr. Yu, and Ms. Kui, please refer to the section headed "Directors, senior management and employees" in this document.

The following are the key milestones of our business history:

2001	–	Incorporation of CPL for holding of vessels
	–	Acquisition of HKR by Mr. Cui and Mr. Yu for carrying out marine construction operations
	–	Engagement in marine piling works for Central Pier No. 2 Construction Project
	–	Engagement in, among others, dredging, reclamation, seawall, sandfilling, precast reinforced concrete units works for Lamma Power Station Extension – Site Formation
2003	–	Engagement in marine piling works for Central Reclamation Phase III – Engineering Works

2005	–	Engagement in marine rock filling works for Shenzhen to Tai Po Twin Submarine Gas Pipeline Project (Engineering and Construction of Pipeline)
	–	Engagement in marine piling works for construction of jetties for Hong Kong International Airport – Permanent Aviation Fuel Facility at Area 38, Tuen Mun, Hong Kong, PRC
	–	Engagement in construction of eastern and western temporary jetties for Stonecutters Bridge in Hong Kong, PRC
	–	Engagement in marine transportation of steel deck segments from China to Hong Kong and associated marine operations for Stonecutters Bridge in Hong Kong, PRC
2008	–	Incorporation of PTIR for carrying out marine construction operations in Indonesia
	–	Engagement in construction of breakwater – 3x350MW Power Station at Palabuhan Ratu, Java Barat, Indonesia
2010	–	Engagement in marine piling works for Wan Chai Development Phase II – Central – Wan Chai Bypass at Wan Chai East
2011	–	Engagement in demolition of dolphin structure, structural excavation and marine disposal for Central – Wan Chai Bypass Tunnel (North Point Section) and Island Eastern Corridor Link, Hong Kong, PRC
	–	Engagement in construction of jetty and approach bridge in the Indonesia Tegal Buleud Port Project
2012	–	Establishment of CHKRJV, an unincorporated joint venture by HKR and Concentric, in which HKR was engaged to provide various kinds of marine construction
	–	Engagement in marine construction works including reclamation work, construction of seawall and other related works for Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road Section between Scenic Hill and Hong Kong Boundary Crossing Facilities, Hong Kong, PRC

– Engagement in setting up of barging facilities, public fill material transportation and disposal for Shatin to Central Link, Kai Tak Barging Point Facilities, Hong Kong, PRC

– Engagement in the provision of construction works of coal wharf with marine pile foundation works and installation of port equipment for Coal Fired Power Station at Bali, Indonesia – Jetty construction, Bali, Indonesia

– Engagement in marine piling works and installation of casing for Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road Section between HKSAR Boundary and Scenic Hill, Hong Kong, PRC

2013 – Engagement in construction of seawall and reclamation work for Wan Chai Development Phase II – Central – Wan Chai Bypass at Wan Chai West – Marine & Reclamation Sub-Contract works, Hong Kong, PRC

2014 – Establishment of MCRJV, an unincorporated joint venture by HKR and China Civil Engineering Construction Company (Macao) Limited* (中國土木工程(澳門)有限公司) for the Macao New Town Reclamation Area E1 Reclamation and Seawall Construction Project, in which MCRJV was engaged to provide reclamation works, construction of seawalls and ground improvement works

– Engagement in underwater rock filling works at the immersed tube tunnel unit casting yard in Shek O and channel leveling works and trial trenching for immersed tube tunnel at Victoria Harbour for Shatin to Central Link Advance Works for NSL Cross Harbour Tunnels, Hong Kong, PRC

– Engagement in temporary marine platform for pier construction for Tuen Mun – Chek Lap Kok Link Southern Connection Viaduct Section, Hong Kong, PRC

– Engagement in construction of reinforced concrete wharf with marine pile foundation and revetment works in Manokwari, Indonesia

2015	–	Incorporation of MCR for carrying out marine construction operations in Macao
	–	Incorporation of our Company and PTHKRE
	–	Engagement in marine pile foundation and revetment works in the Indonesia Bintan Island Port Construction Project
	–	Engagement in construction of temporary living and production facilities, marine pile foundation works for Merak Cement Grinding Project Supporting Wharf Engineering in Indonesia

OUR CORPORATE HISTORY

HKR

On 8 August 1995, HKR was incorporated in Hong Kong with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each, of which one share was allotted and issued at par to Polygon Limited ("**Polygon**") and one share was allotted and issued at par to Toptime Limited ("**Toptime**") on 8 August 1995, both are Independent Third Parties as initial subscribers.

On 8 November 1995, 1,499 shares were allotted and issued at par to Mr. Wan Siming ("**Mr. Wan**"); 499 shares were allotted and issued at par to Mr. Wu Siwen ("**Mr. Wu**"); 1,500 shares were allotted and issued at par to Mr. Li Guanming ("**Mr. Li**"); 2,000 shares were allotted and issued at par to Mr. Zhang Lin; 1,500 shares were allotted and issued at par to Mr. Zhang Enchi; 1,500 shares were allotted and issued at par to Mr. Zhang Jike; and 1,500 shares were allotted and issued at par to Mr. Xi Hanqiang (together the "**Original Shareholders**"), all in cash. To the best of the Directors' knowledge, the Original Shareholders were all Independent Third Parties and representatives of a state-owned enterprise ("**SOE**") incorporated in the PRC, who were appointed by such PRC governmental authorities and the SOE to set up HKR at the relevant time after winning a tender bid for carrying out a marine construction project in the Shenzhen river, the PRC, a project jointly owned by the Hong Kong and Shenzhen governments. As at 8 November 1995, the shareholding structure of HKR was set out below:

Name of shareholder	**Number of share(s)**	**%**
Polygon	1	0.01
Toptime	1	0.01
Mr. Wan	1,499	14.99
Mr. Wu	499	4.99
Mr. Li	1,500	15
Mr. Zhang Lin	2,000	20
Mr. Zhang Enchi	1,500	15
Mr. Zhang Jike	1,500	15
Mr. Xi Hanqiang	1,500	15
Total:	10,000	100

On 15 November 1995, Toptime transferred the one share to Mr. Wu at par, and Polygon transferred the one share to Mr. Wan at par, all in cash. As at 15 November 1995, the shareholding structure of HKR was set out below:

Name of shareholder	Number of share(s)	%
Mr. Wan	1,500	15
Mr. Wu	500	5
Mr. Li	1,500	15
Mr. Zhang Lin	2,000	20
Mr. Zhang Enchi	1,500	15
Mr. Zhang Jike	1,500	15
Mr. Xi Hanqiang	1,500	15
Total:	10,000	100

On 9 March 2001, Mr. Wan, Mr. Li, Mr. Wu, Mr. Zhang Enchi and Mr. Zhang Lin transferred each of his 1,500, 1,500, 500, 1,500 and 2,000 shares respectively to Mr. Cui, at nil consideration. On 9 March 2001, Mr. Zhang Jike and Mr. Xi Hanqiang transferred each of his 1,500 shares to Mr. Yu at nil consideration. Mr. Cui and Mr. Yu believed that the Original Shareholders agreed to transfer the entire issued share capital of HKR to them for nil consideration could be because, to the best knowledge of Mr. Cui and Mr. Yu at the relevant time, HKR had no actual business operation and no significant assets and that the Original Shareholders might have no intention on spending additional costs on keeping the company. Mr. Cui and Mr. Yu agreed to acquire HKR mainly for convenience purposes because they did not have to set up a new company on their own, and they also preferred the name of HKR. The said transfers were properly and legally completed and settled. As at 9 March 2001, the shareholding structure of HKR was set out below:

Name of shareholder	Number of share(s)	%
Mr. Cui	7,000	70
Mr. Yu	3,000	30
Total:	10,000	100

On 5 December 2001, the authorised share capital of HKR was increased to HK$1,000,000, divided into 1,000,000 shares of HK$1.00 each in order to allow shareholders to contribute additional capital for business development, and 793,000 shares were issued to Mr. Cui and 197,000 shares were issued to Mr. Yu at par at a consideration of HK$1.00 per share in cash. As at 5 December 2001, the shareholding structure of HKR was set out below:

Name of shareholder	**Number of share(s)**	**%**
Mr. Cui	800,000	80
Mr. Yu	200,000	20
Total:	1,000,000	100

On 7 November 2002, Mr. Cui transferred 300,000 shares to Mr. Wong Yau Wui Kion ("**Mr. Wong**"), who was one of the suppliers of our Group at the relevant time, in consideration of which Mr. Wong shall procure to transfer his stone mine to our Group. The said transfer was properly and legally completed and settled. As at 7 November 2002, the shareholding structure of HKR was set out below:

Name of shareholder	**Number of share(s)**	**%**
Mr. Cui	500,000	50
Mr. Yu	200,000	20
Mr. Wong Yau Wui Kion	300,000	30
Total:	1,000,000	100

On 27 June 2005, Mr. Wong transferred 300,000 shares back to Mr. Cui at nil consideration as he was unable to procure the transfer of his stone mine to our Group due to certain environmental restrictions at the relevant time. The above transfer was properly and legally completed and settled. As at 27 June 2005, the shareholding structure of HKR was set out below:

Name of shareholder	**Number of share(s)**	**%**
Mr. Cui	800,000	80
Mr. Yu	200,000	20
Total:	1,000,000	100

On 22 May 2012, the authorised share capital of HKR was increased to HK$20,000,000, divided into 20,000,000 shares of HK$1.00 each to allow its shareholders to contribute additional capital to meet the working capital requirements of HKR, and 15,200,000 shares were allotted and issued to Mr. Cui and 3,800,000 shares were allotted and issued to Mr. Yu at par, respectively. Such issuance and allotment of shares were properly and legally completed and settled. Since 22 May 2012 and prior to the Reorganisation, the shareholding structure of HKR was set out below:

Name of shareholder	Number of share(s)	%
Mr. Cui	16,000,000	80
Mr. Yu	4,000,000	20
Total:	20,000,000	100

CPL

On 9 March 2001, CPL was incorporated in Hong Kong with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each, of which one share was allotted and issued at par to Asia Secretaries Limited and one share was issued at par to Cartech Limited on 9 March 2001, both being Independent Third Parties as initial subscribers.

On 3 April 2001, Asia Secretaries Limited transferred the one share of CPL to Mr. Cui and Cartech Limited transferred the one share of CPL to Mr. Yiu Chan Wa ("**Mr. Yiu**"), who was a subcontractor of our Group responsible for carrying out certain marine installation operations, each at a consideration of HK$1.00 in cash. The said transfers were properly and legally completed and settled. As at 3 April 2001, the shareholding structure of CPL was set out below:

Name of shareholder	Number of share(s)	%
Mr. Cui	1	50
Mr. Yiu	1	50
Total:	2	100

On 6 November 2002, Mr. Yiu transferred the one share of CPL to Ms. Mu at nil consideration as CPL had not yet started carrying out any operations at the time, and Mr. Yiu and Mr. Cui decided that their business directions were not the same. The said transfer was properly and legally completed and settled. As at 6 November 2002, the shareholding structure of CPL was set out below:

Name of shareholder	Number of share(s)	%
Mr. Cui	1	50
Ms. Mu	1	50
Total:	2	100

As confirmed by Mr. Cui, the one share held by Ms. Mu was held on trust in favour of Mr. Cui in order to satisfy the legal requirement of having two shareholders at the relevant time under Hong Kong law. On 31 July 2015, a confirmatory deed of trust was entered into by Ms. Mu and Mr. Cui to confirm that Ms. Mu held the said shareholding interests in CPL for and on behalf of Mr. Cui.

On 31 July 2015, the one share held by Ms. Mu was transferred back at nil consideration from Ms. Mu to Mr. Cui. The said transfer was properly and legally completed and settled. Since 31 July 2015, the shareholding structure of CPL was set out below:

Name of shareholder	Number of share(s)	%
Mr. Cui	2	100
Total:	2	100

HKR-ASL

On 19 July 2005, HKR-ASL was incorporated in Hong Kong as a joint venture company with an authorised share capital of HK$1,000,000 divided into 1,000,000 shares of HK$1.00 each, of which 500,000 shares were issued at par to HKR and 500,000 shares were issued at par to ASL Project Services PTE Limited ("**ASL**"), an Independent Third Party, respectively, upon incorporation. As at 19 July 2005, the shareholding structure of HKR-ASL was set out below:

Name of shareholder	Number of share(s)	%
HKR	500,000	50
ASL	500,000	50
Total:	1,000,000	100

As HKR-ASL had not been in operation for over three years, the parties agreed to deregister HKR-ASL. HKR-ASL was in the process of deregistration as at the Latest Practicable Date.

PTIR

On 12 September 2008, PTIR was incorporated in Indonesia with an authorised share capital of US$400,000 divided into 4,000 shares of US$100 each, of which 1,800 shares were issued at par to Wiliyanto (whose shares were pledged back for the interest of Mr. Cui as security in order to comply with the requirement under Indonesia law of having (i) an Indonesian citizen(s); or (ii) a legal entity fully owned by Indonesian citizen(s) as shareholder),

1,600 shares were issued at par to Mr. Cui, and 600 shares were issued at par to Mr. Fan Tao ("**Mr. Fan**") (whose shares were pledged back for the interest of Mr. Cui as security for administrative convenience as Mr. Cui believed that it would be more convenient for Mr. Fan to represent PTIR and liaise with the customers and suppliers in Indonesia if he was a shareholder of PTIR), respectively, all in cash and which have been fully paid and legally completed and settled. As at 12 September 2008, the shareholding structure of PTIR was set out below:

Name of shareholder	**Number of share(s)**	**Total nominal value paid up**	**%**
Mr. Cui	1,600	IDR1,468,480,000 or equivalent to US$160,000	40
Mr. Fan	600	IDR550,680,000 or equivalent to US$60,000	15
Wiliyanto	1,800	IDR1,652,040,000 or equivalent to US$180,000	45
Total	4,000	IDR3,671,200,000 or equivalent to US$400,000	100

The consideration of the shares held by Wiliyanto and Mr. Fan was contributed by Mr. Cui in the form of a respective loan to each of them and the shares were pledged by Wiliyanto and Mr. Fan respectively for the interest of Mr. Cui as security during the period from 15 August 2008 to 5 October 2015 and from 15 August 2008 to 5 February 2016, respectively, through the following arrangement:

(i) Mr. Cui provided a loan to each of Wiliyanto and Mr. Fan to acquire their shares held by them in PTIR;

(ii) the shares held by Wiliyanto and Mr. Fan respectively were pledged back to Mr. Cui during the relevant times;

(iii) each of Wiliyanto and Mr. Fan assigned all rights to dividends in PTIR to Mr. Cui; and

(iv) Wiliyanto and Mr. Fan granted respective power of attorney to Mr. Cui to deal with their respective shares and also to exercise voting rights as a shareholder of PTIR.

The above arrangement was terminated on 5 October 2015 and 5 February 2016 for the shares held by Wiliyanto and Mr. Fan, respectively, with the disposal of each of their shareholdings in PTIR on the respective date.

In 2015, Wiliyanto expressed his intention to our Group that he would like to devote more time to his other business engagements. Therefore, on 5 October 2015, Wiliyanto transferred his 1,320 shares and 480 shares to Johannes Wargo and Mr. Cui, respectively, in consideration of US$132,000 and US$48,000, respectively. The said transfers were properly and legally completed and settled. As at 5 October 2015, the shareholding structure of PTIR was set out below:

Name of shareholder	Number of share(s)	Total nominal value paid up	%
Mr. Cui	2,080	IDR1,909,024,000 or equivalent to US$208,000	52
Mr. Fan	600	IDR550,680,000 or equivalent to US$60,000	15
Johannes Wargo	1,320	IDR1,211,496,000 or equivalent to US$132,000	33
Total	4,000	IDR3,671,200,000 or equivalent to US$400,000	100

The consideration of the shares held by Johannes Wargo was contributed by HKR in the form of a loan to him and the shares were pledged by Johannes Wargo for the interest of HKR as security commencing from the period of 5 October 2015 through the following arrangement:

(i) HKR provided a loan to Johannes Wargo to acquire his shares held by him in PTIR;

(ii) the shares held by Johannes Wargo were pledged back to HKR;

(iii) Johannes Wargo assigned all rights to dividends in PTIR to HKR; and

(iv) Johannes Wargo granted respective powers of attorney to HKR to deal with his shares and also to exercise voting rights as a shareholder of PTIR.

Please refer to the section headed "Contractual arrangements" in this document for further details in relation to the arrangement between HKR and Johannes Wargo.

On 5 February 2016, Mr. Cui and Mr. Fan transferred each of his 2,080 and 600 shares, representing 52% and 15%, respectively, of the issued share capital of PTIR to HKR at a consideration of US$208,000 and US$60,000, respectively. As at 5 February 2016, the shareholding structure of PTIR was set out below:

Name of shareholder	Number of share(s)	Total nominal value paid up	%
HKR	2,680	IDR2,459,704,000 or equivalent to US$268,000	67
Johannes Wargo	1,320	IDR1,211,496,000 or equivalent to US$132,000	33
Total	4,000	IDR3,671,200,000 or equivalent to US$400,000	100

MCR

On 13 January 2015, MCR was incorporated in Macao with a registered capital of MOP100,000, divided into two quotas, of which one quota of nominal value of MOP99,000 was held by HKR, and one quota of nominal value of MOP1,000 was held by Mr. Cui, all of which were paid up in cash and have been legally and properly settled. As confirmed by Mr. Cui, the one quota held by Mr. Cui was to satisfy the requirement of having two shareholders at the relevant time under Macao law. As at 13 January 2015, the shareholding structure of MCR was set out below:

Name of shareholder	Number of quota	%
Mr. Cui	1	1
HKR	1	99
Total:	2	100

On 10 October 2015, the one quota held by Mr. Cui was assigned at par to another member of our Group, CPL, in cash. As at 10 October 2015, the shareholding structure of MCR was set out below:

Name of shareholder	Number of quota	%
HKR	1	99
CPL	1	1
Total:	2	100

PTHKRE

On 15 December 2015, PTHKRE was incorporated in Indonesia with an authorised share capital of US$1,000,000 divided into 1,000,000 shares of US$1 each, of which 132,000 shares were issued at par to Harris, an Independent Third Party, whose shares were pledged back for the interest of HKR as security in order to comply with the requirement under Indonesia law of having an (i) Indonesian citizen(s) or (ii) legal entity fully owned by an Indonesian citizen(s) as shareholder, and 268,000 shares were issued at par to HKR, all of which were paid up in cash. As at 15 December 2015, the shareholding structure of PTHKRE was set out below:

Name of shareholder	Number of share(s)	Total nominal value paid up	%
HKR	268,000	IDR3,216,000,000 or equivalent to US$268,000	67
Harris	132,000	IDR1,584,000,000 or equivalent to US$132,000	33
Total	400,000	IDR4,800,000,000 or equivalent to US$400,000	100

The consideration of the shares held by Harris was contributed by HKR in the form of a loan provided by HKR to Harris and the shares were pledged by Harris for the interest of HKR as security commencing from 16 November 2015 through the following arrangement:

(i) HKR provided a loan to Harris to acquire such shares;

(ii) the shares held by Harris were pledged back to HKR;

(iii) Harris assigned all rights to dividends in PTHKRE to HKR; and

(iv) Harris granted a power of attorney to HKR to deal with such shares and also to exercise its voting rights as a shareholder of PTHKRE.

Please refer to the section headed "Contractual arrangements" in this document for further details in relation to the arrangement between HKR and Harris.

The principal activity of PTHKRE is to perform marine construction works. PTHKRE was set up for administrative convenience and to mitigate operational risks (for example, when any unforeseeable events arise which may affect the operation of PTIR) as the Group intended to use PTIR and PTHKRE to take up different marine construction projects. As at the Latest Practicable Date, PTHKRE had not commenced business operations. Before PTHKRE engages in any business operations in Indonesia, the Group's responsible senior management personnel will ensure that PTHKRE (i) is in full compliance with the relevant laws and regulations in Indonesia; and (ii) has obtained all necessary licences and permits for its business operations in Indonesia.

REORGANISATION

For the shareholding structure of our Group (i) immediately prior to the Reorganisation; (ii) after the Reorganisation and immediately prior to the Capitalisation Issue and the [**REDACTED**]; and (iii) following completion of the Capitalisation Issue and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and that no Shares have been issued pursuant to the exercise of any option which may be granted under the Share Option Scheme), please refer to the charts set out in this section.

INTRODUCTION

In contemplation of the [**REDACTED**], members of our Group have undergone certain restructuring steps whereby a coherent structure of our Group has been established which is suitable for [**REDACTED**]. The Reorganisation involved the following principal steps:

1. Incorporation of Solid Jewel, Sky Hero and Prosper BVI;

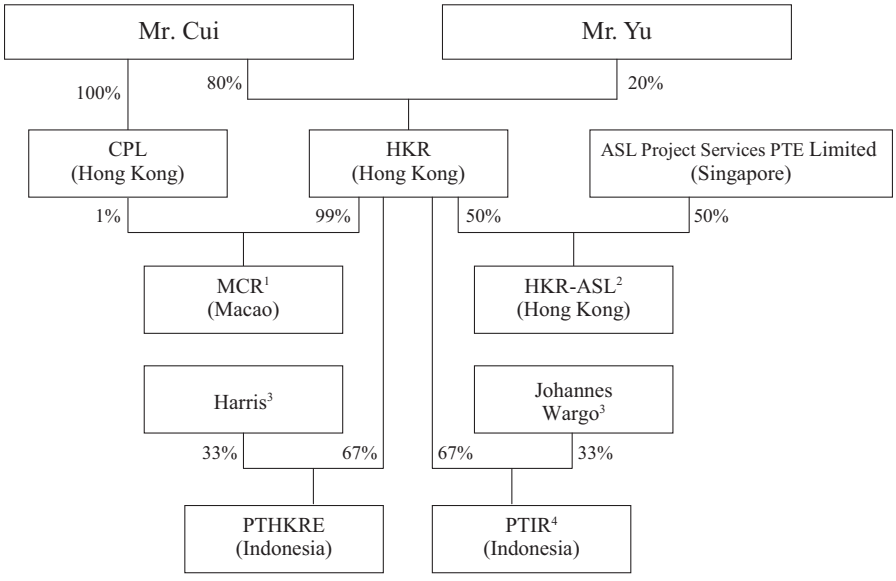
2. Incorporation of our Company and allotment of shares of Solid Jewel;

3. Acquisition of the entire issued share capital in each of CPL and HKR by Prosper BVI; and

4. Transfer of the entire issued share capital of Prosper BVI to our Company.

CORPORATE STRUCTURE PRIOR TO THE REORGANISATION

Set out below is the shareholding structure of our Group immediately prior to the Reorganisation:



Note 1: The one quota was held by CPL to maintain the requirement of two shareholders at the relevant time under Macao laws.

Note 2: HKR-ASL was in the process of deregistration as at the Latest Practicable Date.

Note 3: The interest was held by Harris and Johannes Wargo, respectively, in order to comply with the requirement under Indonesia law of having (i) an Indonesian citizen(s); or (ii) legal entity fully owned by Indonesian citizen(s) as shareholder. Please refer to the section headed "Contractual arrangements" in this document for further details in relation to the arrangements between HKR and Harris and Johannes Wargo.

Note 4: At the relevant time, 67% of the shares of PTIR was in the process of being transferred from Mr. Cui and Mr. Fan to HKR.

DETAILED PROCEDURES

For the purpose of [**REDACTED**], the following Reorganisation steps have been implemented:

Incorporation of Solid Jewel, Sky Hero and Prosper BVI

Solid Jewel was incorporated on 2 June 2015 and its shareholding structure as at 21 August 2015 was set out below, all of its shares being issued and allotted at par value, have been fully paid and legally completed and settled:

Name of shareholder	**Number of share(s)**	**%**
Mr. Cui	1	50
Mr. Yu	1	50
Total:	2	100

Sky Hero was incorporated on 5 May 2015 and its shareholding structure as at 21 August 2015 was set out below, all of its shares being issued and allotted at par value, have been fully paid and legally completed and settled:

Name of shareholder	**Number of share(s)**	**%**
Solid Jewel	1	100
Total:	1	100

Prosper BVI was incorporated on 11 September 2015 and would act as the intermediate holding company of our Group. The shareholding structure of Prosper BVI as at 11 September 2015 was set out below, all of its shares being issued and allotted at par value, have been fully paid and legally completed and settled:

Name of shareholder	Number of share(s)	%
Sky Hero	1	100
Total:	1	100

Incorporation of our Company and allotment of shares of Solid Jewel

On 5 January 2016, 869 shares and 129 shares of Solid Jewel were allotted to Mr. Cui and Mr. Yu, respectively as fully paid in order to reflect their shareholding in our Group. The allotment of shares in Solid Jewel was legally completed and settled. The shareholding structure of Solid Jewel as at 5 January 2016 was set out below:

Name of shareholder	Number of share(s)	%
Mr. Cui	870	87
Mr. Yu	130	13
Total:	1,000	100

On 6 October 2015, our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company to act as the ultimate holding company of our Group. The authorised share capital of our Company, on incorporation, was HK$390,000 divided into 39,000,000 Shares of HK$0.01 each. On 6 October 2015, our Company allotted and issued one nil-paid Share to an initial subscriber who is an Independent Third Party, which was transferred to Sky Hero on the same date at nil consideration. The said one nil-paid Share was subsequently paid up in the manner described in the paragraph headed "Transfer of the entire issued capital of Prosper BVI to our Company" below.

Acquisition of the entire issued share capital in each of CPL and HKR by Prosper BVI

On 15 January 2016, Mr. Cui transferred the entire issued share capital of CPL to Prosper BVI in consideration of and in exchange for Prosper BVI allotting and issuing one share in Prosper BVI, at the direction of Mr. Cui, to Sky Hero. On 15 January 2016, Mr. Cui and Mr. Yu respectively transferred his 16,000,000 shares and 4,000,000 shares in the issued share capital of HKR, representing 80% and 20%, respectively, of its entire issued share capital, to Prosper BVI in consideration of and in exchange for Prosper BVI allotting and issuing two shares in Prosper BVI at the direction of each of Mr. Cui and Mr. Yu, respectively, to Sky Hero.

Transfer of the entire issued share capital of Prosper BVI to our Company

On 22 January 2016, Sky Hero transferred the entire issued share capital in Prosper BVI to our Company, in exchange for which our Company (a) issued and allotted 9,249 Shares to Sky Hero, credited as fully paid; and (b) credited as fully paid at par the one nil-paid Share which was then registered in the name of Sky Hero. The Reorganisation of our Group (being completion of transfer of the entire issued share capital of Prosper BVI to our Company) was completed on 22 January 2016. Each of the share transfers regarding the Reorganisation mentioned above was properly and legally completed and settled.

[**REDACTED**] INVESTMENT

CITICC [**REDACTED**] Investment Agreement

In order to strengthen the relationship between our Group and CITICC, our Company, Sky Hero, Mr. Cui and CITICC entered into the CITICC [**REDACTED**] Investment Agreement pursuant to which CITICC conditionally agreed to subscribe for 750 Shares and purchase 750 Shares from Sky Hero (together representing 15% of the shareholding of our Company at the time of completion of such [**REDACTED**] investment) for a total cash consideration of HK$72,000,000.

Details of the [**REDACTED**] *Investment*

Set out below are the details of the [**REDACTED**] investment:

Date of the CITICC [**REDACTED**] Investment Agreement	5 February 2016
Number of Shares issued by our Company	750
Number of Shares acquired from Sky Hero	750
Amount of consideration paid to Company	HK$36,000,000
Amount of consideration paid to Sky Hero	HK$36,000,000
Payment date of the [**REDACTED**] investment	11 February 2016
Completion Date of the [**REDACTED**] investment	11 February 2016

Total number of Shares held by CITICC after the Capitalisation Issue	90,000,000
Cost per Share paid	Approximately HK$48,000 per Share before the Capitalisation Issue Approximately HK$0.8 per Share after the Capitalisation Issue
Discount to the [**REDACTED**]	approximately 28.9% to the [**REDACTED**] assuming the [**REDACTED**] of HK$[**REDACTED**], being the mid-point of the [**REDACTED**] range
Use of proceeds	The proceeds of the [**REDACTED**] investment will be used for general working capital
Strategic benefits to our Company	Our Company believes that the [**REDACTED**] investment strengthens our existing relationship with CITICC and broadens our Group's capital base
Shareholding of CITICC in our Company immediately prior to the [**REDACTED**]	15%
Basis of determining the consideration paid by CITICC	The consideration was determined with reference to the earnings and growth prospects of our Group and based on arm's length negotiation among the parties

Other major terms

Board Representative	The Board shall, subject to relevant applicable laws and regulations, appoint a qualified candidate nominated by CITICC as an executive Director (the "**CITICC Nominee**"). Such contractual right to nominate a director by CITICC shall cease immediately upon the [**REDACTED**] and the CITICC Nominee would be subject to the retirement and re-appointment requirements under the Articles after [**REDACTED**].

Pursuant to the above, the CITICC Nominee (Mr. Tao Yang) has been appointed as our executive Director and it is expected that he will continue to act as our Director after [**REDACTED**] subject to the retirement and re-appointment requirements under the Articles.

Rights of CITICC

Our Company, Mr. Cui and Sky Hero shall procure the following prior to [**REDACTED**] (unless with the prior written consent of CITICC), including, among others:

(a) our Group shall continue to operate consistently as before the date of the CITICC [**REDACTED**] Investment Agreement;

(b) our Group shall not pass any resolution regarding winding up or liquidation, save as the deregistration of HKR-ASL;

(c) our Group shall not be involved in any mergers and acquisitions which involve business or assets with a value of over HK$30 million;

(d) our Group shall not approve any share option scheme, save as the Share Option Scheme in accordance with the Listing Rules to be approved prior to [**REDACTED**];

(e) our Group shall not create any encumbrances on its assets or business, save as in the ordinary course of business;

(f) our Group shall not create any loan, save as in the ordinary course of business with banks;

(g) our Group shall not provide any guarantees and indemnities, save as in the ordinary course of business;

(h) our Group shall not dispose of, transfer, or lease its assets or business in any material respect, save as in the ordinary course of business or in the course of its reorganisation for [**REDACTED**];

(i) our Company shall not amend its Articles or Memorandum, save as required for [**REDACTED**];

(j) our Company shall not change its executive Directors, save as the appointment of the CITICC Nominee;

(k) our Company shall not issue or agree to issue further Shares or securities, or options, or repurchase any Shares or securities, save as actions taken by our Directors in the interest of the Shareholders pursuant to their fiduciary duties;

(l) our Company shall provide certain information of our Group (including information in relation to the [**REDACTED**]) to CITICC as reasonably requested by CITICC; and

(m) our Company shall use its best endeavours to procure the [**REDACTED**] and achieve the Qualified [**REDACTED**] (as defined below).

All the above rights enjoyed by CITICC under the CITICC [**REDACTED**] Investment Agreement shall automatically terminate upon the [**REDACTED**] or completion of the purchase of all of the Shares held by CITICC pursuant to the Put Option (as defined below).

Dividend	Our Company shall not declare any dividend without the prior approval of all parties in the CITICC [**REDACTED**] Investment Agreement, save as the dividend declared to the Shareholders for the year ended 31 December 2015, which should not exceed HK$100 million. The above rights shall be automatically terminated upon the [**REDACTED**] or completion of the purchase of all of the Shares held by CITICC pursuant to the Put Option (as defined below). The parties under the CITICC [**REDACTED**] Investment Agreement agreed that for the year ending 31 December 2016, our Company shall declare a dividend of 30% of the profit after tax of our Company which should be distributed by the end of the third quarter of the 2017 financial year of our Company.
Put option ("**Put Option**")	In the event that Mr. Cui resigns as a Director before completion of the [**REDACTED**], CITICC shall have such right to require Mr. Cui and/or Sky Hero to purchase all of the Shares held by CITICC in cash calculated in accordance with the following formula: Put price = C x R – any dividend received by CITICC Where: C = HK$72,000,000 $R = (1 + 3.389\%)^{d}$ d = number of days from the date of completion of the CITICC [**REDACTED**] Investment Agreement up to the date of completion of the transfer pursuant to the Put Option exercised (both days inclusive)/365

In the event that an [**REDACTED**] of the Shares on the Main Board of the Stock Exchange has not been consummated by 31 December 2016, CITICC shall have such right to require our Company, Mr. Cui and/or Sky Hero to purchase all of the Shares held by CITICC in cash calculated in accordance with the above formula.

Qualified [**REDACTED**]

In the event that our Company cannot achieve the Qualified [**REDACTED**] (as defined below), Sky Hero and Mr. Cui shall provide compensation to CITICC ("**Compensation**") based on the following formula:

Compensation Amount = (HK$704 million – market capitalisation of our Company as at the [**REDACTED**]) x 11.25%

Where:

Market capitalisation of our Company as at the [**REDACTED**] = the number of issued Shares after completion of the [**REDACTED**] (exclusive of any Shares issued pursuant to the [**REDACTED**])

Qualified [**REDACTED**] means an [**REDACTED**] which satisfies all of the below requirements:

1. the market capitalisation of the Company as at the completion of the [**REDACTED**] is not less than HK$704 million (exclusive of any Shares issued pursuant to the [**REDACTED**]);

2. assuming CITICC did not dispose of any Shares held after completion of the CITICC [**REDACTED**] Investment Agreement, CITICC holding not less than 15% of the issued Shares immediately before completion of the [**REDACTED**];

3. assuming CITICC did not dispose of any Shares held after completion of the CITICC [**REDACTED**] Investment Agreement, CITICC holding not less than 11.25% of the issued Shares immediately after completion of the [**REDACTED**] (exclusive of any Shares issued pursuant to the [**REDACTED**]);

4. assuming CITICC did not dispose of any Shares held after completion of the CITICC [**REDACTED**] Investment Agreement, CITICC holding not less than 10.84% of the issued Shares immediately after completion of the [**REDACTED**] (taking into account of all the Shares issued pursuant to the [**REDACTED**]); and

5. our Company to include in this document that the dividend to be declared in the financial year of the [**REDACTED**] of our Company shall be at least 30% of its profit after tax.

Profit guarantee

Mr. Cui and Sky Hero covenanted and guaranteed that the net profit of our Group for the year ended 31 December 2015 shall not be less than HK$74.5 million. In the event that the realised net profit of our Group falls short of the profit guarantee as mentioned above, Mr. Cui and Sky Hero shall provide cash compensation to CITICC equivalent to such shortfall multiplied by 8.6 and then multiplied by 11.25%.

Transfer of Shares	The parties shall have first right of refusal over transfer or disposal of any Shares by any Shareholders. However, Mr. Cui and Sky Hero shall not have held less than 51% of the issued Shares. Mr. Cui and Sky Hero warrant that save with the prior written consent of CITICC, he/it will not directly or indirectly dispose of or create encumbrances on the Shares before [**REDACTED**]. All these rights shall be terminated upon [**REDACTED**].
Lock-up	CITICC shall be subject to lock-up arrangement of its Shares for a period of six months after [**REDACTED**] pursuant to the CITICC [**REDACTED**] Investment Agreement.

As CITICC will become a Substantial Shareholder of our Company after [**REDACTED**], the Shares held by it will not be considered as part of the public float according to Rule 8.08 of the Listing Rules.

Pursuant to the CITICC [**REDACTED**] Investment Agreement, CITICC may release Sky Hero, Mr. Cui and/or the Company from performing their obligations under the CITICC [**REDACTED**] Investment Agreement without affecting Sky Hero, Mr. Cui and the Company from performing their other obligations under the CITICC [**REDACTED**] Investment Agreement ("**Release of Obligations Clause**"). A deed of waiver was executed by CITICC on 24 May 2016 ("**Deed of Waiver**"), pursuant to which CITICC unconditionally and irrevocably agreed to waive Sky Hero and Mr. Cui's obligation to provide the Compensation to them in the event that our Company cannot achieve the Qualified [**REDACTED**]. As advised by our Hong Kong Legal Counsel, the Release of Obligations Clause confers on CITICC the power that they may unilaterally release Sky Hero and Mr. Cui from performing their obligations to provide the Compensation to them in the event that our Company cannot achieve the Qualified [**REDACTED**]. Accordingly, a variation of the CITICC [**REDACTED**] Investment Agreement pursuant to the Release of Obligations Clause would not require a new contract, nor would the variation effected by the Deed of Waiver constitute a new contract between the parties to the CITICC [**REDACTED**] Investment Agreement.

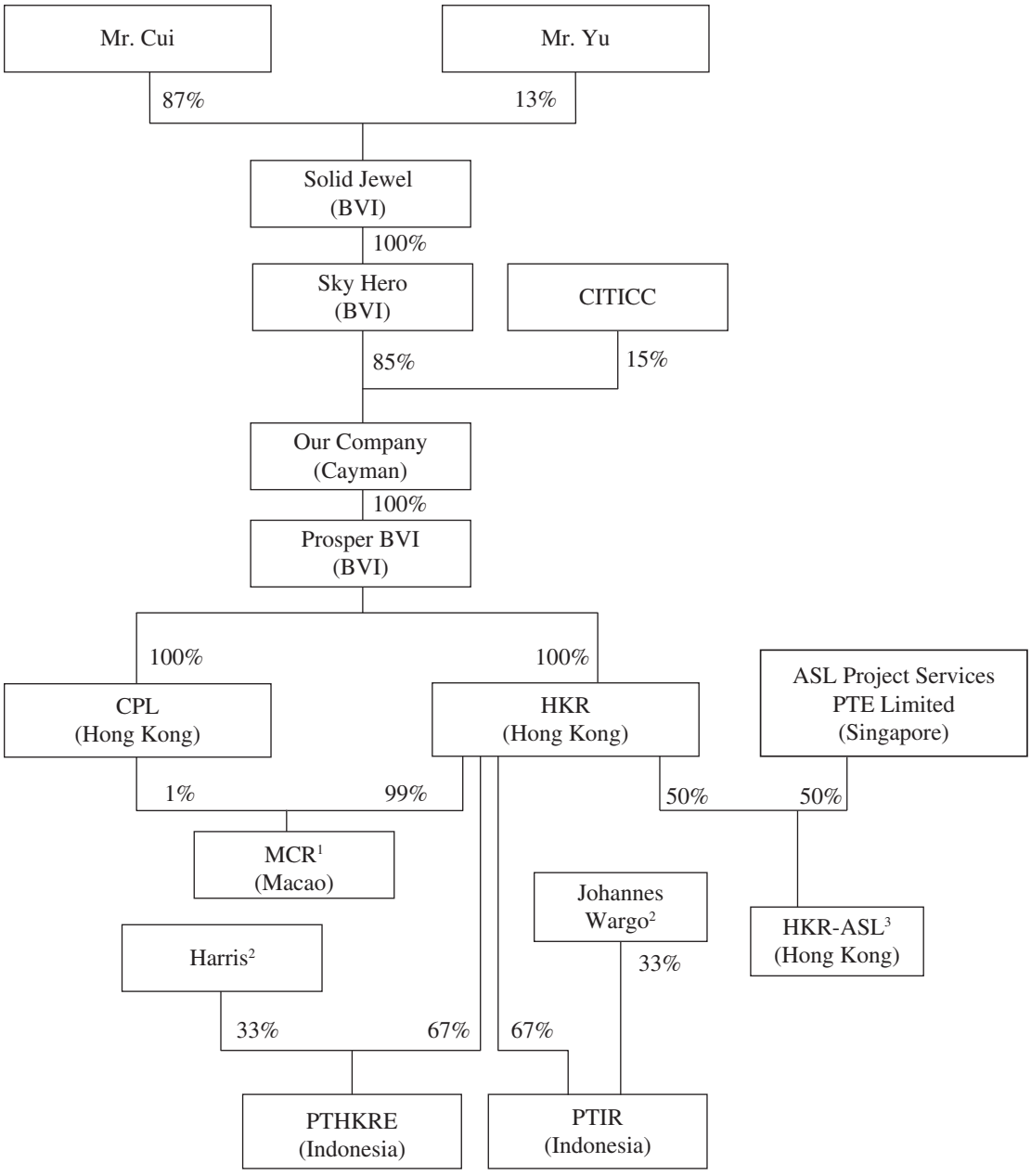
CITICC has undertaken to each of us, the Sole Sponsor and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) that it shall not at any time in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in the Document and ending on the date which is six months from the date on which dealings in the Shares first commence on the Main Board of the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the Shares in respect of which it is shown by the Document to be the beneficial owner.

The Sole Sponsor confirms that the [**REDACTED**] investment detailed above is in compliance with applicable Stock Exchange guidance, namely, the interim guidance of the Stock Exchange HKEx-GL29-12 on [**REDACTED**] investments dated 13 October 2010 (and updated on 16 January 2012), the Stock Exchange guidance letters HKEx-GL43-12 and HKEx-GL44-12.

Information regarding CITICC

CITICC is a limited liability company incorporated on 16 April 2015 under the laws of Hong Kong. CITICC is wholly-owned by CITIC Construction Co., Ltd. which is wholly-owned by CITIC Limited, a company listed on the Main Board of the Stock Exchange (stock code: 267). In July 2015, CITIC Construction Co., Ltd. entered into a non-legally binding memorandum of understanding with HKR for the potential joint venture bidding of a construction project regarding the third runway of the Hong Kong international airport. HKR shall be interested in 40% of the joint venture and CITIC Construction Co., Ltd. shall be interested in 60% of the joint venture. The tendering for the project has commenced in April 2016 and is expected to close in August 2016. Further details of the joint venture shall be determined through a formal agreement to be entered into between both parties which is currently under negotiation between the parties. Save as the above, there are no other relationship between CITICC and our Group during the Track Record Period.

CORPORATE STRUCTURE AFTER THE REORGANISATION AND IMMEDIATELY PRIOR TO THE CAPITALISATION ISSUE AND THE [REDACTED]

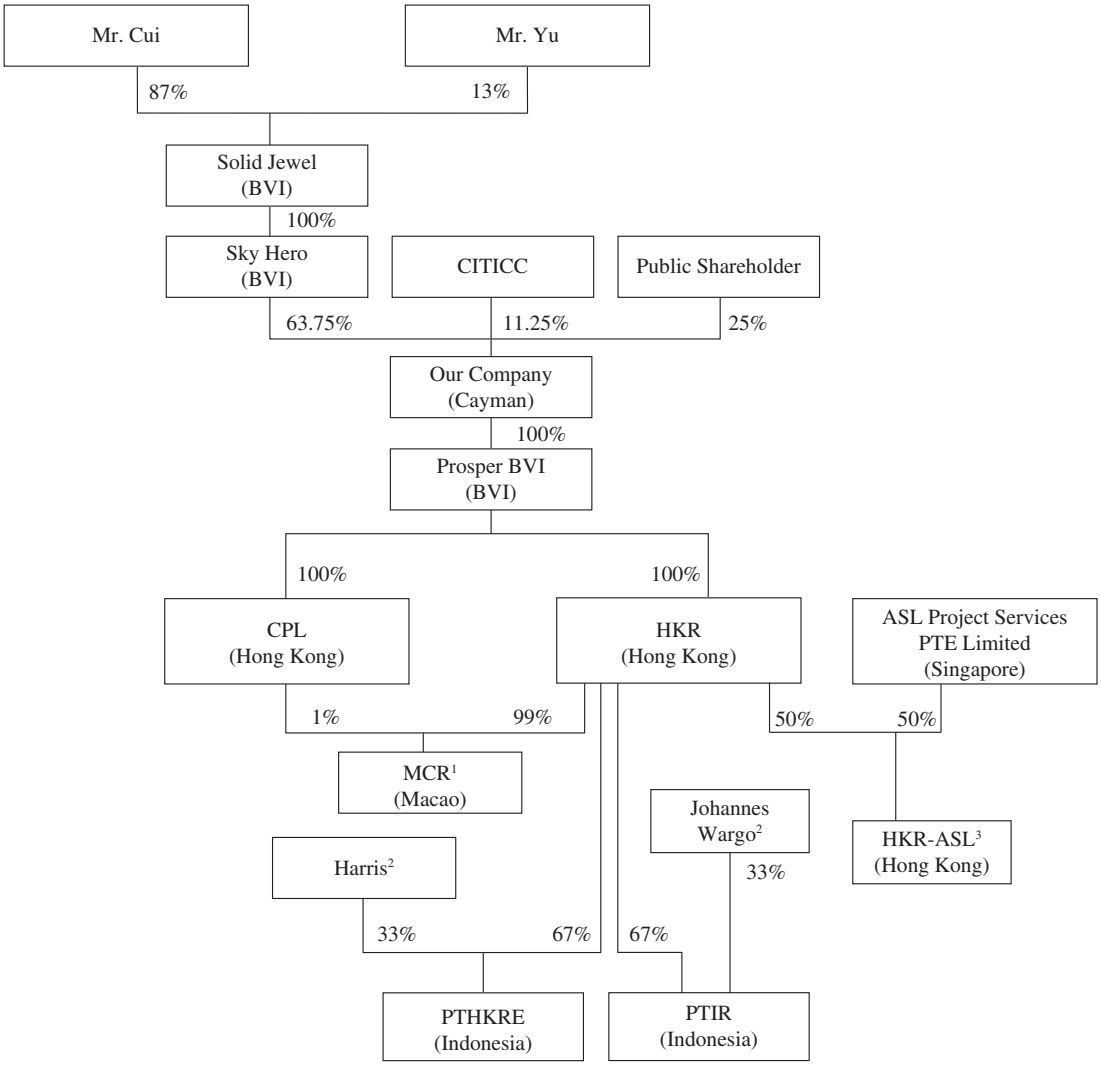


Note 1: The one quota was held by CPL in order to maintain the requirement of two shareholders at the relevant time under Macao law.

Note 2: The interest was held by Harris and Johannes Wargo, respectively, in order to comply with the requirement under Indonesia law of having (i) an Indonesian citizen(s); or (ii) legal entity fully owned by Indonesian citizen(s) as shareholder. Please refer to the section headed "Contractual arrangements" in this document for further details in relation to the arrangement between HKR and Harris and Johannes Wargo.

Note 3: HKR-ASL was in the process of deregistration as at the Latest Practicable Date.

CORPORATE STRUCTURE FOLLOWING COMPLETION OF THE CAPITALISATION ISSUE AND THE [REDACTED] (WITHOUT TAKING INTO ACCOUNT ANY SHARES WHICH MAY BE ALLOTTED AND ISSUED PURSUANT TO THE EXERCISE OF THE [REDACTED] AND THE EXERCISE OF ANY OPTIONS WHICH MAY BE GRANTED UNDER THE SHARE OPTION SCHEME)



Note 1: The one quota was held by CPL in order to maintain the requirement of two shareholders at the relevant time under Macao law.

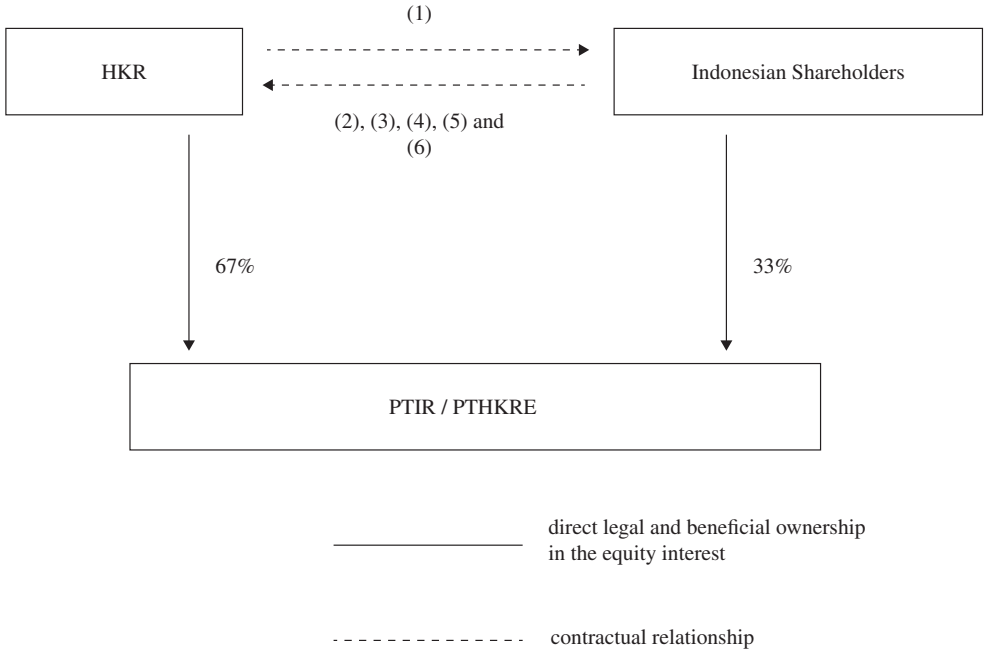
Note 2: The interest was held by Harris and Johannes Wargo, respectively, in order to comply with the requirement under Indonesia law of having (i) an Indonesian citizen(s); or (ii) legal entity fully owned by Indonesian citizen(s) as shareholder. Please refer to the section headed "Contractual arrangements" in this document for further details in relation to the arrangement between HKR and Harris and Johannes Wargo.

Note 3: HKR-ASL was in the process of deregistration as at the Latest Practicable Date.

INTRODUCTION

We are an established contractor based in Hong Kong providing marine construction services to both the private and public sectors, with projects in Hong Kong, Macao and parts of Southeast Asia. Pursuant to Indonesia law, the maximum foreign ownership in a company engaging in the construction of harbour/port is limited to 67%. Please refer to the paragraph headed "Laws and regulations in Indonesia" in the section headed "Regulatory overview" in this document for further details in relation to the applicable laws and regulations in Indonesia. As at the Latest Practicable Date, each of PTIR and PTHKRE was held as to 67% shareholding interest by our Group. To consolidate control over and derive the economic benefits from the remaining 33% of the shareholding interest ("**Indonesian Shareholders Shares**") in each of PTIR and PTHKRE, HKR has entered into contractual arrangements with the Indonesian Shareholder in each of PTIR and PTHKRE, being Johannes Wargo and Harris, respectively.

The following diagram illustrates the structure of the Contractual Arrangements:



Notes:

1. Please refer to the paragraphs headed "PTIR – PTIR Loan Agreements" and "PTHKRE – PTHKRE Loan Agreements" in this section for details.

2. Please refer to the paragraphs headed "PTIR – PTIR Pledge of Shares Agreements" and "PTHKRE – PTHKRE Pledge of Shares Agreements" in this section for details.

3. Please refer to the paragraphs headed "PTIR – PTIR PoA for Selling Shares" and "PTHKRE – PTHKRE PoA for Selling Shares" in this section for details.

4. Please refer to the paragraphs headed "PTIR – PTIR PoA to Vote" and "PTHKRE – PTHKRE PoA to Vote" in this section for details.

5. Please refer to the paragraphs headed "PTIR – PTIR Assignment of Dividends Agreements" and "PTHKRE – PTHKRE Assignment of Dividends Agreements" in this section for details.

6. Please refer to the paragraphs headed "PTIR – Spouse undertaking" and "PTHKRE – Spouse undertakings" in this section for details.

The Contractual Arrangements contain the following documents:

1. loan agreements between HKR and each of the Indonesian Shareholders, pursuant to which HKR agreed to provide a loan to each of the Indonesian Shareholders to acquire the Indonesian Shareholders Shares (collectively, the "**Loan Agreements**");

2. pledge of shares agreements, pursuant to which the Indonesian Shareholders pledged the Indonesian Shareholders Shares in favour of HKR (collectively, the "**Pledge of Shares Agreements**");

3. power of attorney for the selling of shares, pursuant to which each of the Indonesian Shareholders granted a power of attorney to HKR with full right of substitution for HKR to, including but not limited to, sell, assign, transfer and otherwise deal with the Indonesian Shareholders Shares (collectively, the "**PoA for Selling Shares**");

4. power of attorney to vote, pursuant to which each of the Indonesian Shareholders granted a power of attorney to HKR to, including but not limited to, exercise all voting rights and take part in all meetings of each of PTIR and PTHKRE (collectively, the "**PoA to Vote**");

5. assignment of rights to dividends agreement, pursuant to which each of the Indonesian Shareholders assigned and transferred all of his rights and interests in all of the dividends or other income and amounts paid or payable by each of PTIR and PTHKRE in relation to the Indonesian Shareholders Shares to HKR (collectively, the "**Assignment of Dividends Agreements**"); and

6. spouse consent and undertaking (if applicable), pursuant to which the spouse of the Indonesian Shareholders undertakes, among other things, to refuse to claim the inheritance of Indonesian Shareholders specifically related to the Indonesian Shareholders Shares in the event of death of the Indonesian Shareholders (if applicable) and to waive any rights to claim the Indonesian Shareholders Shares in the event of divorce of the Indonesian Shareholders (if applicable) (the "**Spouse Undertakings**").

BACKGROUND OF THE INDONESIAN SHAREHOLDERS

Johannes Wargo and Harris are Indonesian citizens and both of them are businessmen engaging in the trading of construction materials in Indonesia. Each of Johannes Wargo and Harris is an Independent Third Party and was introduced to our Group through a supplier in or about July 2015. Johannes Wargo was the director of PTIR since October 2015 and Harris was the commissioner of PTHKRE since December 2015. However, throughout the Track Record Period and as at the Latest Practicable Date, Johannes Wargo and Harris were not involved in the daily operation of PTIR or PTHKRE (as the case may be) as Mr. Cui (with the assistance of Mr. Fan Tao who is the president director in PTIR) has been responsible for all major decision making in PTIR and PTHKRE. Save as disclosed, Johannes Wargo and Harris did not hold any position in our Group during the Track Record Period.

We invited Johannes Wargo and Harris to become the holder of 33% shareholding interest in PTIR and PTHKRE (as the case may be) considering that (i) there is a restriction under Indonesia law on the maximum foreign ownership in an Indonesian company engaged in the construction of harbour/port at 67%; (ii) Johannes Wargo and Harris are Indonesian citizens who are experienced in the construction industry in Indonesia, therefore, they may assist with the development of our business in Indonesia; (iii) our Directors believe that Johannes Wargo and Harris are of trustworthy character; and (iv) both Johannes Wargo and Harris are engaged in the trading of construction materials in Indonesia, this may give rise to potential business collaboration between the Indonesian Shareholders and our Group in the future.

Under the Contractual Arrangements, Johannes Wargo and Harris did not receive any benefits paid by the Group for becoming the holder of 33% shareholding interest in PTIR and PTHKRE (as the case may be). In the event that there will be business collaboration between the Indonesian Shareholder(s) and our Group, our Directors confirm that we will comply with the applicable requirements under the Listing Rules in relation to the transaction(s), including but not limited to Chapter 14A of the Listing Rules as amended from time to time, and all the applicable laws and regulations in Indonesia and/or the place where the transaction(s) takes place.

CONTRACTUAL ARRANGEMENTS FOR PTIR

1. PTIR Loan Agreements

HKR, as lender, and Johannes Wargo, as borrower, entered into a loan agreement on 5 October 2015 and an amendment and restatement of loan agreement on 5 May 2016 (collectively, the "**PTIR Loan Agreements**"), pursuant to which HKR agreed to provide a loan ("**PTIR Loan**") in the sum of IDR1,211,496,000 to Johannes Wargo to acquire 1,320 shares in PTIR ("**Johannes Shares**"). The PTIR Loan was secured by the Johannes Shares pursuant to the PTIR Pledge of Shares Agreements (as defined below).

Pursuant to the PTIR Loan Agreements, Johannes Wargo agreed and undertook (i) to provide the powers of attorney to sell the Johannes Shares; (ii) to do all acts and things required to maintain the validity and enforceability of such power of attorneys; and (iii) to refrain from any act, whether revocation or other act, which might terminate or limit HKR's or its substitute's rights in or in respect of the shares under such powers of attorney.

The PTIR Loan does not bear interest unless otherwise notified in writing by HKR to Johannes Wargo, and the interest calculation including payment terms shall be further specified in the letter of notification.

The PTIR Loan has a term of 10 years and will be automatically renewed upon expiration unless otherwise notified by HKR and shall be due and payable only on demand made at any time by HKR at its sole discretion. No prepayment of the PTIR Loan in whole or in part is permitted at any time during the term of the PTIR Loan Agreements.

Pursuant to the PTIR Loan Agreements, HKR shall have the right to nominate the board of directors of PTIR and to designate the authorised signatories for the bank account(s) of PTIR.

2. PTIR Pledge of Shares Agreements

HKR, as pledgee, and Johannes Wargo, as pledgor, entered into a pledge of shares agreement on 5 October 2015 and an amendment and restatement of pledge of shares agreement on 5 May 2016 (collectively, the "**PTIR Pledge of Shares Agreements**"), pursuant to which Johannes Wargo pledged his entire shareholding interest in PTIR (i.e. the Johannes Shares) in favour of HKR in order to secure the due and proper repayment of the PTIR Loan and the full performance by Johannes Wargo.

Pursuant to the PTIR Pledge of Shares Agreements, Johannes Wargo shall deliver to HKR all share certificates and other evidence of ownership ("**Johannes Share Ownership Documents**") in relation to the Johannes Shares. The Johannes Share Ownership Documents shall be retained by HKR until the outstanding loan under the PTIR Loan Agreements has been fully paid by Johannes Wargo and all of the relevant obligations have been fully performed by him in accordance with the PTIR Loan Agreements, as determined at the sole discretion of and as certified in writing by HKR. Johannes Wargo also undertook not to do any act or sign any documents which may limit the rights of HKR under the PTIR Pledge of Shares Agreements or diminish the value of the Johannes Shares.

3. PTIR PoA for Selling Shares

Johannes Wargo granted a power of attorney to HKR on 5 October 2015 ("**PTIR PoA for Selling Shares**"), pursuant to which Johannes Wargo appointed HKR as his attorney to do and perform, among others, the following acts during the term of the PTIR Loan:

1. to sell, assign, transfer or otherwise deal with the Johannes Shares;

2. to receive the proceeds of the sale of Johannes Shares whether arising (i) from any transfer or sale of the Johannes Shares pursuant to the PTIR Loan Agreements and the PTIR Pledge of Shares Agreements; or (ii) from any liquidation or dissolution of PTIR; and

3. to represent Johannes Wargo in all matters pertaining to the sale or transfer of the Johannes Shares.

4. PTIR PoA to Vote

Johannes Wargo granted a power of attorney to HKR on 5 October 2015 ("**PTIR PoA to Vote**"), pursuant to which Johannes Wargo appointed HKR to do and perform, among others, the following acts during the term of the PTIR Loan:

1. to attend all general meetings of shareholders of PTIR;

2. to exercise all voting rights with respect to the Johannes Shares;

3. to sign any shareholders resolutions; and

4. to generally exercise all rights and privileges and perform all duties which now or hereafter may be necessary in relation to the Johannes Shares.

The PTIR PoA to Vote was cancelled on 5 May 2016 and a new PTIR PoA to Vote was granted on 5 May 2016 to reflect minor amendments to the former one.

5. PTIR Assignment of Dividends Agreements

Johannes Wargo, as assignor, and HKR, as assignee, entered into an assignment of rights to dividends agreement on 5 October 2015 and an amendment and restatement of assignment of rights to dividends agreement on 5 May 2016 (collectively, the "**PTIR Assignment of Dividends Agreements**"), pursuant to which Johannes Wargo assigned and transferred all his rights and interests in all dividends or other income paid or payable by PTIR with respect to the Johannes Shares to HKR. The assignment shall be valid during the term of the PTIR Loan.

6. Spouse undertaking

Johannes Wargo has confirmed on 5 October 2015 that he did not have any legal spouse, accordingly, no spouse consent and undertaking was required for him for his entering into the PTIR Loan Agreements, PTIR Pledge of Shares Agreements, PTIR Assignment of Dividends Agreements, PTIR PoA for Selling Shares and PTIR PoA to Vote.

CONTRACTUAL ARRANGEMENTS FOR PTHKRE

1. PTHKRE Loan Agreements

HKR, as lender, and Harris, as borrower, entered into a loan agreement on 16 November 2015 and an amendment and restatement of loan agreement on 5 May 2016 (collectively, the "**PTHKRE Loan Agreements**"), pursuant to which HKR agreed to provide a loan ("**PTHKRE Loan**") in the sum of IDR1,584,000,000 to Harris to acquire 132,000 shares in PTHKRE ("**Harris Shares**"). The PTHKRE Loan was secured by the Harris Shares pursuant to the PTHKRE Pledge of Shares Agreements (as defined below).

Pursuant to the PTHKRE Loan Agreements, Harris agreed and undertook (i) to provide the power of attorneys to sell the Harris Shares; (ii) to do all acts and things required to maintain the validity and enforceability of such power of attorneys; and (iii) to refrain from any act, whether revocation or other act, which might terminate or limit HKR's or its substitute's rights in or in respect of the shares under such power of attorneys.

The PTHKRE Loan does not bear interest unless otherwise notified in writing by HKR to Harris, and the interest calculation including payment terms shall be further specified in such letter of notification.

The PTHKRE Loan has a term of 10 years and will be automatically renewed upon expiration unless otherwise notified by HKR and shall be due and payable only on demand made at any time by the HKR at its sole discretion. No prepayment of the PTHKRE Loan in whole or in part is permitted at any time during the term of the PTHKRE Loan Agreements.

Pursuant to the PTHKRE Loan Agreements, HKR shall have the right to nominate the board of directors of PTHKRE and to designate the authorised signatories for the bank account(s) of PTHKRE.

2. PTHKRE Pledge of Shares Agreements

HKR, as pledgee, and Harris, as pledgor, entered into a pledge of shares agreement on 16 November 2015 and an amendment and restatement of pledge of shares agreement on 5 May 2016 (collectively, the "**PTHKRE Pledge of Shares Agreements**"), pursuant to which Harris pledged his entire shareholding interest in PTHKRE (i.e. the Harris Shares) in favour of HKR in order to secure the due and proper repayment of the PTHKRE Loan and the full performance by Harris.

Pursuant to the PTHKRE Pledge of Shares Agreements, Harris shall deliver to HKR all share certificates and other evidence of ownership ("**Harris Share Ownership Documents**") in relation to the Harris Shares. The Harris Share Ownership Documents shall be retained by HKR until the outstanding loan under the PTHKRE Loan Agreements has been fully paid by Harris and all of the relevant obligations have been fully performed by him in accordance with the PTHKRE Loan Agreements, as determined at the sole discretion of and as certified in writing by HKR. Harris also undertook not to do any act or sign any documents which may limit the rights of HKR under the PTHKRE Pledge of Shares Agreements or diminish the value of the Harris Shares.

3. PTHKRE PoA for Selling Shares

Harris granted a power of attorney to HKR on 16 November 2015 ("**PTHKRE PoA for Selling Shares**"), pursuant to which Harris appointed HKR as his attorney to do and perform, among others, the following acts during the term of the PTHKRE Loan:

1. to sell, assign, transfer or otherwise deal with the Harris Shares;

2. to receive the proceeds of the sale of Harris Shares whether arising (i) from any transfer or sale of the Harris Shares pursuant to the PTHKRE Loan Agreements and the PTHKRE Pledge of Shares Agreements; or (ii) from any liquidation or dissolution of PTHKRE; and

3. to represent Harris in all matters pertaining to the sale or transfer of the Harris Shares.

4. PTHKRE PoA to Vote

Harris granted a power of attorney to HKR on 16 November 2015 ("**PTHKRE PoA to Vote**"), pursuant to which Harris appointed HKR to do and perform, among others, the following acts during the term of the PTHKRE Loan:

1. to attend all general meetings of shareholders of PTHKRE;

2. to exercise all voting rights with respect to the Harris Shares;

3. to sign any shareholders resolutions; and

4. to generally exercise all rights and privileges and perform all duties which now or hereafter may be necessary in relation to the Harris Shares.

The PTHKRE PoA to Vote was cancelled on 5 May 2016 and a new PTHKRE PoA to Vote was granted on 5 May 2016 to reflect minor amendments to the former one.

5. PTHKRE Assignment of Dividends Agreements

Harris, as assignor, and HKR, as assignee, entered into an assignment of rights to dividends agreement on 16 November 2015 and an amendment and restatement of assignment of rights to dividends agreement on 5 May 2016 (collectively, the "**PTHKRE Assignment of Dividends Agreements**"), pursuant to which Harris assigned and transferred all his rights and interests in all dividends or other income paid or payable by PTHKRE with respect to the Harris Shares to HKR. The assignment shall be valid during the term of the PTHKRE Loan.

6. Spouse undertakings

The spouse of Harris, Mrs. Christina, signed an irrevocable undertaking on each of 16 November 2015 and 5 May 2016, pursuant to which she undertook that, among others:

1. she has confirmed her approval for Harris to enter into the PTHKRE Loan Agreements, PTHKRE Pledge of Shares Agreements, PTHKRE Assignment of Dividends Agreements, PTHKRE PoA for Selling Shares and PTHKRE PoA to Vote;

2. she will refuse and will not claim the inheritance of Harris specifically related to the Harris Shares and all rights attached to them; and

3. she will agree to waive any rights to claim the Harris Shares.

DISPUTE RESOLUTION

All agreements comprising the Contractual Arrangements contain a dispute resolution provision pursuant to which all disputes, controversies and conflicts between the parties in connection with the Contractual Arrangements shall, so far as possible, be settled amicably between the parties.

Failing such amicable settlement, all disputes, controversies and conflicts arising out of or in connection with the Contractual Arrangements shall be settled by arbitration in Hong Kong in accordance with the Arbitration Rules of the Hong Kong International Arbitration Centre. The arbitrators may award remedies over the shares and assets of each of PTIR and PTHKRE, injunctive relief (such as for the conduct of business or to compel the transfer of

assets) or order the winding up of each of PTIR and PTHKRE. For the purpose of enforcing any arbitral awards, the disputing parties shall go to the Clerks Office of the District Court of Central Jakarta. As advised by our Indonesia Legal Adviser, since both Hong Kong and Indonesia have ratified the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, any arbitral award issued by the Hong Kong International Arbitration Centre will be recognised and enforced in Indonesia under the provisions of the prevailing laws and regulations in Indonesia. In the event of pending the formation of the arbitral tribunal or in appropriate cases in the arbitration proceedings, the courts of Hong Kong, Cayman Islands and Indonesia should have jurisdiction to grant interim remedies that will support the further arbitration process.

CONFLICTS OF INTERESTS

To ensure our effective control over each of PTIR and PTHKRE, we have implemented measures to protect against the potential conflicts of interest between HKR and the Indonesian Shareholders.

Firstly, under the PoA for Selling Shares and PoA to Vote, each of the Indonesian Shareholders irrevocably appointed HKR to act as his attorney to exercise his rights in connection with matters concerning his rights as a shareholder of PTIR or PTHKRE (as the case may be), including the rights to vote in a shareholders' meeting, sign minutes and to sell his shares. Secondly, the Spouse Undertakings protect against the spouse of Harris from exercising any control or influence over PTHKRE.

Based on the above, our Directors are of the view that the measures we have adopted are sufficient to mitigate the risks associated with the potential conflicts of interest between our Group and the Indonesian Shareholders and to protect our Group's interest in each of PTIR and PTHKRE.

LOSS EXPOSURE

Since each of PTIR and PTHKRE was owned as to 67% by our Group through HKR, each of PTIR and PTHKRE was regarded as a subsidiary of our Group and their financial results have been consolidated into our Group's financial results as a wholly-owned subsidiary through the use of the Contractual Arrangements under the applicable accounting principles. Accordingly, our Company's business, financial position and results of operations would be adversely affected if PTIR and/or PTHKRE suffer losses. The revenue generated from the projects undertaken by PTIR for each of the three years ended 31 December 2013, 2014 and 2015 was approximately HK$69.3 million, HK$70.5 million and HK$313.6 million, respectively (derived from a 67% shareholding interest and 33% indirect interest through the use of the Contractual Arrangements of our Group on PTIR). As at the Latest Practicable Date, PTHKRE had not commenced business operations.

WINDING UP OR LIQUIDATION OF PTIR AND PTHKRE

Pursuant to the Loan Agreements, upon occurrence of bankruptcy of PTIR and PTHKRE (as the case may be), HKR shall be entitled to declare the PTIR Loan and the PTHKRE Loan immediately due and payable and enforce the securities granted by the Indonesian Shareholders and assets of the PTIR and PTHKRE, which will be used to settle the loan of the Indonesian Shareholders and for the benefit of HKR.

COMPLIANCE BY THE INDONESIAN SHAREHOLDERS WITH THEIR RESPECTIVE OBLIGATIONS UNDER THE CONTRACTUAL ARRANGEMENTS

Pursuant to the Loan Agreements, the Indonesian Shareholders agreed and undertook (i) to provide the power of attorneys to sell the Indonesian Shareholders Shares; (ii) to do all acts and things required to maintain the validity and enforceability of such powers of attorney; and (iii) to refrain from any act, whether revocation or other act, which might terminate or limit HKR's or HKR's substitute's rights in or in respect of the shares under such powers of attorney. Each of the Indonesian Shareholders has provided the said powers of attorney in favour of HKR as detailed under the paragraphs headed "Contractual Arrangements for PTIR" and "Contractual Arrangements for PTHKRE" in this section.

If the Indonesian Shareholders in their capacity as borrowers have breached the provision(s) of the respective Loan Agreements (as the case may be) or any other documents in the Contractual Arrangements relating to them, HKR shall be entitled to accelerate the repayment of the PTIR Loan and PTHKRE Loan and enforce the securities granted by the Indonesian Shareholders, including without limitation to cause all the shares registered under the name of Johannes Wargo in PTIR and Harris in PTHKRE (as the case may be) to be transferred to HKR or any third party appointed by HKR in compliance with applicable Indonesia law. For details of the risks involved in the Contractual Arrangements, please refer to the paragraphs headed "Risks relating to the Contractual Arrangements" in the section headed "Risk factors" in this document.

DEATH, BANKRUPTCY OR DIVORCE OF THE INDONESIAN SHAREHOLDERS

In the event of death or bankruptcy of the Indonesian Shareholders, it will constitute an event of default under the Loan Agreements, which will give HKR the right to enforce the securities granted by the Indonesian Shareholders, including without limitation to cause the entire shares registered under the name of Johannes Wargo in PTIR and Harris in PTHKRE (as the case may be) to be transferred to HKR or any third party appointed by HKR in compliance with applicable Indonesia law.

In the event of death or divorce of the Indonesian Shareholders (where applicable), no one other than our Group, including the spouses of the Indonesian Shareholders (where applicable), may claim any rights to the Indonesian Shareholders Shares.

Our Indonesia Legal Adviser is of the view that (i) the Contractual Arrangements have given sufficient protection to our Group even in the event of death or bankruptcy of the Indonesian Shareholders; and (ii) in the event of death or bankruptcy of the Indonesian Shareholders, HKR has the full right to appoint another Indonesian citizen(s) or legal entity fully owned by Indonesian citizen(s) as the holders of the shares in PTIR and PTHKRE in compliance with Indonesia law.

TERMINATION

Each of the Loan Agreements has a term of 10 years and will be automatically renewed upon expiration unless otherwise notified by HKR and the loans under the Loan Agreements shall be due and payable only on demand made at any time by HKR at its sole discretion. No prepayment of the loans under the Loan Agreements in whole or in part is permitted at any time during the term of the Loan Agreements.

INSURANCE

Our Company does not maintain any insurance policy to cover the risks relating to the Contractual Arrangements. Please refer to the paragraphs headed "Risk relating to the Contractual Arrangements" in the section headed "Risk factors" in this document.

Pursuant to Article 50 of Law Number 40 of 2007 in Indonesia, the board of directors of a limited liability company in Indonesia is required to register the pledge of shares at the shareholders registry of the company. As advised by our Indonesia Legal Adviser, the Pledge of Shares Agreements had been registered by the board of directors of PTIR and PTHKRE (as the case may be) at the shareholders registry.

As advised by our Indonesia Legal Adviser, save for the registration requirement in respect of the Pledge of Shares Agreements, there are no other registration requirements in Indonesia applicable to the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Our Indonesia Legal Adviser, after taking reasonable actions and steps to reach its legal conclusions, is of the following opinion that the Contractual Arrangements are legally binding and enforceable on the Indonesian Shareholders and HKR and comply in fact and in good faith with all relevant Indonesia law and regulations, including the relevant Indonesia law which restrict that the maximum foreign ownership in a company engaging in the construction of harbour/port is limited to 67%, based on the following reasons:

1. the Contractual Arrangements have met the elements required to establish a contract, as stipulated in the relevant Indonesia law, which include (i) consent, whereby both HKR and each of the Indonesian Shareholders have agreed to enter into the Contractual Arrangements; (ii) capacity, whereby HKR and each of the Indonesian Shareholders are legally capable of entering into the Contractual Arrangements; (iii) subject, whereby the subject of the Contractual Arrangements is loan transaction; and (iv) the Contractual Arrangements are not contrary to public order of Indonesia;

2. the Contractual Arrangements are loan transactions whereby the respective Indonesian Shareholder is still the registered and legal owner of 33% of the shares in PTIR or PTHKRE notwithstanding that 33% of the shares in PTIR or PTHKRE have been pledged by the respective Indonesian Shareholder to HKR as security for the PTIR Loan Agreements or the PTHKRE Loan Agreements (as the case may be);

3. in order for our Group to engage in marine construction services in Indonesia, our Group has to obtain a construction licence pursuant to Indonesia law. The maximum foreign ownership in an Indonesian company engaging in the construction of harbour/port is limited to 67% under relevant Indonesia law and regulations and such limitation has been fulfilled by our Group. In addition to that, our Group has adopted the Contractual Arrangements in relation to the provision of financing by our Group to the Indonesian Shareholders to purchase the 33% shares in PTIR or PTHKRE (as the case may be), and the Contractual Arrangements are narrowly tailored to minimise potential conflicts with the relevant Indonesia law and regulations;

4. there are no laws and regulations in Indonesia specifically disallowing foreign investors from using any agreement or contractual arrangement to gain control of or operate a foreign restricted business, and neither the execution by the Indonesian Shareholders and HKR of the Contractual Arrangements, nor the compliance by the Indonesian Shareholders and HKR with or performance of the terms and provisions thereof would (a) contravene any judgment, decree or order of any court, arbitrator, administrative agency or other governmental institution to which each of the Indonesian Shareholders and HKR or any of its assets are subject; (b) violate any provisions of the articles of association of each of PTIR and PTHKRE; and (c) violate or contravene any provisions of the laws, rules, or regulations in Indonesia by any of the Indonesian Shareholders, HKR, PTIR and PTHKRE, each being a party to the Contractual Arrangements;

5. the Contractual Arrangements have not encountered any interference or encumbrance from any governing bodies of Indonesia and therefore are in compliance with the prevailing laws and regulations of Indonesia as at the Latest Practicable Date;

6. since the Contractual Arrangements are within the domain of private law in Indonesia which focuses on the legal relationship between two parties based on the principle of freedom of contract under Indonesia law, the Indonesia government will not be involved in the use of the Contractual Arrangements. Our Indonesia Legal Adviser attempted to obtain confirmation from the office of Investment Coordinating Board of Indonesia, a competent authority which is in charge of issuance of business licences for construction services and foreign investment in Indonesia, and received verbal confirmation by an officer of the department that the legality of the use of the Contractual Arrangements are under the domain of private law in Indonesia and the Indonesia government will not interfere or be involved in

the contracts or any dispute with regard to the Contractual Arrangements, nor will the Indonesia government determine on the legality of the use of the Contractual Arrangements which are within the domain of private law in Indonesia which in effect allows HKR, as a foreign investor, to indirectly gain control of 100% interest of an Indonesian company engaging in the construction of harbour/port; and

7. the consideration of the shares held by the Indonesian Shareholders in PTIR or PTHKRE (as the case may be) was financed from the loan granted by HKR to the Indonesian Shareholders, all our projects in Indonesia were secured, performed and managed by our Group, including procurement of all the necessary materials, vessels, equipment and labour, and HKR also bears 100% of the financial risks arising from the operation of each of PTIR and PTHKRE. The Contractual Arrangements were adopted to reflect (i) such commercial arrangements between HKR and the Indonesian Shareholders; (ii) the contribution and risks borne by HKR; and (iii) to allow us to consolidate each of PTIR and PTHKRE's financial results into our Group's financial results as a wholly-owned subsidiary. This kind of arrangement is widely practised in Indonesia where the maximum foreign ownership in companies carrying out certain business activities in Indonesia is restricted under law, as long as (a) both the foreign and Indonesian parties mutually consent to such kind of arrangement; and (b) neither the execution nor performance of the terms and provisions of such arrangement were in any way prohibited by the laws, rules, or regulations in Indonesia.

Our Indonesia Legal Adviser confirmed that it had taken all possible actions or steps to enable it to reach the above legal conclusions and opinions. In light of the opinion from our Indonesia Legal Adviser above and as the Contractual Arrangements have not encountered any interference or encumbrance from any governing bodies of Indonesia as at the Latest Practicable Date, our Directors are of the view that the Contractual Arrangements are enforceable under relevant Indonesia law and regulations.

Given that the Contractual Arrangements will constitute continuing connected transactions of our Company, a waiver has been sought from and has been granted by the Stock Exchange, details of which are disclosed in the section headed "Continuing connected transactions" in this document.

COMPLIANCE WITH LAWS AND REGULATIONS IN INDONESIA PRIOR TO THE CONTRACTUAL ARRANGEMENTS

As disclosed in the section headed "Regulatory overview" in this document, the foreign ownership restriction first came into effect in 2007. Pursuant to the issuance of the Presidential Regulation No. 77 of 2007 on 3 July 2007, the maximum foreign ownership in an Indonesian company engaged in construction services was restricted to 55%. Pursuant to the issuance of the Presidential Regulation No. 36 of 2010 on 25 May 2010 (which was amended by the Presidential Regulation No. 39 of 2014 on 23 April 2014 and Presidential Regulation No. 44 of 2016 on 12 May 2016), the maximum foreign ownership in an Indonesian company engaged in construction services was increased to 67% since 25 May 2010.

PTIR

As disclosed in the paragraph headed "PTIR" in the section headed "History and development" in this document, on 12 September 2008, PTIR was incorporated in Indonesia with an authorised share capital of US$400,000 divided into 4,000 shares of US$100 each, of which 1,800 shares (representing 45% of the issued share capital) were issued to Wiliyanto, an Indonesian citizen, 1,600 shares (representing 40% of the issued share capital) were issued to Mr. Cui, and 600 shares (representing 15% of the issued share capital) were issued to Mr. Fan Tao ("**Mr. Fan**"), respectively, all in cash and which have been fully paid and legally completed and settled.

The consideration of the shares held by Wiliyanto and Mr. Fan was financed from the loan provided by Mr. Cui to each of them respectively and the shares were pledged by Wiliyanto and Mr. Fan for the interest of Mr. Cui as securities during the period from 15 August 2008 to 5 October 2015 and from 15 August 2008 to 5 February 2016, respectively, through the following arrangement which involved:

1. Mr. Cui provided a loan to each of Wiliyanto and Mr. Fan to acquire their shares held by them in PTIR;

2. the shares held by Wiliyanto and Mr. Fan respectively were pledged back to Mr. Cui during the relevant times;

3. each of Wiliyanto and Mr. Fan had assigned all rights to dividends in PTIR to Mr. Cui; and

4. Wiliyanto and Mr. Fan had granted respective powers of attorney to Mr. Cui to deal with their respective shares and also to exercise voting rights as a shareholder of PTIR.

The above arrangement was terminated on 5 October 2015 and 5 February 2016 for the shares held by Wiliyanto and Mr. Fan, respectively. On 5 October 2015, Wiliyanto transferred his 1,320 shares and 480 shares to Johannes Wargo and Mr. Cui, respectively. On 5 February 2016, Mr. Cui and Mr. Fan transferred each of his 2,080 and 600 shares to HKR.

As advised by our Indonesia Legal Adviser, the above arrangements are similar to the Contractual Arrangement, and comply in fact and in good faith with all relevant Indonesia law and regulations at the relevant time.

PTHKRE

PTHKRE was incorporated in Indonesia on 15 December 2015, at which time the Contractual Arrangements in relation to PTHKRE were already in place.

Please refer to the paragraphs headed "PTIR" and "PTHKRE" in the section headed "History and development" in this document for further details in relation to the history and development of each of PTIR and PTHKRE.

UNWINDING THE CONTRACTUAL ARRANGEMENTS

In the event that Indonesia law allows foreign shareholders to directly hold more than 67% of the interest in each of PTIR and PTHKRE, HKR shall exercise its power under the PoA for Selling Shares and sell the Indonesian Shareholders Shares to HKR or our Group companies to the extent permissible under Indonesia law and regulations.

In the event that Indonesia law allow foreign ownership to directly hold 100% of the interest in each of PTIR and PTHKRE, we will unwind the Contractual Arrangements as soon as possible, including but not limited to HKR exercising its power under the PoA for Selling Shares to sell the Indonesian Shareholders Shares to HKR or our Group companies, such that PTIR and PTHKRE will become wholly-owned subsidiaries of our Group.

No consideration would be payable by HKR or any member of our Group to the Indonesian Shareholders in the unwinding of the Contractual Arrangements mentioned above.

OVERVIEW

Our Business

We are an established contractor based in Hong Kong providing marine construction services to both the private and public sectors, with projects in Hong Kong, Macao and Southeast Asia. Our marine construction services include dredging and non-dredging ground treatment works, reclamation works, pier construction works, offshore facilities foundation works and marine transportation. To a lesser extent, we are also engaged in leasing and trading of vessels.

Our licences and permits

We are on the Contractor List (Group B) (on probation) for port works with the Development Bureau and hence we are eligible to submit tenders and undertake contract works commissioned by the Government for contracts with a value of up to HK$185 million. We are also on the List of Registered Subcontractors registered with the Construction Industry Council which is a prerequisite for subcontractors to participate in public projects commissioned by certain Government authorities and statutory bodies in Hong Kong. We have been registered with the Land, Public Works and Transport Bureau of Macao under the Macao General Construction Works Regulation to carry out construction works in Macao. Our Indonesian subsidiary, PTIR, has obtained the Construction Service Certificate issued by the Construction Services Development Board of Indonesia and the Business Licence on Construction Service issued by the Investment Coordinating Board of Indonesia. Both are valid as at the Latest Practicable Date and are requisites for an entity incorporated in Indonesia to be engaged in construction services in Indonesia.

Our vessels and equipment

We have our own fleet of vessels that are specifically designed to carry out marine construction works. As at the Latest Practicable Date, we owned a total of 29 vessels which includes piling barges, split hopper barges, flat top barges, grab dredgers, derrick lighters, tug boats, anchor boats and floating jetty barges, and a total of 67 construction works equipment which includes cranes, excavators, earth-moving machines, fork-lift trucks, pile hammers, air compressors and power generators. Some of the equipment can be used in both marine-based projects and land-based projects such as cranes which can be used in our onshore site improvement works as well as offshore dredging and reclamation works.

Our revenue from each of our business segments

Below is a breakdown of our Group's revenue generated during the Track Record Period from (i) marine construction works; (ii) leasing of vessels; and (iii) trading of vessels.

	Year ended 31 December					
	2013		2014		2015	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Marine construction works	368,188	92.9	257,806	94.5	553,130	96.5
Leasing of vessels	877	0.2	10,222	3.8	2,048	0.4
Trading of vessels	27,103	6.9	4,732	1.7	17,750	3.1
Total	396,168	100.0	272,760	100.0	572,928	100.0

Contracts completed during the Track Record Period and contract sums on hand

During the Track Record Period, our Group completed a total of seven contracts, comprising four contracts located in Hong Kong, one contract located in Vietnam and two contracts located in Indonesia. As at the Latest Practicable Date, we have a total of 11 contracts on hand located in Hong Kong, Macao and Indonesia with an aggregate contract sum of approximately HK$1,864.9 million.

Our significant marine construction projects

Our Group has participated in numerous major marine construction projects in Hong Kong since our commencement of operations in 2001 and has developed our business operations in Southeast Asia since 2008 and in Macao since 2014.

Our significant Hong Kong and Macao marine construction projects include, among others:

- Lamma Power Station Extension - Site Formation – engagement in, among others, dredging, reclamation, seawall, sandfilling, precast reinforced concrete units works;
- Central Pier No. 2 Construction Project – engagement in marine piling works for Central Pier No. 2;
- Central Reclamation Phase III – Pier Nos. 8, 9 and 10 – engagement in marine piling works;
- Shenzhen to Tai Po Twin Submarine Gas Pipeline Project – engagement in marine rock filling works;
- Stonecutters Bridge Project – engagement in construction of temporary jetties and marine transportation of steel deck segments;

- Permanent Aviation Fuel Facilities at Area 38, Tuen Mun (Jetties) Project – engagement in marine piling works for construction of jetties;

- Wan Chai Development Phase II – Central – Wan Chai Bypass at Wan Chai East – engagement in marine piling works;

- Central – Wan Chai Bypass Tunnel (North Point Section) and Island Eastern Corridor Link Project – engagement in demolition of dolphin structure, structural excavation and marine disposal;

- Shatin to Central Link – Kai Tak Barging Point Facilities – engagement in setting up of barging facilities, public fill material transportation and disposal;

- Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road Section between Scenic Hill and Hong Kong Boundary Crossing Facilities, Hong Kong, PRC – engagement in marine construction works including reclamation works, construction of seawall and other related works;

- Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road Section between HKSAR Boundary and Scenic Hill, Hong Kong – engagement in marine piling works and installation of casing;

- Wan Chai Development Phase II – Central – Wan Chai Bypass at Wan Chai West – engagement in construction of seawall and reclamation work;

- Shatin to Central Link Advance Works for NSL Cross Harbour Tunnels, Hong Kong, PRC – engagement in underwater rock filling works at the immersed tube tunnel unit casting yard in Shek O and channel leveling works and trial trenching for immersed tube tunnel at Victoria Harbour for Shatin to Central Link Advance Works for NSL Cross Harbour Tunnels, Hong Kong, PRC;

- Tuen Mun – Chek Lap Kok Link Southern Connection Viaduct Section, Hong Kong (Hong Kong-Zhuhai-Macao Bridge) – engagement in temporary marine platform for pier construction; and

- Macao New Town Reclamation Area E1 Reclamation and Seawall Construction project – reclamation works, construction of seawalls and ground improvement works.

Our significant overseas marine construction projects, include, among others:

- Indonesia Palabuhan Ratu Power Plant Project (3×350MW Power Station at Palabuhan Ratu District in Sukabumi Sub-Province in West Java, Indonesia) – engagement in construction of breakwater;

- Four contracts providing ground improvement works and ground improvement testing works for the site formation project at the Son Duong Port and an integrated steel mill in Ha Tinh, Vietnam;

- Indonesia Sukabumi Pelletising Plant Project at Tegal Buleud, Indonesia – engagement in construction of jetty and approach bridge;

- Coal Fired Power Station at Bali, Indonesia – jetty construction – engagement in providing construction works of coal wharf with marine pile foundation and installation of port equipment;

- Cement production line facilities at Manokwari, Indonesia – port construction – engagement in construction of reinforced concrete wharf with marine pile foundation and revetment works;

- Indonesia Bintan Island Port Construction project – engagement in marine pile foundation and revetment works; and

- Merak Cement Grinding Project Supporting Wharf Engineering – engagement in construction of temporary living and production facilities, marine pile foundation work and erection of construction work platform.

For the majority of our projects in Hong Kong since the commencement of our operations, we mainly acted as a subcontractor whereby such works were subcontracted to us by the main contractor of the projects and we dealt directly with the main contractor. In 2012, we formed CHKRJV, an unincorporated joint venture with Concentric to tender for and were successfully awarded two contracts for the Shatin to Central Link Projects which involved advance works for the NSL Cross Harbour Tunnels and the setting up of the Kai Tak Barging Point Facilities respectively. CHKRJV acted as the main contractor for the Shatin to Central Link Projects.

In 2014, our Group entered the Macao market by forming MCRJV, an unincorporated joint venture with the MCRJV Partner, which was awarded the Macao Project, which is still in progress as at the Latest Practicable Date. For details of the two joint ventures, please refer to the paragraphs headed "Joint ventures" in this section.

In Indonesia, we acted as a subcontractor for a majority of the projects we had undertaken which were subcontracted to us by the main contractors, whilst we acted as the main contractor in a small number of projects.

Going forward, we aim to expand our scale and become qualified to tender for marine constructions works as the main contractor in both Hong Kong and Macao, whilst continuing to strengthen our market positions in Southeast Asia by tendering for more overseas projects.

For details of our customers, please refer to the paragraphs headed "Customers" in this section and for details of our future expansion plans and for more information about our intended use of the net proceeds from the [**REDACTED**] for implementing our future plans, please refer to the section headed "Future plans and use of proceeds" in this document.

OUR COMPETITIVE STRENGTHS

Our Directors believe the following competitive strengths enable our Group to compete effectively in the marine construction services industry in Hong Kong, Macao and Southeast Asia.

We own a broad range of vessels and equipment to optimise our provision of marine construction works and leasing and trading of vessels

We operate in a specialised area in the construction industry that relies on vessels specifically designed for executing marine construction works. As at the Latest Practicable Date, we are one of 12 contractors on the Contractor List (Group B) for port works with the Development Bureau that are either on probation or with confirmed status. We have our own fleet of vessels specifically designed for executing marine construction works in Hong Kong. As at the Latest Practicable Date, we owned a total of 29 vessels which includes piling barges, split hopper barges, flat top barges, grab dredgers, derrick lighters, tug boats, anchor boats and floating jetty barges and a total of 67 construction works equipment which includes cranes, excavators, earth-moving machines, fork-lift trucks, pile hammers, air compressors and power generators. Some of our equipment can be used in both marine-based projects and land-based projects such as cranes, which can be used in our onshore site improvement works as well as offshore dredging and reclamation works. We believe that those contractors on the Contractor List that do not have their own fleet of vessels in Hong Kong to perform their marine construction works, have to either (a) move their overseas vessels into Hong Kong and register them with the Hong Kong authorities before commencing works, which takes time; or (b) lease vessels in Hong Kong, which may result in higher project costs and uncertainty if such vessels are unavailable; or (c) subcontract the marine construction works to other licenced entities who have the necessary vessels and equipment to carry out the marine construction works, which may result in higher project costs. By having our own fleet of vessels specifically designed for executing marine construction works in Hong Kong, we are in a better position to control our project costs and capture business opportunities stemming from those contractors on the Contractor List that do not have their own fleet in Hong Kong. Since our business operation commenced in 2001, we have invested substantially in acquiring our fleet of such vessels and equipment. As at 31 December 2015, the net book value of our fleet of vessels and equipment amounted to approximately HK$96.7 million.

In addition, for those major infrastructure projects in Hong Kong that involve marine construction works, such as the viaduct connecting Hong Kong, Zhuhai and Macao, the marine construction works normally occur near the early stages of those infrastructure projects. The marine construction works have to be completed at an early stage before the majority of other major constructions works commence, such as construction of temporary marine platforms for construction of bored piles for viaducts. Any delays in marine construction works would carry over to the subsequent stages and affect the timeline of the entire infrastructure project. By having our own fleet of vessels in Hong Kong, we have time advantage over those contractors that do not have their own fleet, as we are able to prepare the vessels and equipment necessary to commence marine construction works more rapidly after being awarded a contract. At the same time, we minimise the risk of delay due to unavailability of vessels and higher costs of leasing from third parties and subcontracting due to market conditions. We believe our ability to control project costs and our requirement of shorter preparation time to commence marine construction works are among the main factors that improve our chances of winning tenders for marine construction works and enhancing customer recognition.

While priority is always given to our marine construction projects, which usually generate higher profit margins than our leasing services, from time to time when suitable opportunities arise, we also lease our idle vessels or equipment to third parties in Hong Kong and/or overseas to reduce the cost of idling and optimise the use of our vessels and equipment.

We have an experienced management team with in-depth technical background and comprehensive knowledge and experience in the industry

We are led by a management team with over 25 years of experience in the marine construction industry. Mr. Cui and Mr. Yu, each an executive Director, are both responsible for leading and supervising our tender department and project management team. Mr. Cui graduated with a bachelor's degree in naval port engineering specialising in port construction from Hohai University (河海大學) (formerly known as the East China Technical University of Water Resources (華東水利學院)) in the PRC in 1984 and a master's degree in construction economics and management from Tongji University (同濟大學) in 1998. Mr. Yu graduated with a bachelor's degree in harbour and waterway engineering from Chongqing Jiaotong University (重慶交通大學) (formerly known as Chongqing Jiaotong Institute* (重慶交通學院)) in 1983 and a master's degree in harbour and waterway engineering from Hohai University (河海大學) in 1986. Prior to founding our Group, each of Mr. Cui and Mr. Yu had over ten years of experience working in a large state-owned marine engineering and construction group in the PRC that undertook construction projects including marine construction works, where they gained extensive technical knowhow and project management experience from participating in and managing marine construction projects in the PRC, Hong Kong and overseas.

Our marine construction works require expertise in planning, management, procurement and execution of projects. This involves knowledge in the functioning of vessels, assessment and analysis of site conditions, weather conditions, types, quantities and sourcing of raw materials and labour, location of shipyards, repair shops and prices and decision-making on the type of vessels, equipment, engineers and crewmen to be deployed. If unsuitable vessels and equipment are selected for a task, substantial delay to our marine construction projects may occur as the equipment may have to be adjusted in order to carry out the works, albeit in a less efficient manner, or require new equipment and vessels to be moved to the site. This may also result in higher project costs due to the deployment of additional vessels and equipment and the opportunity costs for the idle equipment and vessels that could have been deployed on more suitable projects. Leveraging on the specialised technical background and expertise and extensive industry experience and knowhow of our management team, we believe we are capable of deploying suitable and effective types of vessels, equipment, engineers and crewmen to execute different types of marine construction works in different working environments effectively and efficiently to meet timelines and our customers' demands.

Our track record and extensive experience have allowed us to build a solid customer base and enabled us to build strong relationships with our customers

Our track record and extensive experience in marine construction have enabled us to build a strong reputation in the marine construction industry in Hong Kong and in the Southeast Asian market. We have also built up a solid base of customers with whom we have maintained

strong cooperative relationships. Our key customers include publicly listed construction companies based in Hong Kong and state-owned enterprises in the PRC that are responsible for the construction, development and maintenance of ports, sea-crossing viaducts, waterways, cross-harbour tunnels and power plants. Some of these customers have also given us recurring work and provided us with opportunities to tender for large-scale infrastructure projects in Hong Kong and Southeast Asia. The following table illustrates the projects which had been awarded by some of our customers on a recurring basis:

Customers	**Projects**
A customer which is a subsidiary of a construction company principally engaged in building construction and civil engineering operations whose shares are listed on the Main Board of the Stock Exchange	• Wan Chai Development Phase II Central and Wan Chai Bypass at Wan Chai West – seawall and reclamation work; • Hong Kong-Zhuhai-Macao-Bridge Hong Kong Link Road Section between Scenic Hill and Hong Kong Boundary Crossing Facilities, Hong Kong, PRC – marine construction works including reclamation works, construction of seawall and other related works;
A customer which is a subsidiary of the largest state-owned enterprise specialising in transportation infrastructure design and construction whose H shares are listed on the Main Board of the Stock Exchange and whose A shares are listed on the Shanghai Stock Exchange	• Four contracts for providing ground improvement works and ground improvement testing works for the site formation project at the Son Duong Port and an integrated steel mill in Ha Tinh, Vietnam;
A customer which is one of the leading international construction companies headquartered in Hong Kong specialising in large-scale infrastructure projects in Hong Kong and other Asian countries	• Central Reclamation Phase III – Pier Nos. 8, 9 and 10 – engagement in marine piling works; • Shenzhen to Tai Po Twin Submarine Gas Pipeline Project – marine rockfilling works; • Permanent Aviation Fuel Facilities at Area 38, Tuen Mun (Jetties) Project – marine piling works for the construction of jetties; • Black Point Power Station gas supply project in Tuen Mun, Hong Kong – marine construction works;
A customer which is also one of the leading international construction companies headquartered in Hong Kong	• Construction of sewage conveyance system from North Point to Stonecutters Island – construction of noise enclosure footings and other associated works; • Tuen Mun – Chek Lap Kok Link Southern Connection Viaduct Section, Hong Kong, PRC – engagement in temporary marine platform for pier construction.

These close business relationships with our customers, some of whom are PRC state-owned enterprises, also allowed us to learn of business opportunities in Southeast Asia, such as in Vietnam and Indonesia, where such PRC state-owned enterprises have participated significantly in various infrastructure projects. These customers offered opportunities to our Group to participate in their infrastructure projects in those countries. Through such sources, we were able to secure subcontracting works in those parts of Southeast Asia from our customers who were awarded contracts for such infrastructure projects during the Track Record Period.

We are well-positioned to capture opportunities in overseas markets

In November 2014, President Xi Jinping announced the OBOR for China, which refers to the establishment of economic land belt that includes countries on the original Silk Road through Central Asia, West Asia, the Middle East and Europe, as well as a maritime road that links China's port facilities with the African coast. The policy aims to promote economic cooperation among the countries within such regions by linking transportation infrastructures, sharing of port resources and facilitating increased economic cooperation and trade. According to the Euromonitor Report, the OBOR also has the potential to become an economic driving force for Hong Kong over the next few decades. Hong Kong can serve as a hub for trade, logistics and finance between the PRC and Southeast Asia under the OBOR framework. This will in turn require further marine construction works in Hong Kong in the future. In respect of overseas opportunities for our Group, we believe that major state-owned construction enterprises in the PRC are likely to continue to invest more resources and undertake more infrastructure projects in less economically developed countries in Southeast Asia such as Indonesia, Vietnam and Cambodia. Such less economically developed countries, with their limited economic resources and experience in infrastructure projects, are likely to welcome increased investments in their infrastructure to improve access, trade and standards of living. Our key customers are the key participants and beneficiaries of this policy and business from these key customers for marine and other construction works are expected to increase as a result of implementation of the OBOR. We have already completed four projects in Vietnam and three marine construction projects in Indonesia. As at the Latest Practicable Date, we have three projects on hand in Indonesia.

Leveraging on our full range of equipment and vessels, expertise and accumulated experience working on infrastructure projects in those countries in Southeast Asia, we believe we are able to benefit from increased infrastructure projects carried out by PRC state-owned enterprises in Southeast Asia. We also believe we have an advantage over our PRC competitors that provide marine construction services because of our experience gained in solving technical problems encountered in Hong Kong projects, where we were required to provide solutions that comply with international standards and requirements. On the other hand, our PRC competitors who are accustomed to resolving such technical problems by applying PRC standards and requirements may not be able to meet the requirements of the owners of such projects and the relevant government authorities. As such, we believe we are well-positioned to participate in and benefit from infrastructure projects involving marine construction works and onshore site improvement works along the sea route of the OBOR in the future.

We are able to conduct our operations in a cost-effective manner

We are able to manage our vessels at low costs and maintain our business at an optimal operating condition

We have approximately 15 years of experience in managing our own fleet of vessels. Our engineers and crew members have gained substantial experience in operating the vessels and equipment onboard. With such experience, they are able to conduct regular checks and carry out minor repairs and maintenance of the vessels. We believe that by doing so, we may prolong the useful life of our vessels and equipment and reduce the idle time of our vessels and equipment and the tune up time of our equipment to reach their optimal operating conditions when commencing a new project.

With the ability of our crewmen to carry out minor repairs to our vessels and equipment, the risks of delays in projects and incurrence of unexpected higher project costs are reduced, especially where such works are carried out in areas far from any shipyards or repair shops, or where shipyards and repair shops in the vicinity charge higher prices for repairs or have long queues. If there is a minor breakdown in our vessels or equipment during a project and our engineers are able to make urgent minor repairs, we would avoid the downtime transporting such vessels or equipment for repairs, waiting for such repairs to be completed and the higher repair costs.

When more substantial repairs need to be carried out on our equipment, the repairs will be carried out by shipyards in nearby coastal cities in Guangdong Province, such as Zhuhai, where repairs are generally done more efficiently and costs are lower compared to Hong Kong due to a greater supply of low cost labour for ship repairing works in the PRC.

We are able to save costs in procuring supplies of raw materials

Marine sand is a key landfilling material used in reclamation projects and the costs of raw materials usually constitute a substantial portion of the total costs in a reclamation project. We have our own barges readily available to transport marine sand directly from suppliers in Mainland China to our project sites for depositing into the designated reclamation locations. By doing so, we believe we can save time and optimise efficiency of our project works as we can make purchases and transport the marine sand to project sites directly to carry out reclamation works immediately, without having to wait for availability of vessels to transport the material and delivery of the materials to project sites in Hong Kong.

In addition, we are able to reallocate and recycle some of the materials collected from our excavation works, such as excavated soil and construction debris from some of our projects where we are responsible for excavation, transportation and dumping of materials. Some of the materials can be recycled and used in some of our reclamation projects as landfilling materials. Such reallocation and recycling of materials satisfy part of our needs for landfilling materials in land reclamation projects and help to reduce our raw materials costs.

Other types of raw materials that we use in our projects are steel and concrete, which are used mainly in the construction of seawalls and piers. Unless our customers have specific requirements, we usually source steel and concrete from the PRC and procure further processed materials from the PRC, where the price of steel and concrete and processing costs are cheaper than in Hong Kong and the countries where our other project sites are located, such as Indonesia.

Our ability to reduce raw materials and processing costs by implementing the above cost-saving measures gives us a competitive edge as we can submit more competitive tenders for our marine construction projects to increase our chances of being awarded the contract.

OUR STRATEGIES

To continue to grow our business, we intend to utilise the following business strategies:

Expand our capacity to capture attractive growth opportunities

Our Directors believe that our ability to secure contracts depends on the size of our fleet of vessels and equipment, available working capital and experienced personnel. We plan to expand our capacity by increasing our fleet of vessels and equipment specifically designed to take up marine construction works and other related construction works. With additional vessels and equipment, we can submit more tenders and take up more and larger scale projects to seize the opportunities from the increase in demand for these services. We will continue to perform the major parts of our marine construction works in Hong Kong by ourselves using our own vessels and equipment. In countries that restrict deployment of foreign-owned vessels such as Indonesia, we plan to establish local entities and acquire and set up our own fleet of vessels to be stationed overseas when we take up more overseas marine construction projects. By reducing the need to subcontract and lease vessels from third parties to execute our works, we believe we are able to better control project costs and generate a higher profit margin. Over the next three years, we plan to purchase additional vessels and equipment such as split hopper barge, flat top barge, tug boat, crane, excavator and other vessels and equipment to expand our capacity and maximise efficiency. As disclosed in the section headed "Industry overview" in this document, future marine construction works in Hong Kong and Macao include (i) land reclamation near the Hong Kong International Airport of a 150-hectare area for the construction of an artificial island for the purpose of the 130-hectare Hong Kong Boundary Crossing Facilities; (ii) approximately 20-hectare site for the southern landfall of the Tuen Mun-Chek Lap Kok Link; (iii) the proposed expansion of the Hong Kong International Airport into a Three-runway System (3RS) requiring a further 650-hectare land reclamation to build the third runway, passenger concourse, and other related facilities which is expected to commence in 2016; (iv) Kwai Tsing Container Port has laid out a 10-year project development program (2013-2023) which includes construction of new barge berths and upgrading of existing berths; and (v) possible continuation of land reclamation plans in Macao. As at the Latest Practicable Date, except the third runway of the Hong Kong International Airport project, tenders for the abovementioned potential marine construction projects have not yet commenced. However, our Directors confirm that they will monitor the status of each potential project on a continuous

basis and will be expecting to submit proposals for the abovementioned projects when they are available for tender. Although (i) our Group recorded a decrease in revenue attributable to our Hong Kong operations from approximately HK$243.9 million for the year ended 31 December 2013 to approximately HK$100.3 million for the year ended 31 December 2015; and (ii) the Macao Project is expected to be completed in January 2017, our Directors believe that there are certain sizeable projects in Hong Kong and Macao which will require marine construction works in the near future. Therefore, our Directors consider that it is appropriate to apply 90% of the net proceeds from the [**REDACTED**] for the acquisition of vessels and equipment in order to strengthen our position to capture future potential business opportunities in Hong Kong and Macao. For further details of our plans specific to Hong Kong and Macao, please refer to the paragraphs headed "Continue to strengthen our market position in Hong Kong by taking up more projects to increase profit and market share" and "Further develop our business in Macao and aim to take up more projects as a main contractor to increase market share and to generate higher profit" in this section.

By [**REDACTED**] our Shares on the Stock Exchange, we start to gain access to capital markets and increase our fund raising capability. As construction contracts normally require the contractor or subcontractor to pay a performance bond that is only refunded upon completion of the project, our Directors believe that the net proceeds from the [**REDACTED**] and our enhanced fund raising capability would increase our ability to take up more and/or larger projects, as we have the capacity to pay more and higher value performance bonds to secure such projects.

Expand our management team and upgrade our overall techniques and capabilities

All of our Group's projects require the involvement of our senior management team and engineers at various stages, such as assessment of potential projects, preparation and submission of tenders, project planning and administration, project implementation and quality control. We believe that our capacity to take up more projects in Hong Kong, Macao and overseas is determined by the capability and capacity of our Group's senior management and team of engineers. We plan to expand our capacity by recruiting additional experienced engineers and project managers to undertake more projects.

Capture increased business opportunities from the OBOR and boost our international profile and reputation in the industry

According to the Euromonitor Report, (i) there is enormous potential for synergy between the OBOR and Indonesia's marine construction industry which is expected to grow rapidly in the near future; (ii) the OBOR also has the potential to become an economic driving force for Hong Kong over the next few decades, increasing marine construction works in Hong Kong in the future; and (iii) the OBOR will also benefit the marine construction industry in Macao as it will promote more logistics activities at ports in Macao, which in turn will require constant maintenance and continuous expansion of sea ports and container terminals in Macao.

During the Track Record Period, we generated approximately 38.4%, 39.9% and 56.2%, respectively of our total revenue from Vietnam and Indonesia in aggregate. We will continue to pursue new business opportunities in overseas markets, particularly in response to the

anticipated increase in business opportunities in Southeast Asia driven by the OBOR. Leveraging on our overseas project experience in various countries in Southeast Asia within the ambit of the OBOR, and our technical experience in solving problems encountered in marine construction works that comply with international standards and requirements, we believe we have a first-mover advantage over our competitors in Hong Kong and the PRC respectively. By continuing to work closely with our customers in the PRC, who are major state-owned enterprises in the construction and infrastructure industries, we leverage on their business network and contacts and learn of new business opportunities for marine construction projects in Southeast Asia. With such strategy, we believe we are well-positioned to capture the increased business opportunities in Southeast Asia driven by the OBOR. We further believe that our continued pursuit of business opportunities in overseas markets can diversify our sources of revenue and reduce our exposure to market downturns in marine construction works in Hong Kong or Macao. At the same time, we can accumulate more experience and project track record to boost our international reputation in the industry and among customers. We will also continue to pursue more business opportunities in Hong Kong and Macao with the anticipated increase in business opportunities driven by the OBOR. Our development strategies in Hong Kong and Macao are set out in more detail in the following paragraphs.

Continue to strengthen our market position in Hong Kong by taking up more projects to increase profit and market share

According to the Euromonitor Report, the growth of the Hong Kong marine construction industry in the past few years has been driven mainly by infrastructure development including the Ten Major Infrastructure Projects announced in the 2007-08 Policy Address, of which only three projects had not yet commenced (two of which had the Environmental Impact Assessment Report completed in 2013), and other public utilities projects such as the Shatin to Central Link project and the Express Rail Link project commissioned by MTR Corporation Limited.

According to the Euromonitor Report, due to limited land supply, Hong Kong is reliant on land reclamation to boost its usable land area. Land reclamation is and will continue to be the backbone of the marine construction industry in Hong Kong, and is expected to drive the growth of the marine construction industry in the coming few years, as the Government has targeted reclamation areas such as sites off Lung Kwu Tan at Tuen Mun, Siu Ho Wan on Lantau Island, Ma Liu Shui in Sha Tin, the southwestern side of Tsing Yi and Sunny Bay, as well as the Tung Chung New Town Extension.

In addition, the proposed expansion of the Hong Kong International Airport with the construction of the third runway is expected to require a further 650 hectares of land reclamation, which is scheduled to commence in 2016. In July 2015, we entered into a non-legally binding memorandum of understanding with CITIC Construction Co., Ltd, which owns the entire issued share capital of our [**REDACTED**] Investor and is a construction company wholly-owned by CITIC Limited, a company listed on the Main Board of Stock Exchange (Stock code: 267), to form a joint venture to tender for the marine construction works for the third runway of the Hong Kong International Airport project. Tendering for the project has commenced in April 2016 and is expected to close in August 2016. If the tender is successful, both parties will enter into a formal joint venture agreement to set out the details of the coordination and cooperation in performing the contract works, such as project planning and management, execution of works, cost control and quality control.

As at the Latest Practicable Date, Hong Kong River is on the Contractor List (Group B) (on provision) for port works with the Development Bureau, and we are eligible to submit tenders and undertake port works for the Government for contracts with a value up to HK$185 million. Being on the Contractor List is a pre-requisite for tendering and taking up projects owned by the Government and the contract sum of a contract that we can take up and our ability to tender for the main contract works owned by the Government are limited by such ceiling of HK$185 million by holding the Group B licence. On the other hand, for infrastructure projects which are not owned by the Government, such as the Shatin to Central Link Projects of the MTR Corporation Limited, we believe that a contractor's capacity, financial capability, past job reference and experience in the type of works opened for tendering are more important criteria for being selected as a contractor than being on the Contractor List. As we expect demand for marine construction works in Hong Kong to increase, we aim to obtain higher qualifications and licences so that we are able to take up larger port works projects in Hong Kong from the Government. We are also aiming to increase our capacity, financial capability and strengthen our past job reference profile by taking up more projects so that we will be able to take up larger scale non-government owned projects and tender for the main contract works. Furthermore, it will enable us to directly deal with project owners to gain greater control and flexibility and potentially increase our profit margin. We aim to achieve this through the expansion of our capacity as referred above and continue to accumulate experience in marine construction works in Hong Kong. With these qualifications and licences, we believe we would be able to better serve our customers and further differentiate ourselves from our competitors in Hong Kong.

Further develop our business in Macao and aim to take up more projects as the main contractor to increase market share and to generate higher profit

Unlike Hong Kong, there is no restriction on the limit of contract sum that a contractor may tender for and undertake for a construction project owned by the Macao Government. By accumulating more experience and track record and developing our reputation in the Macao market, we aim to take up additional marine construction projects in Macao. We believe that by doing so, and with our enhanced fund raising capability by obtaining the [**REDACTED**] status on the Stock Exchange, we will be able to take up additional projects in Macao as the sole main contractor. Therefore, we will have greater control and flexibility in executing the contract works, managing subcontracting costs and the overall costs of the whole project, all of which will potentially increase the profit margin for such projects and our overall profitability.

According to the Euromonitor Report, due to its limited land supply, land reclamation is very important for Macao in order to meet the upsurge of population and economic activities. Macao is currently in the process of reclaiming a combined 350 hectares of land. In March 2015, we commenced land reclamation works at the Macao New Reclamation Area E1, which is one of the sub-zones among a total of six zones in the project. In December 2015, Macao was granted jurisdiction on its coastal waters by the PRC Government which is expected to further benefit land reclamation projects in Macao in terms of project planning and approval process. We believe that with our track record in Hong Kong and in Macao, we are well-positioned to capture more opportunities in Macao's current and future land reclamation projects.

In the Macao construction industry, the amount of performance bond paid is usually directly correlated to the total contract sum for a construction project. By [**REDACTED**] our Shares on the Stock Exchange, we gain access to capital markets and enhance our fund raising capability. Our Directors believe that the net proceeds from the [**REDACTED**] and our enhanced fund raising capability would increase our ability to take up more and/or larger projects in Macao, as we have the capacity to pay more and higher value performance bonds to secure such projects.

Maintain our cost structure and operational efficiency

We plan to reduce costs and increase efficiency by:

- *Continuing to keep a low level of vessels and equipment leased from third parties and keep a low level of subcontracting in Hong Kong and Macao.* As we intend to continue to make significant investments to expand our own capacity by acquiring more vessels and equipment, we will try to keep a low level of vessels leasing from third parties in Hong Kong and Macao and reduce reliance on subcontractors to perform our works, so that we are in a better position to control our project costs. We believe that this strategy can enable us to achieve higher gross profit margins and better control over work quality.

- *Continuing to reduce exposure to raw material price volatility.* Landfilling materials such as sand and rock, diesel, steel and concrete are major raw materials used in our projects. For landfilling materials, we will continue to maintain good relationship with our supplier with whom we have built up a long-term relationship of more than 14 years to source materials at competitive prices. Steel and concrete are major raw materials we use in port construction, marine piling works and construction of offshore platforms. Unless our customers have specific requirements, we usually source them from the PRC and procure some further processed materials from the PRC, which are cheaper than in Hong Kong and other places where our projects are located, such as Indonesia. We sometimes procure steel and concrete from our customers at fixed prices and we are usually charged for the materials by our customers through contra charge against our interim payments such that our cash flow burden can be alleviated.

- *Dispose of idling vessels to reduce costs and acquire vessels at suitable prices where demand from projects arises.* When certain of our vessels become idle and if demand from the market arises with offers to purchase them at favourable prices, our Directors may consider selling the vessels to reduce opportunity cost. The proceeds from sales of such vessels could be used in our other projects, including to acquire other types or more advanced types of vessels required to perform other types of project works.

BUSINESS OVERVIEW

During the Track Record Period, our revenue was mainly generated from the provision of marine construction services, such as dredging and non-dredging ground treatment works, reclamation works, pier construction works, offshore facilities foundation works and marine

transportation while the remaining portion of our revenue was generated from the leasing and trading of vessels. The following table sets out a breakdown of our Group's revenue during the Track Record Period by (i) marine construction works; (ii) leasing of vessels; and (iii) trading of vessels:

	Year ended 31 December					
	2013		2014		2015	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Marine construction works	368,188	92.9	257,806	94.5	553,130	96.5
Leasing of vessels	877	0.2	10,222	3.8	2,048	0.4
Trading of vessels	27,103	6.9	4,732	1.7	17,750	3.1
Total	396,168	100.0	272,760	100.0	572,928	100.0

The following table sets out a breakdown of our Group's revenue during the Track Record Period by geographic location:

	Year ended 31 December					
	2013		2014		2015	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Hong Kong	243,876	61.6	163,918	60.1	100,280	17.5
Macao	–	0.0	–	0.0	150,921	26.3
Indonesia	110,928	28.0	90,695	33.3	321,727	56.2
Vietnam	41,364	10.4	18,147	6.6	–	0.0
Total	396,168	100.0	272,760	100.0	572,928	100.0

During the Track Record Period, our Group's customers were primarily main contractors of various types of construction projects involving marine construction works in Hong Kong, Macao, Vietnam and Indonesia. During the Track Record Period, except for the Shatin to Central Link Projects which were commissioned by MTR Corporation Limited, the ultimate owner of all our projects in Hong Kong and Macao was the Government (for Hong Kong) and the government of Macao (for Macao). For overseas projects, the project owners were mainly PRC state-owned enterprises and a local developer.

During the Track Record Period, our Group completed a total of seven marine construction works contracts in Hong Kong, Indonesia and Vietnam with an aggregate original contract sum (without taking variation orders into account) of approximately HK$370.1 million. As at the Latest Practicable Date, we have a total of 11 marine construction works contracts on hand and in progress, with an aggregate contract sum of approximately HK$1,864.9 million.

Contracts completed during the Track Record Period

The table below sets out information regarding the contracts completed by our Group since the commencement of the Track Record Period and up to the Latest Practicable Date.

Contract name	**Construction period** *(Note 2)*	**Location**	**Major types of works**	**Our role**	**Nature of the project** *(Note 3)*	**Contract sum** *(Note 4)* *(approximate, in millions)*	**Revenue recognised during the Track Record Period** *(Note 5)* *(approximate, in millions)*
Wan Chai Development Phase II – Central – Wanchai Bypass at Wanchai West – Abandonment works of disused pipes – Existing submarine sewage outfall and cross harbour watermains (**Contract A**)	October 2013 – April 2014	Hong Kong	Abandonment works of disused pipes	Subcontractor	Public sector	HK$6.8	HK$7.5
Black Point Gas Supply Project Construction Works in Tuen Mun (**Contract B**)	April 2012 – September 2013	Hong Kong	Precast concrete trough, dredging, excavation, seawalls and silt curtain system	Subcontractor	Public sector	HK$4.9	HK$1.0
Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road Section between HKSAR Boundary and Scenic Hill, Hong Kong (**Contract C**)	December 2012 – April 2015	Hong Kong	Marine piling works and installation of casing	Subcontractor	Public sector	HK$73.5	HK$74.2

Contract name	Construction period *(Note 2)*	Location	Major types of works	Our role	Nature of the project *(Note 3)*	Contract sum *(Note 4)* *(approximate, in millions)*	Revenue recognised during the Track Record Period *(Note 5)* *(approximate, in millions)*
Shatin to Central Link Advance Works for NSL Cross Harbour Tunnels, Hong Kong, PRC (**Contract D**) (Note 1)	June 2014 – December 2014	Hong Kong	Underwater rockfilling works at the immersed tube tunnel unit casting yard in Shek O and channel leveling works and trial trenching for immersed tube tunnel at Victoria Harbour	Main contractor *(Note 1)*	Private sector	HK$33.4	HK$28.5
Tegal Buleud Port Construction (**Contract E**)	April 2011 – July 2015	Indonesia	Construction of jetty and approach bridge	Main contractor	Private sector	US$17.2 (equivalent to approximately HK$133.5)	US$9.0 (equivalent to approximately HK$69.9)
Ha Tinh Steel Factory Public Road Area 2 Site Improvement (**Contract F**)	April 2011 – June 2013	Vietnam	Site improvement works (soft base treatment)	Subcontractor	Private sector	US$2.6 (equivalent to approximately HK$20.2)	US$7.7 (equivalent to approximately HK$59.5)
Bali Power Plant Phase 1 Port Construction (**Contract G**)	October 2012 – August 2015	Indonesia	Construction works of coal wharf with marine pile foundation	Subcontractor	Private sector	US$12.6 (equivalent to approximately HK$97.8) *(Note 6)*	US$21.2 (equivalent to approximately HK$164.7) *(Note 6)*

Notes:

1. In August 2012, we formed CHKRJV with Concentric to tender for, and were successfully awarded, two contracts for the Shatin to Central Link Projects, namely the Shatin to Central Link – Kai Tak Barging Point Facilities contract and the Shatin to Central Link – Advance Works for NSL Cross Harbour Tunnels contract, both of which were commissioned by MTR Corporation Limited, a non-government public company that provides railway services in Hong Kong. CHKRJV acted as the main contractor of the two contracts. For details of the interests, rights, obligations and liabilities of our Group in CHKRJV, please refer to the paragraphs headed "Joint ventures" in this section.

2. The construction period of a project refers to the period from the actual commencement date of our project works as instructed by our customer to the date of actual completion of our project works.

3. We provide marine construction works to both the public and private sectors. We classify contracts in which the ultimate employer or owner is a government department or statutory body in the country or region where such project is located to be public sector contracts and contracts in which the ultimate employer or owner is any other entity to be private sector contracts.

4. The contract sum does not take into account any variation orders issued by the customers and is only based on the formal agreements entered into or letter of acceptance issued by our customers in response to our tender submitted for the projects. Variation orders are instructions given by our customers to vary the contract works which can be additions, modifications and/or omissions of the contract works which we are generally obliged to follow and may result in the actual payments we receive for a project being different from the original contract sum stated in the formal agreement or the letter of acceptance. The payments received and hence the revenue recognised by our Group are subject to the quantities of work completed by our Group.

5. For the Indonesian projects and the Vietnamese project, payments received by our Group are subject to withholding taxes and the amounts shown are before deduction of the relevant withholding taxes.

6. The total revenue to be recognised for the Bali Power Plant Phase 1 Port Construction Project is more than the original contract sum by approximately HK$98.8 million (before deducting relevant withholding taxes), being the difference between (i) total revenue of approximately HK$196.6 million; and (ii) original contract sum of approximately HK$97.8 million, which is due to additional works performed by our Group under variation orders which were outside the original scope under the relevant contract. The total revenue for the Bali Power Plant Phase 1 Port Construction Project (before deducting relevant withholding taxes) comprises (i) approximately HK$164.7 million recognised during the Track Record Period; (ii) approximately HK$9.8 million recognised before the Track Record Period; and (iii) approximately HK$22.1 million being the remaining balance as at the Latest Practicable Date.

Contracts on hand as at the Latest Practicable Date

As at the Latest Practicable Date, we have a total of 11 contracts on hand, which represent contracts for works awarded to us but had not yet been completed as at the Latest Practicable Date with a total contract sum of approximately HK$1,864.9 million, of which approximately HK$1,004.9 million (excluding variations and claims) had been recognised as revenue during the Track Record Period and the amount of revenue expected to be recognised from these contracts on hand for each of the two years ending 31 December 2016 and 2017 are approximately HK$680.0 million and HK$184.7 million, respectively.

Contract name	Commencement date *(Note 3)*	Expected date of completion *(Note 4)*	Location	Major types of works	Our role	Nature of the project *(Note 5)*	Contract sum *(Note 6)*	Revenue recognised during the Track Record Period *(Note 8)*	Amount of revenue expected to be recognised in the year ending 31 December		Percentage of work certified as at 30 April 2016 *(Note 9)*
									2016 *(Note 7)*	2017 *(Note 7)*	
							(approximate, in millions)	*(approximate, in millions)*	*(approximate, in millions)*	*(approximate, in millions)*	
Central-Wan Chai Bypass Tunnel (North Point Section) and Island Eastern Corridor Link (**Contract H**)	September 2011	June 2017	Hong Kong	Structural excavation and marine disposal	Subcontractor	Public sector	HK$92.0	HK$35.6	HK$9.3	HK$12.5	76.8%

Contract name	**Commencement date** *(Note 3)*	**Expected date of completion** *(Note 4)*	**Location**	**Major types of works**	**Our role**	**Nature of the project** *(Note 5)*	**Contract sum** *(Note 6)* *(approximate, in millions)*	**Revenue recognised during the Track Record Period** *(Note 8)* *(approximate, in millions)*	**Amount of revenue expected to be recognised in the year ending 31 December** **2016** *(Note 7)* *(approximate, in millions)*	**2017** *(Note 7)* *(approximate, in millions)*	**Percentage of work certified as at 30 April 2016** *(Note 9)*
Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road Section between Scenic Hill and Hong Kong Boundary Crossing Facilities, Hong Kong, PRC (**Contract I**)	May 2012	January 2017	Hong Kong	Marine construction works including reclamation works, construction of seawall and other related works	Subcontractor	Public sector	HK$320.9	HK$139.6	HK$32.1	HK$14.8	83.3%
Shatin to Central Link Contract – Kai Tak Barging Point Facilities (**Contract J**) *(Note 1)*	August 2012	August 2016	Hong Kong	Setting up of barging facilities, public fill materials transportation and disposal	Main contractor *(Note 1)*	Private sector	HK$128.9	HK$78.2	HK$34.5	nil	78.8%
Central Wanchai Bypass at Wanchai West (**Contract K**)	May 2013	January 2017	Hong Kong	Dredging, reclamation, seawall and related marine construction works	Subcontractor	Public sector	HK$80.5	HK$54.6	HK$12.7	HK$15.0	68.4%
Central Wanchai Bypass at Wanchai West (**Contract L**)	December 2013	August 2016	Hong Kong	Reclamation, disposal of excavated materials by marine transportation	Subcontractor	Public sector	HK$9.4	HK$6.3	HK$3.5	HK$0.8	68.7%
Tuen Mun - Chek Lap Kok Link Southern Connection Viaduct Section, Hong Kong (Hong Kong-Zhuhai-Macao Bridge) (**Contract M**)	December 2014	April 2017	Hong Kong	Temporary marine platform for pier construction	Subcontractor	Public sector	HK$27.3	HK$8.7	HK$2.6	nil	94.7%

Contract name	Commencement date *(Note 3)*	Expected date of completion *(Note 4)*	Location	Major types of works	Our role	Nature of the project *(Note 5)*	Contract sum *(Note 6)* *(approximate, in millions)*	Revenue recognised during the Track Record Period *(Note 8)* *(approximate, in millions)*	Amount of revenue expected to be recognised in the year ending 31 December 2016 *(Note 7)* *(approximate, in millions)*	2017 *(Note 7)* *(approximate, in millions)*	Percentage of work certified as at 30 April 2016 *(Note 9)*
Kai Tak Development – Stage 3 Infrastructure Works for Development at the Southern Part of the Former Runway (**Contract N**)	30 March 2016	September 2018	Hong Kong	Supporting underground structure and adits excavation works	Subcontractor	Public sector	HK$50.2	nil	HK$17.1	HK$31.7	0.0%
Reclamation and building of seawall at the Macao New Reclamation Area E1 (**Contract O**) *(Note 2)*	March 2015	January 2017	Macao	Reclamation works, construction of seawalls and ground improvement works	Main contractor *(Note 2)*	Public sector	MOP409.0 (equivalent to approximately HK$396.7)	MOP155.6 (equivalent to approximately HK$150.9)	MOP212.7 (equivalent to approximately HK$206.5)	MOP40.9 (equivalent to approximately HK$39.7)	58.4%
Manokwari Port Construction (**Contract P**)	March 2015	July 2016	Indonesia	Marine pile formation for port construction and revetment works	Subcontractor	Private sector	RMB289.4 (equivalent to approximately HK$361.8)	RMB181.1 (equivalent to approximately HK$226.4)	RMB64.8 (equivalent to approximately HK$81.0)	RMB27.3 (equivalent to approximately HK$34.1)	79.4%
Bintan Island Port Construction (**Contract Q**)	January 2015	June 2016	Indonesia	Marine pile foundation for port construction and revetment works	Subcontractor	Private sector	US$10.6 (equivalent to approximately HK$82.3)	US$5.7 (equivalent to approximately HK$44.2)	US$3.9 (equivalent to approximately HK$30.1)	US$1.1 (equivalent to approximately HK$8.3)	84.6%
Merak Cement Grinding Project Supporting Specialised Wharf Engineering (**Contract R**)	October 2015	October 2016	Indonesia	Construction of temporary living and production facilities, marine pile foundation works	Main contractor	Private sector	RMB251.9 (equivalent to approximately HK$314.9)	nil	RMB200.5 (equivalent to approximately HK$250.6)	RMB22.2 (equivalent to approximately HK$27.8)	27.0%

Notes:

1. In August 2012, we formed CHKRJV with Concentric to tender for, and were successfully awarded, two contracts for the Shatin to Central Link Projects, namely the Shatin to Central Link – Kai Tak Barging Point Facilities contract and the Shatin to Central Link – Advance Works for NSL Cross Harbour Tunnels contract, both of which were commissioned by MTR Corporation Limited, a non-government public company that provides railway services in Hong Kong. CHKRJV acted as the main contractor of the two contracts. For details of the interests, rights, obligations and liabilities of our Group in CHKRJV, please refer to the paragraphs headed "Joint ventures" in this section.

2. In April 2014, we formed MCRJV with the MCRJV Partner to tender for, and were successfully awarded, the Macao Project, which was commissioned by the Macao government. MCRJV acted as the main contractor of the Macao Project. For details of the interests, rights, obligations and liabilities of our Group in MCRJV, please refer to the paragraphs headed "Joint ventures" in this section.

3. The commencement date of a project refers to the actual commencement date of our project works as instructed by our customer.

4. The expected date of completion of a project is based on the provisions in the subcontract or main contract (if applicable), but is subject to changes by our customer from time to time.

5. We provide marine construction works to both the public and private sectors. We classify contracts in which the ultimate employer or owner is a government department or statutory body in the country or region where such project is located to be public sector contracts and contracts in which the ultimate employer or owner is any other entity to be private sector contracts.

6. The contract sum does not take into account any variation orders issued by customers and is only based on the initial engagement agreements entered into or letter of acceptance issued by our customers in response to our tender submitted for the projects, whichever is earlier. Variation orders are instructions given by our customers to vary the contract works which can be additions, modifications and/or omissions of the contract works which we are generally obliged to follow and may result in the actual payments we receive for a project being different from the original contract sum stated in the formal agreement or the letter of acceptance. The payments received and hence the revenue recognised by our Group are subject to the quantities of work completed by our Group.

7. Amount of revenue expected to be recognised in the two years ending 31 December 2016 and 2017 represents the amount we expect to receive under the terms of the contract if the contract is performed as agreed. Any delay or modification of a contract may affect the amount of revenue we actually receive.

8. For the Indonesian projects, payments received by our Group are subject to withholding taxes and the amounts shown are before deduction of the relevant withholding taxes.

9. As set out in the Accountant's Report in Appendix I to this document, our Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to the payments for works performed and certified by our customer or authorised persons employed by our customers up to 30 April 2016 as a percentage to the total contract revenue which consists of revenue already recognised and revenue expected to be recognised taking into account the original contract works and variation orders and claims to the extent that the same had been agreed with our customers as at 30 April 2016.

Based on the available information as at the Latest Practicable Date, our Group had no completed contract or contract on hand that was loss-making.

Two Indonesian project contracts not fulfilling Indonesian language requirements

As advised by the Indonesia Legal Adviser, according to Indonesian law, if any contract, agreement or memorandum that involves Indonesian nationals, residents or entities is not executed in Bahasa, the official language of Indonesia, as one of the languages in the written contract, the transaction and executed document could be deemed null and void. Therefore, in case there is any dispute between the parties to any such contract in relation to the relevant project for the remaining outstanding payments, and if our customer refuses to pay by challenging the validity and enforceability of such contract in the Indonesian jurisdiction, such contract may be declared null and void by the Indonesian courts. In the event that any such contract is declared null and void based on a court verdict in Indonesia, the contract would be deemed to have never existed. Consequently, the parties may be required to restore what they

have respectively received from the contract. During the Track Record Period, the contracts of two of our marine construction projects, namely, Bali Power Plant Phase 1 Port Construction and Tegal Buleud Port Construction, were executed in Chinese language only. As such, these contracts may be deemed to be null and void and may not be enforceable under Indonesia law.

However, as advised by the Indonesia Legal Adviser, according to Indonesia law, in the absence of a valid contract, commercial disputes may be brought before the court based on circumstantial evidence and the parties may seek the court's judgment on the case based on quantum meruit. The Indonesian court may instruct experts to inspect the works carried out by us under the projects and estimate the outstanding payments which our customers should pay to our Group in respect of the works completed.

In respect of the Tegal Buleud Port Construction contracts, as advised by the Indonesia Legal Adviser, since the parties have agreed to resolve any disputes arising out of or in connection with the contract by arbitration in Singapore, such an arbitration clause is valid despite the fact that the contract is not written in the Indonesian language. An arbitration award obtained in Singapore will be recognised and can be enforced in Indonesia pursuant to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention 1958), to which both Indonesia and Singapore are parties. However, as advised by the Indonesia Legal Adviser, in the event that the two contracts for the Tegal Buleud Port Construction Project have been ruled to be null and void by the Indonesian court, and if the Central Jakarta District Court refuses to acknowledge and enforce the arbitration award, the arbitration award cannot be enforced by the Central Jakarta District Court. In this event, if the Indonesian court orders the dismantling of the port, it is likely that HKR can bring the case before the court and claim for (i) the outstanding fees which our customer should pay for the remaining works with payment outstanding based on quantum meruit; (ii) payment which HKR is entitled to for its work done under the contracts; and (iii) possible damages for the dismantling of the port. For further details, please refer to the column headed "Rectification actions and the enhanced internal control measures to prevent recurrence of the non-compliance" under the paragraph headed "Non-compliance" in this section.

In respect of the Bali Power Plant Phase 1 Port Construction project contract, as advised by the PRC Legal Adviser, since the parties have agreed to resolve any disputes through litigation in the PRC courts and the customer is a PRC enterprise, such contract is valid, enforceable and legally binding on the parties under PRC law. Therefore, as further advised by the PRC Legal Adviser, in the worst case scenario if the contract is deemed null and void under the Indonesian law, such contract would still remain valid and enforceable under PRC Law as the contract is expressed to be governed by PRC law and the customer is a PRC enterprise. For further details, please refer to the column headed "Rectification actions and the enhanced internal control measures to prevent recurrence of the non-compliance" under the paragraphs headed "Non-compliance" in this section.

For details of the risks associated with the Indonesian language requirement relating to these two contracts, please refer to the paragraphs headed "Our overseas operations are subject to various risks and uncertainties" and "Our business outside Hong Kong exposes us to various legal risks and uncertainties" in the section headed "Risk factors" in this document.

BUSINESS OPERATIONS

Marine construction works

We provide marine construction works to both the private and public sectors. Such works include dredging and non-dredging ground treatment works, reclamation works, pier construction works, offshore facilities foundation works and marine transportation. In most of our contracts, we provide a combination of the services above.

Below is a brief description of our Directors' understanding of each of our major types of marine construction works, based on their experience and technical expertise in the implementation methods of such specific types of marine construction works.

1. Seabed ground treatment and land reclamation

Ground treatment

Our ground treatment services are usually provided in land reclamation projects. Our knowledge and experience in ground treatment works can also be applied in our onshore site improvement projects such as those in Vietnam. Ground treatment mainly involves seabed treatment before and during reclamation to improve the steadiness and levelness of the foundation for the reclaimed land by either (i) dredging and disposing of the marine mud layer on the seabed from the reclaimed area until a hard rock layer that can support significant load is reached; or (ii) using non-dredging methods by adding chemicals or sand piles to consolidate the marine mud layer until it is capable of supporting a significant load.

Land reclamation is the process of filling in areas submerged under sea level with suitable landfilling materials to form new land so that development or construction of buildings can take place on such new land. In land reclamation projects, it is common to find a layer of marine mud at the top of the seabed. This layer of soft mud cannot support any significant load and any land reclamation materials piled onto such marine mud will normally sink beneath it over time. Therefore, ground treatment of the seabed is normally required in land reclamation to improve the load capacity of the seabed.

Ground treatment is also used for onshore construction projects to improve the load capacity of site foundations before construction of buildings on the site. Some of our grabs can also carry out excavation works in onshore site improvement projects to improve the site condition by removing any unwanted soft soil and replacing it with harder landfilling materials before commencement of other foundation works and building construction.

Our marine dredging operation normally involves the following three general steps: (i) underwater excavation of marine mud or soft soil excavation on land; (ii) transportation of excavated materials; and (iii) utilisation or disposal of such materials. For marine dredging, our marine dredgers can be deployed for dredging the marine mud from the seabed; our split hopper barges, flat top hopper barges and derrick lighters can be deployed for transporting and

unloading of unwanted dredged materials at sea; and our tug boats can be deployed for mobilising dredgers, barges and derrick lighters to the relevant location. For excavation, our grabs can be deployed for excavating soft soil and conducting ground treatment works, and our cranes and sand trucks can be used for transporting the excavated materials for disposal or for use as landfilling materials at our land reclamation sites.

Any dredged materials which are not suitable for use in land reclamation or contain contaminated sediments are transported to government designated dumping areas at sea or onshore for disposal.

Land reclamation

Land reclamation works involve the construction of seawalls to fence off the reclamation area or other areas to be protected from the sea. The fenced area is then filled with large amounts of marine sand, rock and other landfilling materials. Earth-moving machines are then deployed to level the reclaimed land.

Seawalls can be broadly divided into two types: sloping seawalls and vertical seawalls. Sloping seawalls are generally built by rock fillings in the shape of a plateau on top of the seabed, and vertical seawalls are generally built with precast concrete blocks on top of a submerged sloping seawall. Vertical seawalls can provide a berthing face for vessels and they also have the advantage of requiring less space as compared with sloping seawalls. Vertical seawalls are therefore preferable in reclamation projects in Hong Kong along Victoria Harbour.

In land reclamation, one of the major materials used for landfill is sand, but inert materials left from the demolition of buildings may also be used. We have equipment that can sieve, select and collect sand and other suitable landfilling materials from the unwanted dredged materials, excavated soil and construction debris without disturbing the process of transporting any unwanted materials for dumping. The collected sand and other suitable landfilling materials are dried through a dehydration process and can then be used for land reclamation. This process satisfies part of our needs for landfilling materials in land reclamation projects and reduces our material costs.

During the Track Record Period and as at the Latest Practicable Date, our marine construction projects may also involve various ancillary works, including the demolition, removal and reinforcement of marine structures, construction of temporary marine working platforms, and the installation and maintenance of silt curtain systems to reduce seawater pollution. A silt curtain system is a temporary floating vertical barrier made of fabric fixed parallel to the shoreline of the reclaimed land. An anchor system fixes the barrier to the seabed to prevent sediment from leaving the reclamation area and polluting the sea.

2. Marine platform, pier construction and others

Our marine platforms are steel structures erected at designated locations at sea to create a temporary working platform on which onshore construction equipment can be installed to carry out construction works using onshore techniques at sea. The marine platform may also be used as temporary storage for equipment and materials to facilitate construction works around the area.

When building marine platforms, our piling barges are equipped with global positioning systems which allows them to drive steel piles into the seabed accurately until the piles are driven into the hard layer of the seabed to the necessary depth. A steel platform is then constructed on top of the steel piles to create a marine platform. Onshore construction equipment is then transported to the marine platform so that further construction works can be carried out in the area surrounding the marine platform. Further works may include piling, construction and erection of permanent structures such as bored piles around the piles and marine platforms. When construction works are completed, the marine platform is then dismantled and the steel piles are removed to facilitate the installation of a pile cap above the bored piles. The resulting structure can form the support column for viaduct bridges across a long sea-span.

Pier construction works may involve seabed ground treatment by dredging and non-dredging methods, construction of seawalls, marine piling and the installation of steel platform on top of steel piles to form a pier foundation. Pier facilities and buildings may then be erected on the platform.

We are also engaged in providing installation of precast concrete blocks, fabrication and installation of precast pile caps, erection and installation of bored piles, immersed box culvert and other ancillary structures, and reinforcement of structures for the construction of piers, jetties and other submarine structures.

3. Marine transportation

Our marine transportation business involves the transportation of dredged materials, excavated mud, construction debris and equipment by vessels. For marine transportation of dredged materials, the dredged materials are moved from the dredging site to the site of land reclamation, disposal or sieving treatment using our flat top barges, split hopper barges and tug boats. The unwanted materials are transported for dumping.

4. Leasing of vessels and construction works equipment

Leasing of vessels and construction works equipment

When we have idle vessels or equipment, we may consider leasing them to third parties in Hong Kong to reduce the cost of idling. For each of the three years ended 31 December 2013, 2014 and 2015, approximately HK$0.9 million, HK$10.2 million and HK$2.0 million, representing approximately 0.2%, 3.8% and 0.4%, respectively, of our total revenue was generated from leasing of vessels and equipment.

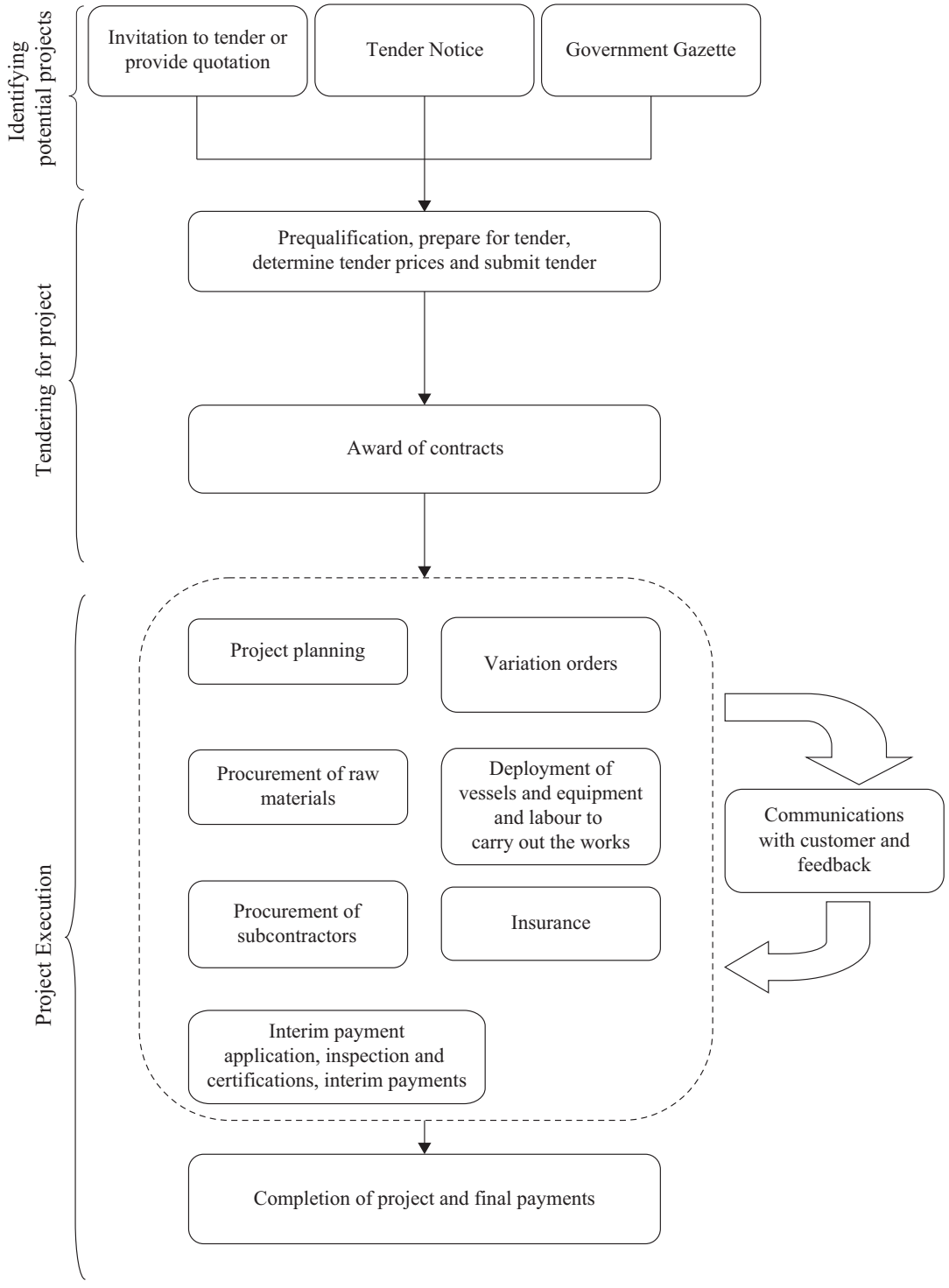
Trading of vessels

We also engage in the trading of vessels by leveraging on our relationship with local and overseas business owners within the marine construction industry, our knowledge of the functions of different types of vessels, and knowhow in fleet management, vessel repair and maintenance and vessel trading market conditions. When we are approached by potential buyers of vessels and are able to source the particular type of vessels from the market at favourable prices, we will source such vessels for our customers. Sometimes, we merely handle the inspection of the vessels, negotiation of price, towing and customs clearance for delivery of the vessels to the customers for a handling fee and as such, the ownership of the vessels we trade will not be transferred to us. Sometimes the ownership of the vessels are transferred to us as we source such vessels when we anticipate there is demand from our projects. We then carry out repairs and refurbishment on such vessels, and if needed, we may utilise such vessels for our projects and then sell them off for a profit if and when favourable prices are offered. During the Track Record Period, approximately HK$27.1 million, HK$4.7 million and HK$17.8 million, representing approximately 6.9%, 1.7% and 3.1%, respectively of our total revenue were generated from trading of vessels.

OPERATING PROCEDURES

The key operating procedures of our business principally involve identification of potential projects, prequalification for tendering, preparation and submission of tender, carrying out contract works and handing the project over to our customers on completion. We have developed a comprehensive project management system covering the entire contract process, including tender preparation, project planning, contract management, contract performance, project cost control, and project completion and handover.

For illustration purpose, a simplified flow chart of the key operational procedures of our Group is outlined as below:



Identifying potential projects

We identify potential projects from a variety of sources. We learn of opportunities through open tender notices published on websites of Government departments and the Government Gazette in Hong Kong, invitations by governmental agencies and our connections with other

industry participants such as architects and engineers in respect of potential projects located in Hong Kong. We also learn of new business opportunities in Hong Kong, Macao and Southeast Asia through our executive Directors' connections with PRC state-owned construction enterprises accumulated through their extensive experience in working for such companies, as well as large construction companies in the PRC, Hong Kong and overseas. Sometimes our customers invite us to enter into pre-bid agreements, in which we agree on the subcontract unit prices with our customer and to take up the subcontracted works in the event our customer is awarded the project as the main contractor. Once our customer is awarded the main contract, they would then enter into a formal subcontract with us for subcontracting the works based on the aforementioned pre-bid agreement.

Tendering for projects

Prequalification

After identifying potential projects that we wish to pursue, we may in some cases be invited by the potential customer to complete a prequalification process, either with the project owner or the main contractor. These prequalification requirements are usually set out in tender documents or in written requests sent to us, which usually include financial condition, licences, certifications, past experience in similar projects, profile of our project management team personnel and our fleet of vessels and equipment available to be used in the project. Once we have passed the prequalification process and have been accepted as a potential bidder for a project, we will be provided with the tender documents and be invited to submit a tender.

Preparing for tender

Our executive Directors, together with our senior management will carry out a detailed study of the proposed project based on the tender documents which describe the nature and scope of works, bills of quantities, technical specifications, design and drawings, types and quantities of raw materials to be used, types of vessels and equipment and labour involved, project timeline and other requirements. We will also conduct site visits to the project location in Hong Kong, Macao and/or overseas to study and consider the methods of performing the works, study of past weather records in the region where such works will be carried out, assessment of number and types of vessels and equipment required to carry out the works, locations for supplies of raw materials and subcontractors (from the PRC or locally) and repairs in the vicinity of the location where the works will be carried out. We will also assess the reputation and financial capability of our potential customer, our own capacity of vessels, equipment and labour for projects located in Hong Kong and Macao, and the availability of vessels and equipment for lease for projects located overseas and in Hong Kong, as we sometimes may need to lease vessels and equipment to meet project needs if our own vessels and equipment are already fully utilised. We will also assess the availability, expertise and capacity of subcontractors and workers and estimate the costs of leasing of vessels and equipment, the cost of subcontractors, the cost of deploying our project management teams to overseas project locations, the labour cost for employing local workers for our overseas projects, and our estimated profit margin in deciding whether or not we will submit a tender for a project.

Determining tender prices

Our awarded contracts are normally remeasurement contracts, which means our contract sums depend on the quantity or item of works we actually complete and the agreed unit rates for each unit or item of works specified in the contract or our accepted tender. Therefore, our quotation on the unit price is crucial to our prospects of winning the contract as well as our profitability for a project. After we decide to submit a tender for a project, we will seek quotations from suppliers and subcontractors (where necessary) to help us estimate the project costs. In determining our quotation we consider factors including the geographical location of the project, as we will likely have a higher level of leasing of vessels and equipment from third parties for overseas projects. This is because we are not allowed to deploy our vessels and equipment registered in Hong Kong to overseas locations due to restrictions on deployment of foreign-owned vessels in countries such as Indonesia. We will also consider the quantity of works involved, the types and quantity of vessels, equipment, subcontractors and labour we require to complete the project, as well as the prices of leasing of vessels and equipment, raw materials, subcontracting and other services required. We also take into account weather conditions of the area where the project is located during the period when our works will be performed, as some areas can be significantly affected by adverse weather conditions including torrential rain and tropical cyclones.

Submitting tenders

After completing the project assessment, our senior management and project managers will prepare and submit the tender in accordance with the requirements set out in the tender documents. In some cases, we enter into a pre-bid agreement with our potential customer who intends to submit a tender for the main contractor for a project. The pre-bid agreement includes details of the unit price of work items agreed with our potential customer, our potential customer to engage us as subcontractor, and our acceptance for engagement in the event that our potential customer is successfully awarded the main contract for the project. In some other cases, we were invited by other industry participants to form a joint venture to bid for a project, such as the CHKRJV and the MCRJV, to aggregate our capabilities and resources to bid for and undertake projects on a larger scale.

If there is no pre-bid agreement, after we submit a tender and before the result is announced, we may be invited to attend a post-tender interview with our potential customer where we will be required to present our analysis and exchange views with the potential customer regarding the methods and equipment needed for completion of the project, as well as discuss technical issues involved in the project. Sometimes the potential customer may negotiate further with us on the commercial terms and request us to amend our tendered unit prices and contract sum for their further consideration.

Award of contracts

Once our tender is accepted, we will be notified by our customer to enter into a formal contract. Sometimes we will receive a letter of acceptance from the customer notifying us of their acceptance of our quotation in the tender. The letter of acceptance is a legally binding

document between our customer and us, pursuant to which we are required to commence our works in accordance with the scope, nature, specifications and other requirements in the tender documents, while the formal contract may be provided to us later for signing. We believe that in Hong Kong, it is common practice in the industry for a contractor to commence works notwithstanding that a formal contract may be provided later for signing. For a summary of the salient terms of such contracts, please refer to the paragraphs headed "Contract terms with customers" in this section.

The table below sets out the number of projects we have tendered for and the number of projects we have been awarded (including projects awarded to unincorporated joint ventures of which our Group is a part) during the Track Record Period:

	Hong Kong	**Macao**	**Overseas**	**Total**
Total number of projects tendered for	34	1	5	40
Total number of projects awarded	5	1	3	9
Success rate	14.7%	100.0%	60.0%	22.5%

It is our Group's strategy to submit tenders or quotations for various types of marine construction works contracts in Hong Kong to maintain our market presence, keep abreast of market prices and the latest requirements for marine construction projects, build up our reputation and job references, remain on the Contractor List and to meet the criteria for admission to the confirmed status under Group B for port works (we are currently on probation under Group B for port works). We also submit tenders or quotations for projects in other places such as Macao and Southeast Asia. Our Directors believe that by doing so, we can generate more revenue via different sources and reduce our exposure to market downturns in Hong Kong. In securing projects in which our Group acted as a subcontractor in Hong Kong, Indonesia and Vietnam, the customer, who acts as the main contractor, will invite us, generally together with other subcontractors on their internal list of subcontractors, to submit a quotation for the relevant works. In the event that our proposal is successful, we will then enter into a subcontract with the customer. In the two Shatin to Central Link Projects and the Macao Project where the CHKRJV and the MCRJV, respectively, acts as the main contractor, the CHKRJV and the MCRJV secured the projects through public tendering process. In the Tegal Buleud Port Construction project in Indonesia where our Group acted as the main contractor, we secured the project through private negotiation with the project owner, a local private developer.

After the Track Record Period and up to the Latest Practicable Date, based on our Company's internal record, we have submitted a total of 10 tenders or quotations for marine construction projects in Hong Kong and overseas of which one project, namely, the Kai Tak Development – Stage 3 Infrastructure Works for Development at the Southern Part of the Former Runway, has been awarded to us, two have been awarded to other contractors. As at the Latest Practicable Date, the results of the remaining submitted tenders or quotations are still pending.

Project execution

After successfully securing a project, we will form a project management team which typically consists of a project manager, an engineer, a site foreman and a quantity surveyor. For our projects in Indonesia, we deploy our own project managers, engineers, site foremen and quantity surveyors who will be stationed in Indonesia and employed by PTIR. Mr. Fan Tao, a senior manager of our Group and a director of PTIR, will also be stationed in Indonesia as a project manager. In our Hong Kong projects, we will subcontract certain non-major components of works for which we do not have the required expertise or qualifications, such as diving works, testing works and environmental monitoring works to professional or licenced subcontractors. Our execution process includes devising a detailed execution plan, procuring materials, deploying our own vessels and equipment for projects located in Hong Kong and Macao, procuring vessels and equipment to be leased from third parties for overseas projects and in some of our Hong Kong projects, delegating work to subcontractors (if any), coordinating with customers, coordinating with our subcontractors (if any) and suppliers, supervising works progress, monitoring the costs and budgets and supervision over overall project execution. For overseas projects, the project manager reports directly to Mr. Cui, one of our executive Directors, on work progress and any issues arising from the construction works. Our Hong Kong projects are mainly overseen by Mr. Yu, one of our executive Directors, with the project manager and our site management team reporting directly to him. From time to time, the project manager and our executive Directors will meet with our customers to review the project status, if necessary.

Project planning

Where required, we will have an execution plan that will be reviewed and updated from time to time during the course of the project, which includes:

- a timeline for completion of different components of the works based on the requirements of the contract;

- a labour deployment plan based on the skill level of our staff, the estimated number of workers needed for each part of the project, and which members of our project management teams are to be stationed at overseas project locations such as Indonesia. Work permits are then obtained for the project teams;

- raw materials selection and procurement plans;

- for our projects located in Hong Kong and Macao, vessels and equipment deployment and relocation plan based on the location of the project and availability and location of our vessels and equipment;

- plan on leasing of vessels and equipment from third parties and subcontracting arrangements for our overseas projects, and to a lesser extent for our Hong Kong projects in the event that we do not have sufficient vessels and/or equipment to meet project requirements;

- arranging for temporary office facilities and public utilities, including water, electricity and communication equipment; and

- if necessary, plans to comply with environmental protection requirements.

Procuring raw materials

Diesel, landfilling materials including marine sand, rock and other reused materials, concrete and steel are the principal raw materials that we use in our marine construction projects. We will negotiate further and agree on the final price and other terms with the suppliers which have quoted us with reasonable and competitive prices and terms. Purchase orders for raw materials will then be placed from time to time depending on project progress. For details about our raw materials, please refer to the paragraphs headed "Suppliers of raw materials" in this section. For our projects in Hong Kong, Macao and overseas, the majority of raw materials such as landfilling materials for land reclamation works, steel and concrete for construction of piers, seawalls and marine platforms and marine piling works are sourced from the PRC. For our land reclamation works in Hong Kong, we sometimes use our own barges to transport the marine sand directly from the PRC to our project sites in Hong Kong to save time and optimise efficiency of our works. To save raw material costs, we also use some of the recycled materials collected from our projects involving excavation works as landfilling materials in our reclamation works. For our construction of piers, seawalls, marine platforms and marine piling works, unless our customers have specific requirements, we usually source steel, concrete and other processed materials from the PRC, where the price of steel and concrete and processing costs are cheaper than in Hong Kong and the countries where our other project sites are located, such as Indonesia.

Procuring subcontractors

In Hong Kong and Macao, we maintain a low level of subcontracting and it is one of our main strategies to control and reduce project costs and achieve higher profit margins. We generally perform the major components of project works ourselves. Sometimes we will subcontract certain minor components of project works in which we may not have specialised skills or expertise such as diving works, testing works and environmental monitoring to be carried out by professionals and licenced specialists. We have a higher level of subcontracting in our operations in Indonesia in order to retain more flexibility, as we do not directly employ construction workers and therefore save such related administration expenses.

Interim payment applications, inspections and certifications, and interim payments

During the course of project execution, we will submit a payment application based on the work done on a monthly basis in accordance with the terms of each contract. Our customers and/or their authorised person will conduct inspection on all works completed by us from time to time to ensure that our works comply with the requirements and schedules as set out in the contracts. After inspection of the completed works, a payment certificate will be issued to us certifying the portion of work which has been completed. It normally takes one month from the date of our payment application to the date of certification of payment issued by customers, and it usually takes a further month for us to receive the interim payment certified by our customers.

Variation orders

During the course of a project, our customers may require us to provide additional services or make changes to the specifications, which may result in extra works and payments. The unit rates for the works under such variation orders are generally agreed upon between our Group and our customers and are set out in the schedule of rates as provided in the relevant project contract. In the case of new work items, unit rates are subject to further negotiation and agreement with our customers.

Deployment of vessels and equipment and labour to carry out the works

The marine construction works carried out by our Group require the use of vessels and equipment specifically designed to carry out marine construction works, with details set out below in the paragraphs headed "Vessels and equipment to carry out marine construction works" in this section. During the implementation of our works, if the projects are located in Hong Kong or Macao, based on our deployment plans and scale of the projects, we deploy suitable types of vessels and equipment from our own fleet or, to a lesser extent, by leasing from third parties, and labour to carry out the works. If the projects are located overseas such as in Indonesia, we lease vessels and equipment from third parties to perform the marine construction works as we are not allowed to deploy our vessels and equipment registered in Hong Kong to overseas locations due to restrictions on deployment of foreign-owned vessels in countries such as Indonesia. For our projects in Indonesia, we deploy our own project management teams including project managers, engineers, site foremen and quantity surveyors to supervise the works carried out by local general labour and subcontractors engaged by us in Indonesia.

Insurance

Apart from the statutorily required insurance applicable to our business operations such as employees' compensation insurance, for the projects in which our joint ventures act as the main contractor, such joint ventures purchase the insurance required under each individual contract, such as contractors' all risks insurance specifically for the project. For details about insurance purchased by our Group, please refer to the paragraphs headed "Insurance" in this section.

Completion of projects and final payments

After we have substantially completed all our contracted works, our Group and our customers will conduct a final inspection of our completed works. Thereafter, our customers will generally notify us in writing to confirm completion and the date of commencement of our defect liability period, which will typically last for one year. Generally, approximately 50% of the retention money will be released to us upon completion of our works and the remaining 50% will be released to us upon expiry of the defect liability period. During the defect liability period, we are responsible, at our own expense, for rectifying any defects in relation to our works.

JOINT VENTURES

During the Track Record Period, we established two unincorporated joint ventures, namely CHKRJV and MCRJV, to tender for the Shatin to Central Link Projects and the Macao Project, respectively. For details of these projects, please refer to the paragraphs headed "Contracts completed during the Track Record Period" and "Contracts on hand as at the Latest Practicable Date" in this section.

CHKRJV

The joint venture agreement for CHKRJV was entered into between HKR and Concentric, a construction company which, according to publicly available information as at the Latest Practicable Date, is a wholly-owned subsidiary of Man King Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock code: 2193), and which together with its subsidiaries, is principally engaged in civil engineering services in Hong Kong. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, Concentric and its ultimate beneficial owners are all Independent Third Parties. The respective rights, interests, obligations and liabilities of each party to CHKRJV are set out below.

Parties' interest	Each of HKR and Concentric has a financial interest of 49% and 51%, respectively in the joint venture. Besides the respective financial interest of the parties in the joint venture, each party is entitled to receive payments from the joint venture for the actual work done by such party in the project as ordered by the joint venture.
Management, supervision and control	The management bodies of the joint venture include a management board, the lead company (which is Concentric), and the project manager. Generally, the management board comprises two representatives and each party shall have the right to have one representative. The lead company will undertake the general coordination and administration of the joint venture. The general supervision and management of the works on site and all related matters shall be under the control of the project manager, who shall be nominated by the lead company and appointed by the management board. The management board shall decide on the accounting policies and methods to be adopted by the joint venture.

Bank accounts and working capital	A bank account shall be opened and maintained in the name of CHKRJV for receiving all sums by the joint venture in relation to the project. Any payment made or money withdrawn from such bank account shall require unanimous approval of the management board. Each party acknowledges that payments received from the customers may not be sufficient to fully cover the financing requirements of the project, and therefore injection of working capital by both parties in proportion to their respective interest in the joint venture may be necessary.
Assets and equipment	All equipment required to perform the works shall be provided by the parties as directed by the management board by leasing the same to the joint venture from the relevant party. If the required equipment cannot be provided by the parties, the management board may consider leasing it from third parties or purchasing the same using the funds of the joint venture. Such purchased equipment will be accounted for as assets of the joint venture and if they are subsequently sold, the proceeds from the sale of such equipment will be paid into the joint venture bank account as part of the funds of the joint venture.
Final account and distribution of profits	Upon settlement of the final account for the project and after paying for all costs incurred, settling all liabilities of joint venture and repaying all sums furnished by the parties as working capital, any profits remaining from the performance of the project works shall be distributed to each party in its respective proportion as a provisional distribution. Any unpaid reserves shall be distributed to each party as a final distribution of its proportion of reserves when the management board considers that the reserves are no longer required by the joint venture.
Bonds, guarantees, indemnities and insurance	The parties agree to execute or procure the execution of all necessary sureties of security and insurance required to secure the performance of their obligations under the main contract or the joint venture agreement.

Default	In the event any party is being liquidated, assigns its right, fails to execute sureties or provide working capital, or commits any breach of its obligations under the joint venture agreement, the non-defaulting party shall have the right to exclude the defaulting party, its successors, receivers or legal representatives from further participation in the joint venture and in the project, and may take over the proportion of the interest of the defaulting party.

MCRJV

The joint venture agreement for establishing the MCRJV was entered into on 9 December 2014 between HKR and the MCRJV Partner, a construction company incorporated in Macao and, according to the latest publicly available information as at the Latest Practicable Date, a subsidiary of China Civil Engineering Construction Corporation (中國土木工程集團有限公司), a PRC state-owned enterprise which is principally engaged in, among other things, railway construction, provision of civil engineering services and real estate development in various locations around the world. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, MCRJV Partner and its ultimate beneficial owners are all Independent Third Parties. Pursuant to the said joint venture agreement, it was agreed that all the works in the Macao Project undertaken by MCRJV shall be subcontracted to MCR. The respective rights, interests, obligations and liabilities of HKR, MCRJV Partner and MCR in the MCRJV by reference to the Macao Project are set out below.

Parties' interest	Each of HKR and the joint venture partner has 30% and 70% financial interest, respectively in the joint venture. Both parties agreed that MCR shall be the nominated subcontractor to undertake all the contract works awarded to MCRJV under the main contract by the Macao Government. MCRJV Partner shall be entitled to receive an administration fee equivalent to 2.5% of all the payments.
Performance of works	All the main contract works awarded to MCRJV have been subcontracted to and shall be performed by MCR.

Management, supervision and control	The management bodies of the joint venture include a management committee, joint venture project management board, and MCR as the subcontractor. Generally, the management committee is the highest authority of the MCRJV, which comprises two representatives, and each party shall have the right to have one representative. However, MCR, as the subcontractor, assumes all the obligations to perform the main contract works, rectify defects in works, supervision and responsibility for quality control in the implementation of works by its subcontractors and raw materials, working capital, currency risks, financing for purchasing performance bonds and other general risks and losses arising from the Macao Project.
Bank accounts and working capital	A bank account shall be opened and maintained in the name of MCRJV for receiving all sums by the joint venture in relation to the project. Any payment made or money withdrawn from such bank account shall require unanimous approval of the management board. MCR shall be solely responsible for the financing and provision of working capital for MCRJV for its undertaking of the Macao Project.
Assets and equipment	All equipment required to perform the works shall be provided by MCR from its own fleet of vessels and equipment and/or by leasing from other parties since all the main contract works have been subcontracted to MCR.
Final account and distribution of profits	Upon settlement of the final account for the project and after paying for the 2.5% administration fee to MCRJV Partner, and settling all liabilities of the joint venture, any amount remaining in the bank account of MCRJV shall be paid to MCR.
Bonds, guarantees, indemnities and insurance	The MCRJV Partner shall provide the performance bond and prepayment surety bond to the project owner. MCR shall provide back-to-back security to the MCRJV Partner by charging its tangible assets to MCRJV Partner.

	As a result, our Group charged three vessels, namely one piling barge, one dredger and one tug boat owned by CPL as security in favour of the MCRJV Partner in relation to the provision of performance bond and prepayment surety bond to the project owner. The aggregate value of the three vessels was agreed to be approximately HK$52 million based on a valuation report issued by a property valuer and the surety provided by MCRJV Partner shall be deemed to be equal to 70% of the agreed valuation.
Default	In the event any party withdraws from the joint venture or refuses to perform its obligations prior to the completion of the Macao Project works, the defaulting party shall compensate for the economic loss and reputation damage suffered the non-defaulting party as a result of such default, including being claimed by the project owner and enforcement of sureties by the project owner.

We believe that by forming such joint ventures to tender for and undertake larger scale and more complex projects, both parties may be able to increase the chances of being awarded the contract works by combining both parties' credentials and experience, capabilities and technical expertise to facilitate the performance of works and provide more flexibility in capacity management by consolidating both parties' working capacities where applicable.

VESSELS AND EQUIPMENT TO CARRY OUT MARINE CONSTRUCTION WORKS

Our own vessels and equipment

The marine construction works carried out by our Group require the use of vessels and equipment specifically designed to carry out marine construction works. As at the Latest Practicable Date, we owned a total of 29 vessels, which includes piling barges, split hopper barges, flat top barges, grab dredgers, derrick lighters, tug boats, anchor boats and floating jetty barges, and a total of 67 construction works equipment, which includes cranes, grabs, earth-moving machines, fork-lift trucks, pile hammers, air compressors and power generators. Some of these equipment such as cranes can be used in both marine-based works and land-based works.

The number of each major type of vessels and equipment and their respective remaining useful lives are as follows:

Major type of works	Total number of major types of vessels	Average remaining useful life *(approximate)*	Total number of major types of equipment	Average remaining useful life *(approximate)*
Seabed treatment and land reclamation works	A total of 14 vessels including derrick lighters, hopper barges, grab dredgers, etc.	8.7 years	A total of 35 equipment including cranes, grabs, excavators, etc.	2.5 years
Marine platform, pier construction	A total of 5 vessels including a piling barge and flat top barges	7.7 years	A total of 30 equipment including cranes, generators, hydraulic hammers, etc.	3.3 years
Marine transportation	A total of 10 vessels including tug boats	6.1 years	A total of 2 equipment including a roller container	4.8 years

For our projects in Hong Kong, we generally carry out our marine construction works by using our own fleet of vessels and equipment to maintain a low level of subcontracting and leasing from third parties. We are therefore able to ensure that our works can commence sooner once we have been awarded the contracts without the risk of delay due to unavailability of equipment, as well as the risk of incurring high costs of leasing due to market conditions. For details about the advantages of using our own fleet of vessels and equipment, please refer to the paragraphs headed "Our competitive strengths – We own a broad range of vessels and equipment to optimise our provision of marine construction works and leasing and trading of vessels" in this section.

During the Track Record Period, our Group acquired vessels and equipment in the aggregate sum of approximately HK$49.7 million. As at 31 December 2015, the aggregate net book value of our vessels and equipment was approximately HK$96.7 million.

Due to the nature of our operations, it is not feasible nor practicable to accurately quantify the utilisation rates of our vessels and equipment for the following reasons:

(i) we have no right to take exclusive continuous possession of the sites where we carry out our works and we are often required to carry out our works concurrently or in stages with the works of other parties on the site in accordance with the instructions of our customers regarding the sequence and timing of our works. Accordingly, our vessels and equipment may from time to time be left unused at active construction sites, pending completion of other construction steps. Accordingly, the utilisation rate of each individual vessel or equipment cannot be accurately determined as it is not practicable to record the time at which a particular vessel or equipment is used or left unused at an active construction site; and

(ii) our Group worked on a range of marine construction projects during the Track Record Period which involved a number of construction steps. A construction step may involve several procedures, and each procedure may require the use of various types of vessels or equipment. Accordingly, it would be difficult to reliably measure the actual utilisation rate of each individual vessel or equipment on a daily or hourly basis as these procedures may vary depending on, among other factors, the complexity of the project and condition of the construction site.

In view of the above, the collection of reliable and accurate data, including the hourly usage rate of each individual vessel or equipment as required for the calculation of the utilisation rates is therefore not feasible in practice.

During the Track Record Period, when our vessels were not deployed to a particular project or located at the relevant construction site at sea, they would be placed at various typhoon shelters in Hong Kong which are free of charge for Hong Kong local vessels and sometimes our vessels would be placed in shipyards in the PRC for maintenance. We rent a berthing space at a dockyard located in Sunny Bay for berthing our oversized vessels of over 75 metres in length and as our base for minor emergency repairs of our vessels. Our vessels located in Macao for our Macao Project are usually placed at our project sites or in nearby waters.

For our non-marine based equipment, when they are not deployed to a particular project or located at the relevant construction site, they may be placed on our vessels.

Our vessels are required to be surveyed annually by qualified vessels surveyors or surveying organisations in Hong Kong so as to maintain a valid certificate of inspection as required under Hong Kong laws. We have purchased and maintained the relevant insurance for our vessels in accordance with relevant laws and regulations.

For each of the three years ended 31 December 2013, 2014 and 2015, the total costs incurred by our Group in relation to the repair and maintenance of our vessels and equipment were approximately HK$4.9 million, HK$6.1 million and HK$4.7 million, respectively.

Leasing from third parties

For each of the three years ended 31 December 2013, 2014 and 2015, our Group maintained a low level of leasing of vessels and equipment from third parties and the percentage of our leasing costs as compared to our total costs of sales amounted to approximately 13.2%, 16.9% and 13.4%, respectively.

CUSTOMERS

Our customers engage us to provide services on a project-by-project basis. Our projects in Hong Kong are mainly remeasurement contracts containing, among other items, bills of quantities schedule of rates, which is one of the contract types commonly adopted in the industry. The agreed unit rates of each item and the estimated quantities of various items of works based on the tender drawings are set out in the bills of quantities provided by our customers. When the works are completed, our customers will measure the actual quantities of works executed on-site and our Group will be paid based on works done. In respect of our overseas projects, while some of them are also governed by remeasurement contracts, others are governed by lump sum contracts where our Group will be paid based on a fixed total contract sum as agreed in the contract instead of being subject to remeasurement of works completed, except for those carried out pursuant to variation orders issued by our customers. Our Macao Project contract is a fixed price lump sum contract.

The general terms of our contracts may vary based on negotiations with our customers, but generally follow the form set out in our customer's tender documents. The major contracts terms are summarised as below:

Scope of works	:	The scope of services and type of works to be carried out by our Group are specified in the project contract
Contract price	:	For most of our Hong Kong projects and some of our overseas projects, contract price is subject to remeasurement. For our Macao Project and other overseas projects, contract price is governed by lump sum contracts
Duration of project	:	Completion timeline specified by our customer
Further subcontracting	:	Further subcontracting is generally allowed but in some cases, is subject to prior consent of our customer

Payment terms	:	We are required to submit interim payment applications to customers usually on a monthly basis or by stages after specified project milestones are completed. Our customers will settle payment thereafter or in cases where our customers are the main contractor, after our main contractor customers receive their payment from the project owners. Such periods usually last for 30 to 60 days after our interim payment application
Insurance	:	For most of the projects located in Hong Kong in which we are a subcontractor, our customers are responsible for purchasing and maintaining contractors' all risks and employees' compensation insurance to cover liabilities for personal injury of workers and damage to property at the project site. For both the Shatin to Central Link Projects and the Macao Project where CHKRJV and MCRJV are the respective main contractors, CHKRJV and MCRJV are required to purchase and maintain employees' compensation insurance, contractors' all risks and third party liability insurance that covers CHKRJV, MCRJV and its subcontractors. We are normally required to procure insurance for our own vessels and equipment. For our overseas projects, the responsibility and requirements to purchase third party liability insurance for personal injury of workers and damage to properties at the project site and other types of insurance are subject to the requirements of individual contracts. For details, please refer to the paragraphs headed "Insurance" in this section.
Retention money	:	Customers generally withhold approximately 10% of each progress payment to our Group as retention money. The total amount of the retention money is usually capped at 5% of the total contract sum of each project. In general, the retention money will be released as to 50% upon completion of our project works and as to the remaining 50% upon expiry of the defect liability period, which is typically one year after the completion of our project works

Surety bond and personal guarantee	:	In a small portion of our projects in Hong Kong and the Macao Project, we are required to provide a surety bond generally equal to approximately 5% to 10% of the total contract sums issued by banks or insurance companies in favour of our customers as security for the due performance and observance of our Group's obligations under the relevant project. The surety bonds are normally released upon completion of the project or as specified in the relevant contract For two of our customers in Hong Kong, instead of surety bonds, our executive Director, Mr. Cui, provided a personal guarantee to them to guarantee the due and punctual performance of our contract works, and the observance of and compliance with our obligations under the contracts. These personal guarantees will normally be released upon completion of the projects. For further details of such personal guarantees to our customers, please refer to the section headed "Relationship with Controlling Shareholders" in this document
Defect liability period	:	We are generally required to provide a defect liability period of one year after practical completion of the project. During the defect liability period, we are responsible for, at our own expense, rectifying any defects in relation to our works

Credit terms with customers

In respect of our marine construction works business, we need to submit a payment application for interim payment to our customers typically on a monthly basis, or, for a smaller amount of projects, by stages of completion of project milestones. The payment application generally includes the estimated value of all works completed and (if applicable) materials delivered to the project site by us during the period covered by the payment application. Once our customer has reviewed and agreed to the interim payment application, an interim payment certificate will be issued to us and the payment will usually be made to us within a specified period of time after issuing the interim payment certificate or after our customers receive their payment from the project owners. This process generally takes 30 to 60 days after we have submitted our payment application. During the Track Record Period, the construction contracts signed with our customers are denominated in HK$ for projects located in Hong Kong, MOP for the Macao Project, and RMB and USD for overseas projects. Our customers usually settle the payment by cheque or wire transfer.

Our customers generally withhold approximately 10% of each progress payment to our Group as retention money. The total amount of the retention money is usually capped at 5% of the total contract sum of each project. In general, the retention money will be released as to 50% upon completion of our project works and as to the remaining 50% upon expiry of the

defect liability period, which is usually around one year after the completion of our project works. For details on our Group's receivables turnover days, please refer to the paragraphs headed "Trade and retention receivables" in the section headed "Financial information" in this document.

Top five customers

During the Track Record Period, our top five customers in aggregate accounted for approximately 75.7%, 72.6% and 82.0% of our total revenue, respectively, and our largest customer for each year accounted for approximately HK$109.8 million, HK$70.5 million and HK$226.4 million, respectively, representing approximately 27.7%, 25.8% and 39.5% of the revenue of our Group, respectively.

The following information sets out the profiles of our top five customers during the Track Record Period:

Year ended 31 December 2013

Name of customer	Business activities/Background	Approximate percentage contribution to total revenue	Business with our customer commenced since
Customer A	A subsidiary of a construction company principally engaged in building construction and civil engineering operations. Its shares are listed on the Main Board of the Stock Exchange	27.7%	2012
China Huadian Engineering (Group) Limited	A subsidiary of a PRC state-owned electricity generation enterprise	17.5%	2012
Customer B	A company incorporated in Indonesia which is principally engaged in coal and charcoal production and trading	10.5%	2011
CCCC Third Harbor Consultants Co., Ltd.	A subsidiary of the largest state-owned enterprise specialising in transportation and infrastructure. Its H shares are listed on the Main Board of the Stock Exchange and its A shares are listed on the Shanghai Stock Exchange	10.4%	2012

Name of customer	Business activities/Background	Approximate percentage contribution to total revenue	Business with our customer commenced since
Friendly Benefit Engineering Limited	A company incorporated in Hong Kong principally engaged in marine construction activities	9.5%	2012
	Total:	75.7%	

Year ended 31 December 2014

Name of customer	Business activities/Background	Approximate percentage contribution to total revenue	Business with our customer commenced since
China Huadian Engineering (Group) Limited	A subsidiary of a PRC state-owned electricity generation enterprise	25.8%	2012
MTR Corporation Limited *(Note 1)*	A company principally engaged in the provision of public railway services in Hong Kong. Its shares are listed on the Main Board of the Stock Exchange	17.9%	2012
Customer C	A joint venture formed between Customer A and a subsidiary of a construction and civil engineering conglomerate based in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange	10.6%	2013
Friendly Benefit Engineering Limited	A company incorporated in Hong Kong principally engaged in marine construction activities	10.4%	2012

Name of customer	Business activities/Background	Approximate percentage contribution to total revenue	Business with our customer commenced since
Customer A	A subsidiary of a construction company principally engaged in building construction and civil engineering operations. Its shares are listed on the Main Board of the Stock Exchange	7.9%	2012
	Total:	72.6%	

Year ended 31 December 2015

Name of customer	Business activities/Background	Approximate percentage contribution to total revenue	Business with our customer commenced since
CNFC Guangzhou Harbour Engineering Company ("CNFC")	A subsidiary of PRC state-owned enterprise which is principally engaged in the construction of ports, waterways and municipal public facilities	39.5%	2015
Macao Government *(Note 2)*	The Government of Macao	26.3%	2014
CSEC-BPP Jo	A joint venture formed between a PRC state-owned enterprise and an Indonesian company which is principally engaged in construction works for wharf engineering	7.7%	2015
China Huadian Engineering (Group) Limited	A subsidiary of a PRC state-owned electricity generation enterprise	4.3%	2012

Name of customer	Business activities/Background	Approximate percentage contribution to total revenue	Business with our customer commenced since
Customer C	A joint venture formed between Customer A and a subsidiary of a construction and civil engineering conglomerate based in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange	4.1%	2013
	Total:	82.0%	

Notes:

1. MTR Corporation Limited is the customer of CHKRJV in the Shatin to Central Link Projects.

2. The Macao Government is the customer of MCRJV in the Macao Project.

All of our Group's top five customers during the Track Record Period were Independent Third Parties. None of our Directors, their close associates or our Shareholders (whom to the knowledge of our Directors own more than 5% of the issued Shares) had any interest in any of our Group's top five customers during the Track Record Period. One of our top five customers for the year ended 31 December 2015, CNFC, was also one of our top five suppliers for the year ended 31 December 2015. The revenue attributable to CNFC for the year ended 31 December 2015 represents approximately 39.5% of our Group's total revenue for such period. The cost of sales attributable to CNFC as our supplier for the year ended 31 December 2015 represented approximately 4.6% of our total purchases for such year. The gross profit attributable to CNFC for the year ended 31 December 2015 was approximately 34.6%. We purchased steel from CNFC (who was also one of our top five suppliers in the year ended 31 December 2015) for our use in the same project in which we performed marine construction works for CNFC, as the purchase price of steel offered by CNFC (the "**CNFC Steel Price**") was relatively lower compared to the then available market price of equivalent steel offered by four other market suppliers. We believe that the reason the CNFC Steel Price was lower than the prices offered by the other four suppliers was because CNFC was able to purchase steel from its suppliers at more favourable prices due to its bulk purchases and that CNFC has a long-term relationship with its suppliers. For illustration purpose, the price charged by CNFC was cheaper than the prices quoted by those four suppliers by approximately 3.6%. Had we purchased the steel from one of the other four suppliers, based on the average price quoted by them, our Group's gross profit and gross profit margin for the year ended 31 December 2015 would have been reduced by approximately HK$0.5 million and 0.1%, respectively.

Pursuant to HKAS 11 "Construction Contracts" and the Group's accounting policies as set out in note 2.14 of Appendix I, the contract revenue with CNFC had been recognised over the period of the contract by reference to the stage of completion. Purchases from CNFC had been recognised as costs incurred in the respective contract and charged to the profit or loss as costs by reference to the stage of completion of the contract activity at the end of the reporting period.

For each of the three years ended 31 December 2013, 2014 and 2015, the percentage of revenue attributable to the Group's five largest customers amounted to approximately 75.7%, 72.6% and 82.0% of the Group's total revenue, respectively, while the percentage of revenue attributable to the Group's largest customer amounted to approximately 27.7%, 25.8% and 39.5%, respectively for the same period.

We do not overly rely on our top five customers

Despite the fact that aforesaid figures during the Track Record Period exhibit a certain degree of revenue concentration from major customers, the Directors consider that we do not overly rely on our top five customers because:

(i) our Group undertakes projects of considerably different scales. A sizeable project undertaken by our Group would contribute to a significant portion of our Group's revenue in the particular period, which would result in the relevant customer becoming one of our top customers in that particular period. Due to the considerable project size, some of those projects are spread over periods longer than one year. Accordingly, some of our major customers were among our top five customers in terms of revenue for consecutive years;

(ii) there is a mutual business dependency and benefit between us and our major customers as our Directors believe that our own fleet of vessels required in marine construction works, our previous job references and our price competitiveness also provide business advantages to our customers when choosing us to perform marine construction works; and

(iii) we have been actively tendering for marine construction projects in Hong Kong and overseas. When a project awarded by a major customer has been completed and in the event that such major customer does not give us new business shortly thereafter, our Directors believe that we would have extra capacity to handle other potential projects from other customers in view of the expected growth in the marine construction industry in Hong Kong and overseas in the near future according to the Euromonitor Report. For example, in late 2014 we secured our first project in Macao, the Macao Project, for which MCRJV acts as the main contractor for the Macao Government commissioned project.

For details of the revenue concentration risk, please refer to the paragraphs headed "Our Group's top five customers accounted for approximately 75.7%, 72.6% and 82.0% of our Group's total revenue for the Track Record Period. Failure to retain our business relationships with them or secure new business may affect our Group's operations and financial performance" in the section headed "Risk factors" in this document.

SEASONALITY AND WEATHER

Our Directors consider that there is no material seasonal pattern of our marine construction works.

Substantially all of our marine construction works are performed on or under water, while our onshore reclamation works are performed along the coastline and our site improvement works are performed onshore. The operation of marine construction works in Hong Kong, Macao, Indonesia and Southeast Asia will be affected by adverse weather conditions such as typhoons, storms or heavy rain, which may lead to the suspension of works to avoid unsafe working conditions and the risk of damaging our vessels and equipment. Such temporary suspension may cause delay to the completion of our works. In case of typhoon or adverse weather conditions, we are usually entitled to additional time for completion of our works under the contracts, but inclement weather increases the risk of cost overruns such as labour and idling of vessels and equipment as well as the risk of damage to our completed works at the project sites and our vessels and equipment. Therefore, in preparing our tender and at the project execution planning stage, we will take into account the location of the project and the impact of seasonal weather patterns, if any, on our marine construction works and we will make allowances for delay due to weather conditions in our planning for the project. We may also need to adjust our sequencing of land-based works and offshore works in case of adverse weather conditions to ensure our works are carried out in a safe manner.

SUPPLIERS

Suppliers of raw materials

Landfilling materials such as sand and rock, diesel, steel and concrete are major raw materials used in our projects. For landfilling materials, we maintain a good relationship with our suppliers to source materials at competitive prices. Steel and concrete are major raw materials we use in port construction, marine piling works and construction of offshore platforms. Unless our customers have specific requirements, we usually source steel and concrete and procure further processed steel and concrete blocks in the PRC, where such materials are cheaper than in Hong Kong and other places where our projects are located, such as Indonesia. We sometimes procure steel and concrete from our customers at fixed prices, and we are usually charged for the materials by our customers through contra charge against our interim payments such that our cash flow burden can be alleviated. Our suppliers of diesel, landfilling materials, steel and concrete typically provide us with credit terms of between 0 and 30 days for our raw material purchases.

The following table sets out the percentages of each major type of raw material accounted for in our total cost of raw materials in our marine construction projects for each of the three years ended 31 December 2013, 2014 and 2015.

	Year ended 31 December					
	2013		2014		2015	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Landfilling materials (sand, rock and reused materials)	60,515	43.2	24,350	35.7	29,135	14.7
Steel	44,164	31.6	8,259	12.1	131,502	66.1
Diesel	15,790	11.3	28,049	41.2	17,117	8.6
Others	19,495	13.9	7,518	11.0	21,134	10.6
	139,964	100.0	68,176	100.0	198,888	100.0

For details of our top five suppliers of raw materials in the Track Record Period, please refer to the paragraphs headed "Top five suppliers" below in this section.

Landfilling materials such as sand and rock are major raw materials for our land reclamation projects in Hong Kong and Macao. For our other marine construction projects involving marine piling works and construction of offshore platforms in Hong Kong and Indonesia, as well as our port construction projects in Indonesia, we mainly use steel and concrete. According to the Euromonitor Report, steel prices in the PRC had been on a declining trend over the past few years since its peak in August 2011 and reached a six year low in the closing months of 2015, until a surging recovery in the first four months of 2016. The price of diesel in Hong Kong has been quite stable since early 2014. Additionally, the prices of concrete in the PRC have been on a declining trend since early 2014 and has remained stable thereafter. We generally purchase raw materials after taking into account our project needs, taking into consideration the delivery time needed for such raw materials and our project timeline. In the event that raw materials prices are expected to increase in the future, we may consider adopting a hedging policy to reduce our exposure to raw materials price risk. We have not entered into any long-term agreement for the purchase of landfilling materials at pre-agreed prices. We have been adopting and intend to continue implementing our cost saving policies in our use and purchase of landfilling materials, including using recycled excavated materials suitable for land reclamation purposes as long as it is practicable and cost-effective.

Suppliers of services

From time to time we need to source (i) vessels and equipment through leasing; (ii) repair and maintenance services for our vessels and equipment; and (iii) transportation services for our vessels, equipment and raw materials. For each of the three years ended 31 December 2013, 2014 and 2015, our cost of sales for these services accounted for approximately 19.4%, 22.7% and 20.2% of our total cost of sales, respectively.

Top five suppliers

During the Track Record Period, purchases from our top five suppliers in aggregate accounted for approximately 54.0%, 43.6% and 43.1% of our total purchases, respectively. Most of our top five suppliers are suppliers of raw materials. In each of the three years ended 31 December 2013, 2014 and 2015, our largest raw materials supplier accounted for approximately 20.4%, 15.8% and 16.0% of our total cost of sales, respectively.

The following information sets out the profiles of our top five suppliers during the Track Record Period:

Year ended 31 December 2013

Name of supplier	Principal business with our Group	Amount of purchases *(approximate, in millions and in HK$)*	Approximate percentage contribution to total purchases	Business with our supplier commenced since
Supplier A	Supplying raw materials and logistics arrangement	47.7	20.4%	2012
Supplier B	Supplying rock (landfilling materials)	30.6	13.1%	2012
Supplier C	Supplying rock (landfilling materials)	22.6	9.7%	2012
Supplier D	Supplying diesel	12.9	5.5%	2009
Supplier E	Vessel & equipment rental	12.5	5.3%	2012
	Total:	126.3	54.0%	

Year ended 31 December 2014

Name of supplier	Principal business with our Group	Amount of purchases *(approximate, in millions and in HK$)*	Approximate percentage contribution to total purchases	Business with our supplier commenced since
Supplier D	Supplying diesel	18.6	15.8%	2009
Supplier F	Vessel and equipment rental	9.7	8.2%	2014
Supplier G	Vessel and equipment rental, landfilling materials	8.2	6.9%	2013
Supplier B	Supplying rock (landfilling materials)	7.6	6.4%	2012
Supplier A	Supplying raw materials and logistics arrangement	7.4	6.2%	2012
	Total:	51.5	43.6%	

Year ended 31 December 2015

Name of supplier	Principal business with our Group	Amount of purchases *(approximate, in millions and in HK$)*	Approximate percentage contribution to total purchases	Business with our supplier commenced since
Supplier H	Supplying steel	52.1	16.0%	2015
Supplier I	Supplying steel	37.7	11.6%	2015
Supplier J	Logistics arrangement	18.5	5.7%	2015
Supplier G	Vessel and equipment rental, landfilling materials	17.0	5.2%	2013
CNFC Guangzhou Harbour Engineering Company *(Note)*	Supplying steel	14.9	4.6%	2015
	Total:	140.3	43.1%	

Note:

This supplier is also one of our top five customers for the financial year ended 31 December 2015 referred to in the paragraph headed "Customers – Top five customers" in this section.

All of our Group's top five suppliers for the Track Record Period are Independent Third Parties. None of our Directors, their close associates or our Shareholders (whom to the knowledge of our Directors own more than 5% of the issued Shares) had any interest in any of our Group's top five suppliers during the Track Record Period. One of our top five suppliers, CNFC, was also one of our top five customers for the year ended 31 December 2015.

SUBCONTRACTING ARRANGEMENTS

We generally perform the major components of works in a project ourselves. Sometimes we subcontract certain non-major components of works for which we do not have the required expertise and qualifications to subcontractors, such as diving works, testing works and environmental monitoring works to be carried out by professionals and licenced specialists.

Criteria for selection of subcontractors and control of quality

We select subcontractors based on a number of strict criteria, including their price, equipment, experience and our evaluation of their past performance. We maintain a list of preferred subcontractors and review and update the list periodically. We generally use the

subcontractors from our own approved list. However, sometimes we may engage new subcontractors through referrals from other market participants. We will assess their qualifications and past job references to decide whether to engage such new subcontractors to perform the specific types of works.

Top five subcontractors

During the Track Record Period, subcontracting fees paid to our top five subcontractors in aggregate accounted for less than 30% of our total cost of sales for each of the three years ended 31 December 2013, 2014 and 2015, respectively.

The following information sets out the profiles of the top five subcontractors during the Track Record Period:

Year ended 31 December 2013

Name of subcontractor	Principal business with our Group	Business with our subcontractor commenced since
Subcontractor A	Site improvement works	2012
Subcontractor B	Diving works	2011
Subcontractor C	Site improvement works	2013
Subcontractor D	Piling works	2013
Subcontractor E	Site improvement works	2013

Year ended 31 December 2014

Name of subcontractor	Principal business with our Group	Business with our subcontractor commenced since
Subcontractor F	Earthworks	2012
Subcontractor B	Diving works	2011
Subcontractor G	Marine construction works	2014
Subcontractor A	Site improvement works	2012
Subcontractor H	Sourcing of labour	2011

Year ended 31 December 2015

Name of subcontractor	Principal business with our Group	Business with our subcontractor commenced since
Subcontractor I	Precast reinforced concrete units	2015
Subcontractor J	Site improvement works	2015
Subcontractor K	Precast reinforced concrete units	2015
Subcontractor L	Marine construction works	2015
Subcontractor G	Marine construction works	2014

All of our Group's top five subcontractors during the Track Record Period were Independent Third Parties. None of our Directors, their close associates or our Shareholders (whom to the knowledge of our Directors own more than 5% of the issued Shares) had any interest in any of our Group's top five subcontractors during the Track Record Period.

Principal terms of subcontracts

We do not enter into long-term agreements with our subcontractors. We engage them on a project-by-project basis.

Our subcontracts are either fixed-unit-price remeasurement or lump sum contracts. Our subcontractors are required to submit interim payment applications to us, usually on a monthly basis, to apply for payment of their works completed during the month. Generally, we are required to settle payments to them within 30-90 days upon receiving their payment applications based on the quantity of their completed works. We usually retain 5% to 10% of each payment as retention money for up to 5% of their total contract sum. The retention money will be released to the subcontractor after approximately one year of completion of all the works in the subcontract. We closely supervise the work quality of our subcontractors to ensure their compliance with our standards and requirements, as we are liable to our customers for any defects or delays in the works performed by our subcontractors. We will be liable to fix such defects before the expiry of our defect liability period in our contracts entered into with customers, and we may also be liable for damages or our payments being withheld by customers as a result of any defective works performed or delays caused by our subcontractors. In case of defects in works by our subcontractors, we are normally entitled to require our subcontractors to rectify the defects at their own cost, claim damages against our subcontractors for any damage caused, or terminate the subcontract. In case our subcontractors cause delays to the completion of our projects, depending on the circumstances of the delays, we are generally entitled to claim damages against our subcontractors and terminate their subcontracts. For more information on the risks associated with subcontracting work, please refer to the paragraph headed "Risks associated with third party subcontractors for our projects" in the section headed "Risk factors" in this document.

Our Group does not overly rely on any single supplier of raw materials or services or subcontractor. Our Directors consider that all the principal raw materials used or utilised by our Group can be purchased from a number of alternative suppliers at terms comparable to the

Group's current suppliers, and the subcontracting works undertaken by our subcontractors are available from a number of alternative subcontractors. During the Track Record Period, the Group did not encounter any shortage in the supply of the required raw materials or services from its suppliers, or difficulty in identifying suitable subcontractors.

LICENCES AND PERMITS

The following table sets out the details of our Group's licenses and qualifications as at the Latest Practicable Date:

Licence and qualification	Holder	Issuing/ supervising authority	Type(s) of works covered	Expiry date
List of Approved Contractors for Public Works under Group B for port works (on probation)	HKR	Development Bureau	Port works	N/A *(Note 1)*
Registered Subcontractor	HKR	Construction Industry Council	Various trades including demolishment works, piling works, cementing works, scaffolding works, structural steel works, general civil engineering works and metal works	20 July 2016 *(Note 2)*
Registered Constructor	MCR	The Land, Public Works and Transport Bureau of Macao under the Macao General Construction Works Regulation	All kinds of construction works	31 December 2016
Construction Service Certificate	PTIR	Construction Services Development Board of Indonesia	Types of works not specified; required for providing construction services in Indonesia	29 September 2017
Business Licence on Construction Service	PTIR	Investment Coordinating Board of Indonesia	Types of works not specified; required for providing construction services in Indonesia	17 November 2018 *(Note 3)*

Note:

1. "N/A" denotes not subject to any periodic renewal conditions.

2. As at the Latest Practicable Date, HKR has duly submitted the prescribed application for renewal together with the required information and supporting documents to the Construction Industry Council and the renewed registration certificate has been approved and will be effective from 21 July 2016.

3. As at the Latest Practicable Date, PTIR possessed two Business Licences on Construction Service, one of which was issued in Sukabumi, Indonesia ("**Sukabumi Licence**"), and the other was issued in Jakarta, Indonesia ("**Jakarta Licence**"). In accordance with the previously enacted Indonesia laws, PTIR renewed and obtained the Sukabumi Licence in Sukabumi which was the domicile of its projects at the time of application, and the Sukabumi Licence is valid from 1 January 2016 to 31 December 2016. In early 2016, the Regulation of the Minister of Public Works Number 03/PRT/M/2016 on Technical Guidelines on the provision of Construction License for Foreign Investment Company was implemented, pursuant to which PTIR was required to submit an application for Business Licence on Construction Service to the central government in Jakarta. Accordingly, the Jakarta Licence was obtained by PTIR and is valid until 17 November 2018. As advised by the Indonesia Legal Adviser, each of the Sukabumi Licence and the Jakarta Licence was effective throughout the territory of the Republic of Indonesia. Since it is sufficient for PTIR to hold one valid Business Licence on Construction Service under Indonesian laws and regulations as advised by the Indonesia Legal Adviser, it is the intention of PTIR that it will apply for the cancellation of the Sukabumi Licence in due course.

In early August 2015, our eligibility to tender for public works under our qualification of being on the Contractor List was temporarily suspended due to our late filing of the audited accounts of HKR for the year ended 31 December 2014 with the Development Bureau. The suspension was lifted in late September 2015 after we filed the audited accounts of HKR for the year ended 31 December 2014 with the Development Bureau. For details of the risks associated with our business operations under various licences and permits, please refer to the paragraphs headed "Risks relating to our business" in the section headed "Risk factors" in this document.

Save as disclosed in the paragraphs headed "Non-compliance" in this section, our Directors confirm that our Group has obtained all necessary licences, permits, consents and approvals for our Group's business operations in jurisdictions where our Group operates. Our Directors confirm that our Group did not experience any material difficulties in obtaining and/or renewing such licences, permits, consents and approvals. Furthermore, our Directors confirm that they are not aware of any circumstances that would significantly hinder or delay the renewal of such licences, permits, consents and approvals.

For details of the internal control measures adopted by our Group to ensure on-going compliance with the requirements of all our major licenses and permits, please refer to the paragraphs headed "Internal control" in this section.

MARKET AND COMPETITION

For details of the competitive landscape, barriers to entry and overview of the marine construction industry in the various markets in which we operate, please refer to the section headed "Industry overview" in this document.

SALES AND MARKETING

Notwithstanding the fact that our Group does not maintain a full-time team of sales and marketing staff, our management team maintains frequent contact with both public and private sector participants in the construction industry in Hong Kong, Macao and overseas to keep abreast of market developments and potential business opportunities. Having been in operation in Hong Kong since 2001, and as our key management members have prior experience in

managing similar projects overseas, we have developed a good reputation in the construction industry. Through our executive Directors' extensive experience in working in PRC state-owned construction enterprises and their branch offices in Hong Kong and overseas, we also learn of new business opportunities in infrastructure projects to be undertaken or tendered by such construction enterprises in Hong Kong, Macao and Southeast Asia. Our Directors believe that we have maintained and will be able to continue to maintain good relationships with customers, potential customers, suppliers, subcontractors and other parties involved in the business.

QUALITY CONTROL

Our Group emphasises our ability to deliver quality work on time and within our pre-determined project budget. To execute the quality assurance policy of our Group, we have implemented the following procedures:

1. *Supervision of works:* In each of our projects, we will assign one of our executive Directors or member of our senior management to be the project manager to oversee the project. The project manager will carry out inspections on the works performed by us and our subcontractors on a regular basis to ensure that the works completed will satisfy our customers' requirements, and to monitor the progress of works to ensure they can meet our project timeline and stay within budget. In addition, we will assign site supervisor(s) to be stationed at one or two project sites at a time to oversee the project works and our subcontractors' works on a daily basis. Our site supervisor(s) will monitor the work progress, safety and workmanship of our and our subcontractors' works. The site supervisor(s) reports to the project manager and is also responsible for coordination between our project team, subcontractors and customers on the project sites.

2. *Regular meetings with customers:* During execution of our projects, we also communicate with our customers on a daily or weekly basis, including face-to-face meetings at project sites to report on our progress, our understanding of customers' requirements, to respond to our customers' directions and queries on the performance of our works to make sure that all our works and our subcontractors' works are carried out in accordance with the requirements of our customers.

3. *Quality control over raw materials:* Depending on the types of project works, before we purchase raw materials such as landfilling materials, steel and concrete, we normally purchase such raw materials from our own internal approved list of suppliers which we consider to be reliable in terms of quality and timing of delivery. We also inspect the raw materials at the suppliers' production base before bulk shipment to ensure the quality can meet our project requirements. In projects involving landfilling materials, the quality control personnel of our customers will conduct joint inspections with our project management team at the suppliers' production base to ensure the raw materials are acceptable to our customers before shipment to the project sites. Raw materials that do not meet the standards or

specifications of our projects will be returned. In addition, to ensure a stable supply of raw materials, we have maintained good and established working relationships with our suppliers. In some of our projects, we may procure steel and/or concrete from our customers so that we can ensure such raw materials satisfy our customers' requirements.

4. *Choosing subcontractors:* We have maintained our own approved list of subcontractors (when necessary, such as qualified divers, environmental monitoring specialists and testing works), which we have selected based on their professional qualifications, experience, past job references, quality of works, reputation, efficiency, timing of delivery and price competitiveness. We normally engage subcontractors on our own approved list of subcontractors, and we will review such list from time to time based on the abovementioned criteria.

5. *Regular internal meetings:* Our executive Directors and project management teams will meet on a regular basis during which the status of projects, technical problems encountered, quality of raw materials, allocation of manpower and management of labour and subcontractors will be discussed to resolve problems and ensure we can complete the works on schedule.

Our quality management system has been certified under the ISO9001:2008 quality management systems standard application to construction of civil engineering works (port works, site formation) issued by the Hong Kong Quality Assurance Agency on 31 July 2012, and is valid until 30 July 2018.

RISK MANAGEMENT

In order to effectively evaluate, manage and mitigate risks, including but not limited to financial, operational, legal, regulatory, technology, business and strategic risks faced by our Group, we have established a risk management committee with written terms of reference in compliance with the Corporate Governance Code provisions as set forth in Appendix 14 to the Listing Rules. For details about the duties of our risk management committee, please refer to the paragraph headed "Board committees – Risk management committee" in the section headed "Directors, senior management and employees" in this document.

Our risk management committee, with the assistance of our senior management, is responsible for identifying, analysing, evaluating and determining the risks and the nature and extent of the risks that our Company is willing to take in achieving our strategic objectives. Our risk management process starts with identifying the major risks associated with our business, industry and markets where we operate. For details of such risks, please refer to the section headed "Risks factors" in this document. Depending on the assessment of the likelihood and potential impacts of the relevant risks which our Group may face, under the leadership of Mr. Yu, an executive Director and chairman of the risk management committee, our management will devise contingency plans and take mitigating actions when necessary and appropriate. Our risk management committee will conduct regular reviews on the status and results of the mitigating actions taken to measure and improve the effectiveness of our mitigation plans, contingency plans and risk management procedures.

Our Board, as a whole, is responsible for carrying out corporate governance functions and has adopted written terms of reference in compliance with the Corporate Governance Code provisions as set forth in Appendix 14 to the Listing Rules for defining the scope of such functions. For details of the written terms of reference of our Board's corporate governance functions, please refer to the paragraph headed "Board committees – Corporate governance functions" in the section headed "Directors, senior management and employees" in this document.

For details of the qualifications and experiences on the members of our risk management committee, our Board and our senior management, please refer to the section headed "Directors, senior management and employees" in this document.

OCCUPATIONAL HEALTH AND SAFETY

Our Group has established procedures to provide our workers with a safe and healthy working environment by adopting work safety rules for employees to follow. Our occupational health and safety measures that are required to be followed by our employees and workers include, among others:

- all members of our project management team, our direct labour and our subcontractors' labour are required under Section 6BA(2) of the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) to obtain a Construction Industry Safety Training Certificate, commonly known as the "Green Card", through attending a training course recognised by the Labour Department in order to be allowed to enter construction sites. A "Green Card" is valid for a period from one year to three years. A holder of a "Green Card" shall renew his/her card before it expires by attending revalidation courses recognised by the Labour Department;

- all of our crew members and those of our subcontractors are required under sections 19, 51 and 54 of the Merchant Shipping (Local Vessels) (Works) Regulation (Cap. 548I) and sections 19, 50 and 53 of the Shipping and Port Control (Works) Regulation (Cap. 313X) to obtain a relevant valid certificate of training, commonly known as the "Blue Card" through attending a training course recognised by the Marine Department in order to carry out works on board a vessel in Hong Kong waters. A "Blue Card" is valid for three years. A holder of a "Blue Card" shall renew his/her card before it expires by attending refresher courses recognised by the Marine Department;

- our staff and our subcontractors' workers entering project sites are required to observe the occupational health and safety measures and policy of the main contractor of the project, which are put up at conspicuous locations at the relevant project site;

- for our projects located in Hong Kong, our Group is normally required by our customers to arrange for our staff, workers and our subcontractors' staff and workers

entering the project sites to attend induction safety training courses provided by the main contractor when they first enter the project site to commence their works. In the Shatin to Central Link Projects, CHKRJV, as the main contractor, was responsible for providing these safety training courses to the workers entering the project sites;

- weekly and monthly safety and environmental inspections on site by our project managers to ensure compliance with the statutory safety rules and regulations during the execution of our works and our subcontractors' works; and

- in the Shatin to Central Link Projects, as the main contractor, CHKRJV, has implemented an incentive scheme such as a monthly "Safety Award" which is given to the workers of our projects to recognise their good performance and compliance with site safety measures.

Pursuant to the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and the typical agreements with our customers and/or the insurance companies, accidents and injuries in Hong Kong involving employees of our Group and our subcontractors during the course of their employment are required to be reported to the Labour Department and/or our customer and/or the insurance company in accordance with the procedures required by law or the relevant insurance policies. We also maintain an internal record of such accidents and injuries.

Accidents in projects

During the Track Record Period and up to the Latest Practicable Date, we have recorded three accidents involving two individuals who were employed by our subcontractor and one was employed by a sub-subcontractor of our main contractor and/or HKR. The following table sets out the nature of the three accidents:

Date of accident	Nature of accident	Employer of injured worker	Nature of claim	Insurance coverage	Status as at the Latest Practicable Date
6 February 2013	A worker's back was injured when he was working at one of the Shatin to Central Link Projects.	Employee of a subcontractor of CHKRJV	Employees compensation proceedings and personal injury proceedings have been initiated in which claims for damages were made against CHKRJV.	Our Directors confirmed that the insurance cover maintained by the main contractor, CHKRJV would be sufficient to cover all liabilities of CHKRJV.	The incident was reported to the insurer and the two court cases are being handled by the insurer as at the Latest Practicable Date.

Date of accident	Nature of accident	Employer of injured worker	Nature of claim	Insurance coverage	Status as at the Latest Practicable Date
12 March 2014	A worker suffered from a right upper arm fracture when he was working at one of the Shatin to Central Link Projects.	Employee of a subcontractor of CHKRJV	Accident report filed with CHKRJV. Nature of claim is not available as legal proceedings have yet to commence.	Our Directors confirmed that the insurance cover maintained by the main contractor, CHKRJV, would be sufficient to cover all liabilities of CHKRJV.	The incident was reported to the insurer. Legal proceedings have yet to commence.
2 February 2015	A worker's back was injured when he was working in Contract H.	Employee of sub-subcontractor of main contractor, Chun Wo-CRGL-MBEC Joint Venture ("**CCMJV Main Contractor**") and/or HKR	Employees' Compensation proceedings have been initiated in which claims for damages were made against CCMJV Main Contractor, HKR and sub-subcontractor of CCMJV Main Contractor	Our Directors confirmed that the insurance cover maintained by CCMJV Main Contractor would be sufficient to cover all liabilities.	The incident was reported to the insurer of CCMJV Main Contractor.

During the Track Record Period and up to the Latest Practicable Date, save for the three reported accidents mentioned above, our Group has not recorded any other reportable accidents involving injury to our workers or our subcontractors' workers.

ENVIRONMENTAL PROTECTION

For details of the environment and safety related laws and regulations applicable to our operations, please refer to the section headed "Regulatory overview" in this document.

Our activities may generate water, noise and air pollution which may give rise to environmental concerns. We are subject to a variety of regulations in Hong Kong, Macao and other countries where our overseas customers are situated relating to the discharge and disposal of contaminated sediments from our dredging operations and pollution as a result of reclamation, marine piling and marine foundation construction works. We have adopted and implemented various systems and measures to minimise the possibility of causing environmental pollution and to preserve the marine ecological environment, as set out below:

- Prior to the submission of tender documents or quotation for a marine construction works project, we will review the relevant tender documents to identify the potential environmental protection requirements applicable to the project works and assess whether our Group has the capability to meet such requirements.

- After we have been awarded the contract, we will take into consideration the environmental impact in our project planning and design of project work method statements, as well as setting and reviewing environmental objectives and targets to meet the statutory requirements.

- All our vessels are equipped with fuel leakage defence equipment such as chemical foams and blankets for suppressing the spread of floating fuel spills in case of leakage from our vessels.

- In some cases, as part of our project works, we are required to supply and install marine facilities to prevent contamination and adverse impacts caused to the marine ecological environment. For example, in carrying out land reclamation works, we may also be engaged to supply and install silt curtains to prevent sediment pollution. Moreover, in the past we have been required by one of our customers to supply and install underwater bubble curtains which acts as a noise barrier surrounding our marine piling works to reduce the noise level generated by the marine piling works, which may threaten dolphins.

- In carrying out our dredging and excavation works, we are usually required to dispose of the dredged or excavated materials which are not suitable for use in land reclamation, or contain contaminated sediment by transporting such materials to government designated dumping areas at sea or onshore and we are required to obtain dumping permits from relevant government departments.

- Pursuant to the Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) ("**NCO**"), carrying out of general construction work using powered mechanical equipment during restricted hours, (that is between 7 p.m. and 7 a.m. or at any time on a general holiday including Sunday), is prohibited unless a valid Construction Noise Permit has been obtained . Depending on the nature of our works and the noise level generated from such works, if necessary, we will comply with the restrictions under the NCO and apply for and maintain a valid Construction Noise Permit issued by the Environmental Protection Department for carrying out works during restricted hours.

These measures set out detailed guidelines on the management and prevention of oil, sediment and noise pollution underwater and control of vessel emissions and disposal of materials. Our project managers are responsible for monitoring and ensuring that these measures are implemented and maintained by our Group, as well as compliance by our subcontractors and their works, where applicable. In particular, our project managers will discuss environmental issues with our project teams and subcontractors in their regular meetings during the course of a project.

During the Track Record Period and up to the Latest Practicable Date, the aggregate costs of compliance with environmental laws and regulations incurred by our Group was approximately HK$1.9 million. To the best of our Directors' knowledge, information and belief, we do not expect our costs of compliance with environmental laws and regulations to increase significantly in the near future.

During the Track Record Period and up to the Latest Practicable Date, our Group did not record any administrative sanctions or penalties imposed upon us for violation of any environmental or safety laws or regulations.

INSURANCE

During the Track Record Period and up to the Latest Practicable Date, our Group has secured insurance policies such as employees' compensation insurance, office insurance and vessels third party insurance. Our Directors consider that the existing insurance coverage is adequate having regard to our current operations and is in line with prevailing industry practice. Our Directors confirm that, save for a minor sea traffic incident which resulted in a potential claim for re-painting costs, no claims have been made in respect of any of our Group's insurance policies during the Track Record Period and up to the Latest Practicable Date.

Employees' compensation insurance

Pursuant to Section 40 of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), all employers are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and common law for injuries at work in respect of all their employees (including full-time and part-time employees). Our Group has taken out insurance policies for our general staff in accordance with such requirement while our customers, as the main contractors or project owners, are responsible for purchasing and maintaining the employees' compensation insurance for workers working on project sites.

Contractors' all risks insurance

For our projects in Hong Kong, contractors' all risks insurance is generally purchased by our customers pursuant to the contracts; such insurance covers our liabilities and our subcontractors' liabilities arising from the projects. For the Macao Project and the Shatin to Central Link Projects, MCRJV and CHKRJV, respectively, as the main contractor, were both required to purchase contractors' all risks insurance to cover our subcontractors' liabilities. For our overseas projects, the responsibility for purchasing contractors' all risks insurance and other relevant third party liability insurance differs case by case and depends on the terms of the individual contracts.

Marine vessel insurance

Pursuant to the Sections 23C and 23D of the Merchant Shipping (Local Vessels) Ordinance (Chapter 548 of the Laws of Hong Kong), in respect of our vessels registered locally and used in our marine construction works and/or used by lessees in our leasing services in

Hong Kong waters, we are required to purchase third party insurance for our vessels to insure against our liabilities or, as the case may be, the users' liabilities in respect of death or bodily injury to any person caused by or arising out of the use of the vessels in Hong Kong waters. According to Macao laws, marine vessel insurance is only mandatory for recreational crafts. As such, we are not required to purchase or maintain any insurance for the vessels we currently own or utilise in Macao, which are categorised as tugboats, workboat, barges and traffic boats.

Social insurance and housing provident fund

As required by employment laws in Hong Kong, our Group participates in a provident fund scheme registered under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all our [**REDACTED**] in Hong Kong.

For our operation in Macao, during the Track Record Period and up to the Latest Practicable Date, we only have one employee and we have contributed to the social insurance fund for this employee in accordance with Macao laws.

For our operation in Indonesia, during the Track Record Period and up to the Latest Practicable Date, we have contributed to the employees social insurance in accordance with Indonesia laws.

For our projects in Vietnam, during the Track Record Period and up to the Latest Practicable Date, we did not directly employ any workers or staff in Vietnam and all the project site works carried out in Vietnam were carried out by employees of our subcontractors and our customer. Therefore, we were not required to register or make contributions to employees social insurance under Vietnam laws.

EMPLOYEES

Set out below is the number of our employees by function as at 31 December 2013, 2014 and 2015:

	As at 31 December		
	2013	**2014**	**2015**
– Management and administration (including Directors)	5	5	5
– Accounting and finance department	4	3	3
– Human resources	3	2	2
– Project management, safety, quality, environmental compliance and materials procurement (including project managers, engineers, site agents, quantity surveyors)	27	33	26
– Work execution (vessel crew members, supervisors and workers)	45	59	50
Total	84	102	86

Relationship with staff

Our Directors believe that the relationship and cooperation between our management team and our employees has been good and we have not experienced any incidence of work stoppage or labour disputes during the Track Record Period. Our Directors also confirm that our Group has not encountered difficulty in employing and retaining staff which led to material delays to our projects during the Track Record Period.

We focus on training our management and key personnel to develop their management and decision-making abilities to enhance their work performance. We also train our crew members and operators to acquire and maintain up-to-date knowledge and skills to operate the vessels and equipment. In addition, all of the personnel at our work sites, including our Group's own personnel and the employees of our subcontractors, are required to attend a construction industry safety training course on occupational health and safety regulations at construction sites and obtain a training certificate before entering work sites.

Remuneration policy

Our Group entered into separate employment contracts with each of our employees in accordance with the applicable employment laws in the relevant jurisdictions, depending on the location of work of the employee.

The remuneration package offered by our Group to our employees includes basic salary, bonuses and other cash allowances or subsidies. Our Group determines the salary of our employees mainly based on each employee's qualifications, relevant experience, position and seniority. We conduct annual reviews of our employees to consider salary raises, bonuses and promotions based on their performance.

PROPERTIES

Our Group does not own any property.

As at the Latest Practicable Date, we leased two properties in Hong Kong, one in Macao and one in the PRC, details of which are set out below:

No.	Location of property	Gross floor area *(approximately)*	Duration	Rent	Usage
1.	Unit Nos. 04 - 05 on the 5th Floor, K. Wah Centre, No. 191 Java Road, North Point, Hong Kong	2,400 sq.ft.	Two years from 1 January 2016 to 31 December 2017 (both days inclusive)	HK$75,000 per month (plus management fee and central air conditioning charge of HK$14,468.44 per month)	Office

No.	Location of property	Gross floor area *(approximately)*	Duration	Rent	Usage
2.	Unit Nos. 09 - 10 on the 12th Floor, K. Wah Centre, No. 191 Java Road, North Point, Hong Kong	2,189 sq.ft.	Two years from 1 July 2015 to 30 June 2017 (both days inclusive)	HK$58,400 per month (plus management fee and central air conditioning charge of HK$13,556.34 per month)	Office
3.	澳門氹仔東北馬路312號海明灣畔(第二座)15樓E單位連210號車位	2,055 sq.ft.	Two years from 10 January 2015 to 9 January 2017 (both days inclusive)	HK$28,000 per month for the period from 10 January 2015 to 9 January 2016 (inclusive of land tax, property tax and management fee) and HK$30,800 per month for the period from 10 January 2016 to 9 January 2017	Residential
4.	珠海市香洲區拱北迎賓南路1144號1座403(c)	114 sq.m.	One year from 31 May 2016 to 31 May 2017 (both days inclusive)	RMB4,000 per month	Residential

During the Track Record Period, we did not experience any difficulty in renewing the leases.

These properties leased by our Group are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our offices, staff quarters and for accommodation purposes for our Directors and senior management when attending business trips to Macao and the PRC. According 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 document 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 our Group's property interests, for the reason that, as of 31 December 2015, none of our property interests have a carrying amount of 15% or more of our combined total assets. Pursuant to Chapter 5 of the Listing Rules, this document is not required to include valuations of our leased properties.

INTELLECTUAL PROPERTY RIGHTS

Details of our Group's intellectual property rights are set out in the paragraphs headed "Intellectual property rights of our Group" in Appendix IV to this document.

As at the Latest Practicable Date, we have not been sued by any third party for infringement of intellectual property rights.

NON-COMPLIANCE

Save as disclosed below, the Directors confirm that our Group has complied with the applicable laws, rules and regulations in all material aspects in the relevant jurisdictions in which our Group had business operations during the Track Record Period and up to the Latest Practicable Date. Set out below are the material non-compliance incidents of our Group:

Company involved	Summary of non-compliance incidents	Reason(s) for non-compliance	Possible legal consequences and maximum penalty (if any), potential financial and operational impact on our Group	Rectifications actions and the enhanced internal control measures to prevent recurrence of the non-compliance
HKR	Between April 2011 and June 2012, HKR entered into four subcontracts with a main contractor which is a PRC entity ("**Main Contractor**"), pursuant to which HKR was engaged by Main Contractor to carry out certain works relating to the site improvement work for construction of the Formosa Ha Tinh Steel Factory in Vietnam ("**Formosa Project**"), namely, supplying materials and equipment, and sourcing personnel. The Formosa Project was completed in 2013. HKR failed to apply for a contractor permit in accordance with the applicable laws of Vietnam. Pursuant to Article 3.1 of Decision 87 of the Prime Minister of Vietnam dated 19 May 2004, foreign contractors are only permitted to conduct construction activities in Vietnam after they have obtained a contractor permit in accordance with the laws of Vietnam. Under Article 3.1 of the Construction Law 2003 (the "**Construction Law**"), construction activities include, among others, construction planning, construction survey, construction design, execution of construction works, supervision of the execution of construction works, management of investment projects for construction of works, and selection of contractors for construction activities. Article 45.1 of the Construction Law further clarifies that "management of investment projects for construction of works" includes management of quality, volume, progress, labour safety, and construction environment.	Mr. Li Shuai, the manager of the Formosa Project, was not aware of any permit or licence needed for conducting the works under the Formosa Project in Vietnam. The Formosa Project was the first project in Vietnam that our Group was engaged in. Despite our role as a subcontractor, we only sourced materials and personnel for the project, as well as provided technical advice and services. Our Group did not utilise any of our own personnel or vessels and equipment for services provided in respect of the Formosa Project. At the relevant time, Main Contractor confirmed with HKR that they would be responsible for the obtaining of all the necessary approvals and permits from the local authorities for the entire construction project, of which the Formosa Project formed part. The works provided by HKR in the Formosa Project mainly included provision of technical services and advice regarding the operation of equipment and sourcing of raw materials and personnel. Accordingly, no actual construction work was carried out by personnel or vessels and equipment of our Group as the execution of site works was performed by HKR's subcontractors from the PRC and Vietnam. Given that the Main Contractor confirmed they had obtained all required permits and approvals for the entire project, our Directors were not aware that the scope of services provided by our Group to the Formosa Project would be deemed, under Vietnam laws, to be an act of conducting construction activities in Vietnam, resulting in the need to apply for a contractor permit and the establishment of an operation office in Vietnam.	According to Article 32.2 of Decree 121 of the laws of Vietnam dated 10 October 2013, a foreign contractor conducting construction activities in Vietnam without obtaining a contractor permit would be subject to an administrative fine of up to VND40,000,000 (equivalent to approximately US$1,790). Other than that, the laws of Vietnam do not provide for any criminal liabilities against the managers or employees due to failure to obtain a contractor permit. As at the Latest Practicable Date, HKR has not received any notice of sanction, penalty or prosecution from authorities in Vietnam regarding its failure to obtain a contractor permit in Vietnam for the implementation of the works under the Formosa Project. In light of the above and given that (i) the maximum monetary fine for HKR's failure to obtain a contractor permit is not a substantial amount (i.e., VND40,000,000 (equivalent to approximately US$1,780)), our Vietnam Legal Adviser was of the view that it is unlikely that HKR will be imposed any additional penalty by Vietnamese authorities for its failure to obtain a contractor permit in Vietnam for the implementation of the works under the Formosa Project.	We have assigned Mr. Yu, our executive Director, to engage local legal advisers and seek local legal advice in relation to the permits and licences required for conducting projects prior to the commencement of new projects, especially for those countries in which we have not engaged in projects previously. Our project managers will periodically review the permits and licences required for conducting the projects in various countries and apply/renew the permits and licences when necessary. Should there be any changes to the local compliance requirements or any expiration and renewal of key permits and licenses, our project managers will timely inform Mr. Yu. For other internal control measures, please refer to the paragraphs headed "Internal control" in this section.

Company involved	Summary of non-compliance incidents	Reason(s) for non-compliance	Possible legal consequences and maximum penalty (if any), potential financial and operational impact on our Group	Rectifications actions and the enhanced internal control measures to prevent recurrence of the non-compliance
HKR	For the implementation of the works in the Formosa Project, HKR had not established any operation office in Vietnam. Pursuant to Articles 7.2(a) and 7.2(b) of Decision 87 of the Prime Minister of Vietnam dated 19 May 2004, foreign contractors assigned with construction projects in Vietnam must establish an operation office and register its address, phone number, fax, email and seal with the competent authorities of the province where the project is implemented. For projects implemented in more than one province, the foreign contractor can establish an operation office in each province where the project is implemented.	Mr. Li Shuai, the manager of the Formosa Project, was not aware of any operation office needed for conducting the works under the Formosa Project in Vietnam. The Formosa Project was the first project in Vietnam that our Group was engaged in. Despite our role as a subcontractor, we only sourced materials and personnel for the project, as well as provided technical advice and services. Our Group did not utilise any of our own personnel or vessels and equipment for services provided in respect of the Formosa Project. At the relevant time, Main Contractor confirmed with HKR that they would be responsible for the obtaining of all the necessary approvals and permits from the local authorities for the entire construction project, of which the Formosa Project formed part. The works provided by HKR in the Formosa Project mainly included provision of technical services and advice regarding the operation of equipment and sourcing of raw materials and personnel. Accordingly, no actual construction work was carried out by personnel or vessels and equipment of our Group as the execution of site works was performed by HKR's subcontractors from the PRC and Vietnam. Given that the Main Contractor confirmed they had obtained all required permits and approvals for the entire project, our Directors were not aware that the scope of services provided by our Group to the Formosa Project would be deemed, under the Vietnam laws, to be an act of conducting construction activities in Vietnam, resulting in the need to apply for a contractor permit and the establishment of an operation office in Vietnam.	According to the Vietnam Legal Adviser, the law of Vietnam is silent on the legal consequences that may be imposed against a foreign contractor operating in Vietnam without establishing an operation office in Vietnam. Thus, it is not certain under the law of Vietnam whether the failure by HKR to establish an operation office in Vietnam during its implementation of the Formosa Project would result in any sanction or penalty imposed against HKR. As at the Latest Practicable Date, HKR has not received any notice of sanction, penalty or prosecution from authorities in Vietnam regarding its failure to establish an operation office in Vietnam for the implementation of the works under the Formosa Project. In light of the above and given that the Vietnamese law is silent on the legal consequence that may be imposed against a foreign contractor operating in Vietnam without establishing a local operation office, our Vietnam Legal Adviser was of the view that it is unlikely that HKR will be imposed any administrative sanction or penalty by Vietnamese authorities for its failure to establish an operation office in Vietnam for the implementation of the works under the Formosa Project.	We have assigned Mr. Yu, our executive Director, to engage local legal advisers and seek local legal advice in relation to the operation office(s) required for conducting projects prior to the commencement of new projects, especially for those countries in which we have not engaged in projects previously. Our project managers will periodically review the necessary conditions including operation office(s) required for conducting the projects in various countries so as to comply with the prevailing laws and regulations of the relevant countries. Should there be any changes to the relevant laws and regulations in the countries where our Group operates, our project managers will inform Mr. Yu in a timely manner. For other internal control measures, please refer to the paragraphs headed "Internal control" in this section.

Company involved	Summary of non-compliance incidents	Reason(s) for non-compliance	Possible legal consequences and maximum penalty (if any), potential financial and operational impact on our Group	Rectifications actions and the enhanced internal control measures to prevent recurrence of the non-compliance
HKR	In April 2011 and March 2013, HKR entered into two contracts with a local entity ("**Indonesia Project Owner**") pursuant to which HKR was appointed by the Indonesia Project Owner as a contractor to carry out the construction services in Indonesia ("**Tegal Buleud Port Construction Project**"). The Tegal Buleud Port Construction Project was completed in 2015. HKR failed to obtain a Construction Services Licence in Indonesia before implementing the works under the Tegal Buleud Port Construction Project. Pursuant to Construction Law No. 18 of 1999 in conjunction with Government Regulation No. 28 of 2000 on Business and the Public Role of Construction Services in Indonesia, as lastly amended by Government Regulation no. 92 of 2010, a company must obtain Construction Services Licences before it may carry out construction service ("**Construction Licences Requirement**"). Construction Services Licences are issued by the Ministry of Public Works and Public Housing.	Mr. Mu Li, the manager of the Tegal Buleud Port Construction Project, was not aware of the Construction Licences Requirement under the laws of Indonesia. When our Group was in discussion with the Indonesia Project Owner regarding the Tegal Buleud Port Construction Project, PTIR was already in operation, and it was also our original intention for PTIR to be engaged in the said project. However, it was upon request from the Indonesia Project Owner that HKR enter into the relevant contract instead of PTIR, which we believed was because HKR possessed a track record in the provision of construction services. HKR enquired with the Indonesia Project Owner, which subsequently confirmed that it would be responsible for obtaining the necessary approvals and permits from the local authorities for the project, as well as local tax reporting matters. As the major scope of work of HKR in the project was to source raw materials from overseas suppliers, and since construction works were performed by HKR's subcontractors, HKR only dispatched a few engineers to the site periodically to provide technical guidance to the subcontractors and to report to the Indonesia Project Owner. As HKR's construction works were entirely conducted by its subcontractors, our Directors were not aware that such scope of work required a construction licence to be obtained before implementing the relevant works. As further advised by the Indonesia Legal Adviser, pursuant to relevant Indonesian law, the legal entity that carries out the activities as construction planner, contractor and construction supervisor must obtain licenses, certificates, classification and meet the qualifications of construction service companies. In view of this provision, the liability to ensure HKR's subcontractors to obtain the relevant required license for carrying out the project work will be borne by each subcontractor.	Pursuant to Construction Law No. 18 of 1999 in conjunction with Government Regulation No. 28 of 2000 on Business and the Public Role of Construction Services in Indonesia, as lastly amended by Government Regulation no. 92 of 2010, violation of the Construction Licences Requirement will cause HKR to be subject to the following sanctions, i.e: (i) warning letter; (ii) temporary termination of construction work; (iii) restriction on business activities and/or professions; (iv) suspension of business and/or professional licences ("**Required Licences**"); and (v) revocation of the Required Licences. The Tegal Buleud Port Construction Project has already been completed and HKR was no longer engaged in any business activities in Indonesia. According to our Indonesia Legal Adviser, the Indonesia regulation does not provide for and HKR is not in a position to rectify the violation to the Construction Licences Requirement by applying for the required registration retrospectively. The Indonesia regulation is silent on the procedures and mechanism of rectification of an already completed project by a foreign legal entity which is no longer involved in any business activities in Indonesia. As further advised by the Indonesia Legal Adviser, Indonesian law is silent on the amount of fine or penalty that may be imposed on HKR under such circumstances given that HKR is no longer engaged in any business activities in Indonesia.	The Group will take up future projects in Indonesia through PTIR instead of HKR. We have assigned Mr. Yu, our executive Director, to engage local legal advisers and seek local legal advice in relation to the permits and licences required for conducting projects prior to the commencement of new projects, especially for those countries in which we have not engaged in projects previously. Our project managers will periodically review the permits and licences required for conducting the projects in various countries and to apply/renew the permits and licences when necessary. Should there be any changes to the local compliance requirements or any expiration and renewal of key permits and licenses, our project managers will inform Mr. Yu in a timely manner. For other internal control measures, please refer to the paragraphs headed "Internal control" in this section.

Company involved	Summary of non-compliance incidents	Reason(s) for non-compliance	Possible legal consequences and maximum penalty (if any), potential financial and operational impact on our Group	Rectifications actions and the enhanced internal control measures to prevent recurrence of the non-compliance
			As advised by the Indonesia Legal Adviser, they have obtained verbal confirmation from an officer of the Consultation Division of Foreign Construction Service of the Ministry of Public Works and Public Housing ("**FCS Officer**"), a competent authority, who is in charge of the issuance of construction licences, that (i) the Indonesia regulations do not provide any procedure to rectify the non-compliance of HKR of the Construction Licences Requirement with regard to the Tegal Buleud Port Construction Project; and (ii) there are no further implications on the current and future business activities and/or professions and/or construction licences of HKR's subsidiaries, associates and related companies in Indonesia. As at the Latest Practicable Date, HKR has not received any notice of sanction, penalty or prosecution from authorities in Indonesia regarding its violation of the Construction Licences Requirement.	

Company involved	Summary of non-compliance incidents	Reason(s) for non-compliance	Possible legal consequences and maximum penalty (if any), potential financial and operational impact on our Group	Rectifications actions and the enhanced internal control measures to prevent recurrence of the non-compliance
			Given that (i) HKR has not received any notice of sanction in Indonesia regarding its violation of the Construction Licences Requirement; (ii) the discussion with the FCS Officer; and (iii) the fact that under Indonesia laws, a limited liability company is a separate legal entity from its parent company, and therefore non-compliance by a parent company shall not cause the subsidiaries, associates and related companies in Indonesia to be imposed with sanction, our Indonesia Legal Adviser was of the view that it is unlikely that HKR will be imposed any sanction or penalty, if any, by Indonesian authorities for its violation of the Construction Licences Requirement. Our Indonesia Legal Adviser was also of the view that it is unlikely that such non-compliance will affect the business activities and/or cause the licences of HKR's subsidiaries, associates and related companies in Indonesia to be suspended or revoked.	

Company involved	Summary of non-compliance incidents	Reason(s) for non-compliance	Possible legal consequences and maximum penalty (if any), potential financial and operational impact on our Group	Rectifications actions and the enhanced internal control measures to prevent recurrence of the non-compliance
HKR	In performing the works under the Tegal Buleud Port Construction Project, HKR was exposed to branch profits tax in Indonesia on the basis that HKR was a non-resident carrying on business through a permanent establishment in Indonesia. According to Article 5 of the double taxation agreement between Indonesia and Hong Kong ("**DTA**"), HKR was regarded as having a permanent establishment in Indonesia since the Indonesia Project involved provision of construction services in Indonesia by HKR exceeding 183 days. During the course of the Tegal Buleud Port Construction Project between 2011 and 2015, HKR failed to pay branch profits tax in accordance with the Income Tax Law in Indonesia and the DTA, and the aggregate amount of branch profits tax was approximately HK$1.2 million.	Mr. Mu Li, the manager of the Tegal Buleud Port Construction Project, was not aware of the branch profits tax requirement under the laws of Indonesia. When our Group was in discussion with the Indonesia Project Owner regarding the Tegal Buleud Port Construction Project, PTIR was already in operation, and it was also our original intention for PTIR to be engaged in the said project. However, it was upon request from the Indonesia Project Owner that HKR enter into the relevant contract instead of PTIR, which we believed was because HKR possessed a track record in the provision of construction services. HKR enquired with the Indonesia Project Owner, which subsequently confirmed that it would be responsible for obtaining the necessary approvals and permits from the local authorities for the project, as well as local tax reporting matters. As the major scope of work of HKR in the project was to source raw materials from overseas suppliers, and since construction works were performed by HKR's subcontractors, HKR only dispatched a few engineers to the site periodically to provide technical guidance to the subcontractors and to report to the Indonesia Project Owner. As HKR's construction works were conducted entirely by its subcontractors, our Directors were not aware that such scope of work required a construction licence to be obtained before implementing the relevant works. As further advised by the Indonesia Legal Adviser, pursuant to relevant Indonesian law, the legal entity that carries out the activities as construction planner, contractor and construction supervisor must obtain licenses, certificates, classification and meet the qualifications of construction service companies. In view of this provision, the liability to ensure HKR's subcontractors to obtain the relevant required license for carrying out the project work will be borne by each subcontractor.	As mentioned above in relation to the non-compliance of HKR of the Construction Licences Requirement, our Indonesia Legal Adviser was of the opinion that the Indonesia regulation does not provide for and HKR is not in a position to rectify the violation to the Construction Licences Requirement by applying for the required registration retrospectively. Consequently, according to our Tax Adviser, in the absence of business registration, a non-resident in Indonesia cannot proceed with the application of tax registration and will not have a tax identity to perform tax reporting. As such, HKR has not performed branch profits tax reporting and is not in a position to perform branch profits tax reporting retrospectively. Notwithstanding that HKR cannot voluntarily perform business registration and tax registration retrospectively, the Directorate General of Taxes of Indonesia ("**DGT**") can send HKR an official assessment if the DGT has sufficient information to determine that the Indonesia branch profits tax liability exists. The statutory time bar for DGT to issue a tax assessment is five years from the last date of the relevant tax year and the maximum tax penalties on late reporting is 48% of the original Indonesia branch profits tax amount, therefore, the maximum amount of the Indonesia branch profits tax including penalty payable by HKR will be approximately HK$1.7 million.	In September 2015, the Directors first sought advice from the Indonesia Legal Adviser on possible rectification measures and were advised that since HKR's contracted works under the project had already been completed at that time and HKR was no longer engaged in any business activities in Indonesia, HKR was not in a position to apply for the required registration retrospectively. In October 2015, our Directors also sought advice from the Tax Adviser on the steps to be taken for HKR to pay the applicable branch profits tax and were advised that a company must have a tax registration in Indonesia in order to make a tax payment, and that in order to make tax registration, a company must first have a business license in Indonesia. In or about January 2016 our Directors then instructed PTIR's staff to visit the local tax offices, where the Tegal Buleud Port Construction Project was located and where PTIR maintained its tax registration, which is a local tax authority subordinated to the Directorate General of Taxes of Indonesia, which is a competent authority as advised by our Indonesia Legal Adviser, and inquired on the possibility of HKR making a branch profits tax payment through PTIR's tax account. We were advised that HKR would have to make its own tax registration and then pay through its own tax account. In or about March 2016 our Directors then instructed our staff in Indonesia to visit the office of Investment Coordinating Board of Indonesia which is an authority in charge of the issuance of business

Company involved	Summary of non-compliance incidents	Reason(s) for non-compliance	Possible legal consequences and maximum penalty (if any), potential financial and operational impact on our Group	Rectifications actions and the enhanced internal control measures to prevent recurrence of the non-compliance
		Our Directors were also unaware of the consequential exposure to branch profits tax in Indonesia. As our Group understood that the Indonesia Project Owner was to be responsible, among others, for tax matters regarding the project, and given that certain sums of money were deducted by the Indonesia Project Owner prior to paying us, we also believed that the Indonesia Project Owner had withheld money for settlement of tax payable by HKR in respect of the project prior to settling our payment.		licences for construction services in Indonesia and a competent authority as advised by the Indonesia Legal Adviser and inquired about HKR obtaining a business registration for construction services, with a view to then register with the tax department in order to pay the branch profits tax. We were verbally informed by an officer of the department that a retrospective registration was not possible since HKR was no longer engaged in any business activities in Indonesia. Accompanied by the Indonesia Legal Adviser, PTIR staff also visited the Consultation Division of Foreign Construction Service of the Ministry of Public Works and Public Housing which is an authority in charge of foreign entities engaging in construction services in Indonesia and a competent authority as advised by the Indonesia Legal Adviser to enquire about the possibility of HKR obtaining a construction licence in Indonesia. We were verbally informed by an officer of that division that (i) the regulations did not provide any procedures to rectify non-compliance of HKR under the construction regulations with regard to the construction works conducted by HKR in Indonesia; and (ii) there were no further implications on the current and future business activities and/or professions and/or construction licenses of HKR's subsidiaries, associates and related companies in Indonesia. The Group will take up future projects in Indonesia through PTIR instead of HKR.

Company involved	Summary of non-compliance incidents	Reason(s) for non-compliance	Possible legal consequences and maximum penalty (if any), potential financial and operational impact on our Group	Rectifications actions and the enhanced internal control measures to prevent recurrence of the non-compliance
				We have assigned Mr. Yu, our executive Director, to engage local legal advisers and seek legal advice in relation to the taxes payable by our Group including but not limited to those of the place of performance of the project. For other internal control measures, please refer to the paragraphs headed "Internal control" in this section.
HKR	In April 2011 and March 2013, HKR entered into two contracts for the Tegal Buleud Port Construction Project with the customer, being an Indonesian entity. The contract entered into in March 2013 ("**Supplemental Contract**") was an amendment and supplemental to the contract entered into in April 2011. Both contracts were executed in Chinese language only. As advised by the Indonesia Legal Adviser, according to Indonesia law, any contract that involves an Indonesia entity that is not executed in Bahasa, the official language of Indonesia, could be deemed null and void ("**Violation Issue**").	Mr. Cui was in charge of the negotiation and signing of the relevant contracts. The representative of the customer was conversant in Chinese and both parties negotiated on the terms of the contracts in Chinese. The first drafts of the two contracts were provided by the customer and were drafted in Chinese only. It was both parties' intention, which was reflected in the Supplemental Contract, that any dispute arising from the two contracts should be resolved by arbitration in Singapore where contracts containing the arbitration clause written in Chinese language would be acceptable for the purpose of arbitration. The incident was unintentional and inadvertent and was due to insufficient knowledge of Mr. Cui about the relevant language requirements on contracts under Indonesian laws.	The two contracts could be deemed null and void by Indonesian courts if challenged by our customer in the Indonesian jurisdiction, and consequently, the parties may be required to restore what they have respectively received from the contracts. As at the Latest Practicable Date, our works in the Tegal Buleud Port Construction Project had been completed. Our Group's maximum exposure in the event such contracts are held null and void is estimated to be approximately HK$128.1 million in total, comprising of (i) approximately HK$15.7 million, being the remaining outstanding payments that we have not yet received but are expected to be collected by November 2016; and (ii) approximately HK$112.4 million, being payments we have already received and might be required to be returned to the customer.	Our Directors requested the relevant customer to re-execute the relevant contracts in Indonesian language and in Chinese in January 2016, but our request was not granted. Nonetheless, the parties have agreed in the Supplemental Contract to resolve any disputes arising out of or in connection with the contracts by arbitration in Singapore. As advised by the Indonesia Legal Adviser, such an arbitration clause is still valid despite the fact that the contract is not written in the Indonesian language, and an arbitration award obtained in Singapore will be recognised and can be enforced in the jurisdiction of Indonesia, pursuant to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention 1958), to which both Indonesia and Singapore are parties. Therefore, in the event that dispute arises under the two contracts, we intend to submit any future dispute for arbitration in Singapore and enforce the arbitration award (if granted in our favour) in Indonesia.

Company involved	Summary of non-compliance incidents	Reason(s) for non-compliance	Possible legal consequences and maximum penalty (if any), potential financial and operational impact on our Group	Rectifications actions and the enhanced internal control measures to prevent recurrence of the non-compliance
				As advised by the Indonesia Legal Adviser, in the absence of any objection from our customer, the Central Jakarta District Court may acknowledge and enforce the arbitration award provided that the arbitration award has met the provision of Article 66 of Law No. 30 of 1999, considering that (i) the works under the Tegal Buleud Port Construction Project were already completed and constituted an essential, albeit not substantial, process of our customer's pellet plant operation; (ii) it is practically unlikely for the Indonesian court to order the dismantling of the port (which was part of the works completed under the Tegal Buleud Port Construction Project and was already in operation); and (iii) in the absence of a valid written contract, commercial disputes between the contracting parties may be brought before the court based on circumstantial evidence (such as the port which was already in operation) and the parties may seek the court's judgment on the case based on quantum meruit and the court will take into account the arbitration award during its decision.

Company involved	Summary of non-compliance incidents	Reason(s) for non-compliance	Possible legal consequences and maximum penalty (if any), potential financial and operational impact on our Group	Rectifications actions and the enhanced internal control measures to prevent recurrence of the non-compliance
				As advised by the Indonesia Legal Adviser, in the event that the two contracts for the Tegal Buleud Port Construction Project have been ruled to be null and void by the Indonesian court, and if the Central Jakarta District Court refuses to acknowledge and enforce the arbitration award, the arbitration award cannot be enforced by the Central Jakarta District Court. In this event, if the Indonesian court orders the dismantling of the port, it is likely that HKR can bring the case before the court and claim for (i) the outstanding fees which our customer should pay for the remaining works with payment outstanding based on quantum meruit; (ii) payment which HKR is entitled to for its work done under the contracts; and (iii) possible damages for the dismantling of the port. Based on the above factors, the Indonesia Legal Adviser is of the view that it is of remote possibility that our customer would use the "Violation Issue" to nullify the validity and enforceability of the two contracts due to the following reasons: (i) the works under the Tegal Buleud Port Construction Project were already completed and constituted an essential, albeit not substantial, process of our customer's pellet plant operation and it is practically unlikely for the Indonesian court to order the dismantling of the port;

Company involved	Summary of non-compliance incidents	Reason(s) for non-compliance	Possible legal consequences and maximum penalty (if any), potential financial and operational impact on our Group	Rectifications actions and the enhanced internal control measures to prevent recurrence of the non-compliance
				(ii) in the event that the two contracts are ruled to be null and void and the Indonesian court orders the dismantling of the port, in the absence of a valid written contract, commercial disputes between the contracting parties may be brought before the court based on circumstantial evidence (such as the port which was already in operation) and the parties may seek the court's judgment on the case based on quantum meruit. The court is likely to (a) instruct experts to inspect the works done by HKR under the two contracts; and (b) estimate the works to be conducted by HKR in respect of the dismantling of the port in order to estimate the outstanding fees which our customer should pay for the remaining works. The Indonesian court may also take into account the arbitration award (albeit unenforceable). Further, our Indonesia Legal Adviser is of the view that it is unlikely for the Indonesian court to order the return of a significant portion of the money received by HKR under the two contracts to our customer in this event; and

Company involved	Summary of non-compliance incidents	Reason(s) for non-compliance	Possible legal consequences and maximum penalty (if any), potential financial and operational impact on our Group	Rectifications actions and the enhanced internal control measures to prevent recurrence of the non-compliance
				(iii) as confirmed by our Directors, as at the Latest Practicable Date, HKR was not aware that our customer intends to nullify the validity and enforceability of the two contracts in Indonesia on the basis of the Violation Issue; and HKR has not received any notices from the Indonesian court filed by our customer in relation to the Violation Issue. Our executive Directors, Mr. Cui and Mr. Yu, will ensure all contracts that we enter into in future for performing works in Indonesia which involves an Indonesian entity must be executed bilingually, with one of the languages being Bahasa, the official language of Indonesia. Our Group will continue to engage Indonesia legal advisers to render legal advice to ensure our future compliance with the relevant Indonesia laws and requirements prior to and after entering into contracts for projects located in Indonesia. For other internal control measures, please refer to the paragraphs headed "Internal control" in this section.

Company involved	Summary of non-compliance incidents	Reason(s) for non-compliance	Possible legal consequences and maximum penalty (if any), potential financial and operational impact on our Group	Rectifications actions and the enhanced internal control measures to prevent recurrence of the non-compliance
PTIR	In December 2012, PTIR entered into a contract for the construction of the Bali Power Plant Phase 1 Port Construction Project with the customer which is a PRC entity. The contract was executed in Chinese language only. As advised by the Indonesia Legal Adviser, according to Indonesia law, any contract that involves Indonesia entity not executed in Bahasa, the official language of Indonesia, could be deemed null and void ("**Violation Issue**").	Mr. Cui was in charge of the negotiation and signing of the relevant contract. The customer of the project is a PRC entity and both parties negotiated on the terms of the contracts in Chinese. The first draft of the contract was provided by the customer and was drafted in Chinese only. It was both parties' intention, which was reflected in the contract for the project, that any dispute arising from the contract should be resolved by litigation in PRC courts and the contract was governed by PRC law. The incident was unintentional and inadvertent and was due to insufficient knowledge of Mr. Cui about the relevant language requirements on contracts under Indonesian laws.	The contract could be deemed null and void by Indonesian courts if challenged by our customer in the Indonesian jurisdiction, and consequently, the parties may be required to restore what they have respectively received from the contract. As at the Latest Practicable Date, our works in the Bali Power Plant Phase 1 Port Construction Project had been completed. Our Group's maximum exposure in the event such contract is held null and void is estimated to be approximately HK$190.7 million (after deducting relevant withholding taxes) in total, comprising of (i) approximately HK$21.5 million (after deducting relevant withholding taxes), being the remaining outstanding payments that we have not yet received but are expected to be collected by December 2016; and (ii) approximately HK$169.2 million (after deducting relevant withholding taxes), being payments we have already received which comprises (i) approximately HK$159.7 million (after deducting the relevant withholding taxes) during the Track Record Period; and (ii) approximately HK$9.5 million (after deducting the relevant withholding taxes) prior to the Track Record Period as the Bali Power Plant Phase 1 Port Construction Project was commenced in October 2012, and might be required to be returned to the customer. The above figures have already deducted the relevant withholding taxes with an aggregate amount of approximately HK$5.9 million, which have been retained and would be retained by our customer.	As advised by the Indonesia Legal Adviser, in the event that the contract for the construction of the Bali Power Plant Phase 1 Port Construction Project has been ruled to be null and void by the Indonesian court, and if the Indonesian court orders the dismantling of the port, it is likely that PTIR can bring the case before the court and claim for (i) the outstanding fees which our customer should pay for the remaining works with payment outstanding based on quantum meruit; (ii) payment which PTIR is entitled to for its work done under the contract; and (iii) possible damages for the dismantling of the port. Based on the above factors, the Indonesia Legal Adviser is of the view that it is of remote possibility that our customer would use the "Violation Issue" to nullify the validity and enforceability of this contract due to the following reasons: (i) the works under the Bali Power Plant Phase 1 Port Construction Project were already completed and constituted an essential, albeit not substantial, process of our customer's power plant operation and it is practically unlikely for the Indonesian court to order the dismantling of the port;

Company involved	Summary of non-compliance incidents	Reason(s) for non-compliance	Possible legal consequences and maximum penalty (if any), potential financial and operational impact on our Group	Rectifications actions and the enhanced internal control measures to prevent recurrence of the non-compliance
				(ii) in the event that the contract is ruled to be null and void and the Indonesian court orders the dismantling of the port, in the absence of a valid written contract, commercial disputes between the contracting parties may be brought before the court based on circumstantial evidence (such as the port which was already in operation) and the parties may seek the court's judgment on the case based on quantum meruit. The court is likely to (a) instruct experts to inspect the works done by PTIR under the contract; and (b) estimate the works to be conducted by PTIR in respect of the dismantling of the port in order to estimate the outstanding fees which our customer should pay for the remaining works. Further, our Indonesia Legal Adviser is of the view that it is unlikely for the Indonesian court to order the return of a significant portion of the money received by PTIR under the contract to our customer in this event; and (iii) as confirmed by our Directors, as at the Latest Practicable Date, PTIR was not aware that our customer intends to nullify the validity and enforceability of the contract in Indonesia on the basis of the Violation Issue; and PTIR has not received any notices from the Indonesian court filed by our customer in relation to the Violation Issue.

Company involved	Summary of non-compliance incidents	Reason(s) for non-compliance	Possible legal consequences and maximum penalty (if any), potential financial and operational impact on our Group	Rectifications actions and the enhanced internal control measures to prevent recurrence of the non-compliance
				In addition, although the contract could be deemed null and void by Indonesian courts if challenged by our customer in the Indonesian Jurisdiction, the contract is expressed to be governed by the PRC laws and the parties have agreed in the contract to resolve any disputes through litigation in PRC courts and the customer of this contract is a PRC entity. As advised by the PRC Legal Adviser, such contract is valid, enforceable and legally binding on the parties under PRC law. Therefore, in case of any dispute which may arise under this contract, we intend to submit the dispute to a PRC court with competent jurisdiction to enforce our rights under the contract and seek enforcement in the PRC in the event that we are able to obtain a judgment in our favour granted by the PRC court. Therefore, as further advised by the PRC Legal Adviser, in the worst case scenario if the contract is deemed null and void under the Indonesia law, such contract would still remain valid and enforceable under PRC law since the contract is expressed to be governed by PRC law and the customer is a PRC enterprise. Our executive Directors, Mr. Cui and Mr. Yu, will ensure that all contracts that we enter into in the future for performing works in Indonesia which involves an Indonesian entity must be executed bilingually with one of the languages being Bahasa, the official language of Indonesia. Our Group will continue to engage Indonesia legal advisers to render legal advice to ensure our future compliance with the relevant Indonesia laws and requirements prior to and after entering into contracts for projects located in Indonesia.

Company involved	Summary of non-compliance incidents	Reason(s) for non-compliance	Possible legal consequences and maximum penalty (if any), potential financial and operational impact on our Group	Rectifications actions and the enhanced internal control measures to prevent recurrence of the non-compliance
				For other internal control measures, please refer to the paragraphs headed "Internal control" in this section.

Our Directors have years of experience in the marine construction industry in Hong Kong, and through such experience were aware that certain licences or approvals would be required for similar projects overseas. In the above non-compliance incidents regarding works carried out in Vietnam and Indonesia, our Directors had enquired with the relevant main contractor or the project owner as to who would bear the responsibility for obtaining licences and approvals for the relevant project. In both cases, we were informed that all the requisite licences and approvals would be obtained by the relevant main contractor or project owner. Additionally, given the limited scope of work or services carried out by us for such projects, none of which involved our own staff or vessels and equipment carrying out the physical construction works, our Directors believe that our works would not require us to establish an office nor, obtain a permit/licence, as the case may be. In the above cases, we only enquired with the main contractor or the project owner on the local requirements, and we did not engage local legal advisers or other professional advisers in relation to our compliance of the relevant laws and regulations. In order to prevent future non-compliance of our Group, especially when commencing projects in a jurisdiction in which our Group has no prior experience, our Group will, as part of our internal preparation work, prior to engagement in such projects, engage professional advisers, including legal and other advisers, to render professional advice to ensure that we are compliant with applicable statutory requirements.

During the Track Record Period and up to the Latest Practicable Date, HKR has not been charged or penalised for the above non-compliance incidents, and has not made any provision for the non-compliance incidents in its financial statements as no provision was considered necessary. After due consideration, we decided not to make any provisions as (i) the maximum amount of fine involved in the non-compliance in relation to our project in Vietnam is not material; (ii) our Directors are of the view that the risk to our Group being imposed any fine as a result of the non-compliance in relation to our project in Vietnam is minimal taking into account the advice from the Vietnam Legal Adviser; (iii) HKR is not in a position to rectify the non-compliance in Indonesia for failure to comply with the Construction Licenses Requirement under Indonesia laws; (iv) Indonesian law is silent on the amount of fine or penalty that may be imposed on HKR under such circumstances; and (v) HKR is not in a position to rectify the failure to pay branch profits tax in Indonesia. Our Directors expect that the non-compliance incidents will not have any material adverse operational and financial impact on our Group. Our Controlling Shareholders shall also provide an indemnity to our Group for any liabilities arising from the above non-compliance incidents.

Views of our Directors and the Sole Sponsor in relation to non-compliance

As confirmed by our Director, the nature and the circumstances giving rise to the above non-compliance incidents were principally due to inadvertent judgmental mistakes in relation to the scope of the works carried out by our Group and none of such incidents were due to the dishonesty or lack of integrity on the part of any of our Directors. Our Directors are of the view that none of these incidents have any material adverse impact on our business and operation and none of these incidents should impugn the competence of our Directors or their suitability to act as director of a [**REDACTED**] issuer under Rules 3.08 or 3.09 of the Listing Rules. After performing all reasonable due diligence, the Sole Sponsor concurs with our Directors' view that the non-compliance incidents were principally due to inadvertent judgmental mistakes in relation to the scope of the works carried out by our Group, and that none of the non-compliance incidents were due to dishonesty or lack of integrity on the part of any of our Directors. In addition, upon discovery of the non-compliance incidents, our Directors, with assistance from relevant professional advisers, have taken all reasonable rectification actions to prevent further non-compliance and any possible recurrence of such incidents. Therefore, the Sole Sponsor is of the view that our Directors have the character, competence and integrity required under Rules 3.08 and 3.09 of the Listing Rules.

INTERNAL CONTROL

It is the responsibility of our Board to ensure that we maintain an effective internal control system to safeguard our Shareholders' investment and our assets at all times. In order to prevent future recurrence of the non-compliance incidents and improve our corporate governance, we have adopted the following measures in March 2016:

1. a risk management policy has been drafted to set out our Group's risk management procedures and risk assessment criteria. Our Group will establish an internal audit function and appoint Mr. Wong Ting Pan Ronald, our finance manager, as the Head of Internal Audit. Currently, Mr. Wong has been assigned to oversee the financial reporting and internal control procedures in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations;

2. we will engage and continue to appoint external professional advisers, including auditors, legal or other advisers to render professional advice so as to comply with all the relevant laws and regulations and the Listing Rules requirements applicable to our Group from time to time after [**REDACTED**]. We will also seek advice from our legal advisers in our application for the renewal and (if applicable) upgrading of our major licences and permits as and when required;

3. to further strengthen the knowledge of our Directors as to the relevant laws and regulations and Listing Rules, our Directors have attended a training in this regard provided by our Hong Kong legal advisers on 2 March 2016;

4. our Group has developed an anti-corruption policy which sets out our Group's expectations and requirements relating to the prohibition, recognition, reporting and

investigation of suspected fraud, corruption, misappropriation and other anomalies. Employees must follow the requirements set out in this policy, which takes precedence should such requirements conflict with local customs or practices in the jurisdictions in which we operate. In addition, all project managers, department heads and senior management are required to sign a written declaration to confirm that they will adhere to and fully comply with this policy;

5. after [**REDACTED**], we also plan to engage a Hong Kong legal adviser to provide training to our Directors on the latest developments of various compliance matters applicable to our Group including the Listing Rules and relevant laws and regulations, from time to time, as and when needed;

6. we have also appointed Investec as our compliance adviser to provide advice to our Directors and management team on matters relating to the Listing Rules;

7. we have obtained advice from our legal advisers in the relevant jurisdictions where we hold licences and permits for our operation on the requirements for maintaining our major licences and permits, including but not limited to financial, technical and management criteria. Mr. Yu, our executive Director, has been assigned to monitor our Group's on-going compliance with such requirements, the respective status of expiration of all our licences and permits, and timely renewal of such licences and permits in accordance with the requirements of the relevant authorities;

8. as at the Latest Practicable Date, the amount due to a director and the loans obtained under the Small Medium Enterprises Financing Guarantee Scheme have been repaid. Our Group has adopted policies and procedures for financial assistance to and/or from Directors and other connected persons, which will be reviewed and pre-assessed by our Directors as to the terms and disclosure requirements under the Listing Rules. Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. As disclosed in Appendix III to this document, according to the Articles, in the event of any potential conflicts of interest, the Articles require our Directors to expressly declare their interests at the relevant board meetings and, save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which the Director or any of his/her close associate(s) is to the Director's knowledge materially interested and if he/she does his/her vote will not be so counted. In addition, a code of conduct has been established to set out guidelines for conducting business with the highest standards of business ethics, including guidelines over the avoidance, identification and disclosure of any potential or actual conflicts of interests. Upon [**REDACTED**], the Company will be subject to and will comply with the requirements under the Listing Rules, in particular, Chapter 14A of the Listing Rules, in relation to the disclosure and where applicable, seeking independent shareholders' approval in

conducting connected transactions which include provision of financial assistance to and/or from Directors and other connected persons. After review and pre-assessment by our Directors, if the same is to be proceeded with, our Company will comply with all the applicable disclosure requirements and (if applicable) approval requirements by independent shareholders as required under the Listing Rules.

9. our Group has adopted policies and procedures to enhance the segregation of duties in the process of payments by cheque so as to reduce the risk of misappropriation of funds from our bank accounts. Our policies and procedures clearly define the authorised personnel to raise payment requests and approve payments as well as the monetary approval limits of each authorised personnel. We have effectively enforced dual signatory requirements for all our bank accounts maintained in Hong Kong and Macao. We are exploring the practicality of dual signatory practice for our foreign bank accounts and will implement the same as far as practicable;

10. after evaluating staffing needs to ensure that our staff size is appropriate taking into consideration our Group's risks and future needs after the [**REDACTED**], our Group has engaged two suitably qualified personnel to join the financial reporting team in order to (i) enhance the financial reporting function; (ii) establish and implement formal financial reporting procedures to fulfil the ongoing interim and annual external financial reporting requirements of our Company after the [**REDACTED**]; and (iii) to handle increased internal forecasting and business management reporting for presenting our Group's results and business plans to external investors; and

11. our Group has established formal procedures regarding (i) the monitoring of the receipt of payment certification letters from customers to ensure that they are issued to our Group on a timely basis and in accordance with the terms of the contracts so that contract revenue can be recognised in a manner commensurate with the project progress to prevent inaccurate recognition of revenue; (ii) the monitoring of the receipt of expense reimbursement forms and invoices on a timely basis to ensure that construction expenses are recorded in the period they incurred, and (iii) the monitoring and reporting of inside information.

In preparation for the [**REDACTED**], we engaged an independent third party consultant (the "**Internal Control Consultant**") to perform a review over selected areas of our internal controls over financial reporting in August and September 2015 (the "**Internal Control Review**"). The more significant recommendations (the "**Significant Recommendations**") identified by the Internal Control Consultant include: (i) the need to establish the required terms of reference of the Board and its committees; (ii) the need to develop a formal risk management framework; (iii) the need to develop a framework for monitoring and reporting of inside information; (iv) the need to establish an internal audit function; (v) the need to repay the amount due to our Director and loans obtained under the Small Medium Enterprises Financing Guarantee Scheme of Hong Kong Mortgage Corporation; (vi) the need to establish a payment authorisation matrix and implement dual signatory control over cheque payments; (vii) the need to have sufficient resource to support the Group's financial reporting function; and (viii) the need to establish formal policies including monitoring of the receipt of payment certification letters and expense reimbursements forms and invoices, as well as monitoring and reporting of related party and connected transactions.

The Internal Control Consultant performed the follow-up reviews in March 2016 to review the status of the management actions taken by our Group to address the Significant Recommendations of the Internal Control Review (the "**Follow-up Review**"). The Internal Control Consultant did not have any further recommendation in the Follow-up Review except for the establishment of the required terms and reference of the Board and its committee (including the appointment of the required Directors), which is expected to be completed by the Group before the [**REDACTED**].

We also engaged the Internal Control Consultant in April 2016 to review the rectifications actions and the enhanced internal control measures as set out in the "Rectifications actions and the enhanced internal control measures to prevent recurrence of the non-compliance" column of the table in the paragraphs headed "Non-compliance", as well as in the paragraphs headed "Internal control" (the "**Additional Review**") of this section. The Internal Control Consultant provided no further recommendations in the Additional Review.

The Internal Control Review, Follow-up Review and Additional Review were conducted based on information provided by our Company and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

Views of our Directors and the Sole Sponsor in relation to internal control

In view of the enhanced internal control measures listed in the above list, the internal control measures adopted by our Group (the major measures were set out in the paragraph above in this section), our Directors are of the view that we have adequate internal control procedures and policies in place to prevent any further occurrence of the above non-compliance incidents by our Group in the future. Further, in light of the preventive measures mentioned above, our Directors are of the view that our Group has adequate and effective internal control procedures in place. The Sole Sponsor concurs with our Directors' view. Furthermore, going forward, we will engage external professional advisers to advise us on compliance matters. Our Directors are of the view that the above measures will be sufficient to prevent future occurrence of non-compliance incidents.

Deed of Indemnity

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favour of us to provide indemnities on a joint and several basis to protect our Group from, among other things any liabilities arising from the non-compliance incidents set out in the paragraphs headed "Non-compliance" in this section. For further details of the Deed of Indemnity, please refer to "Appendix IV – Statutory and General Information – Other Information – 15. Estate duty, tax and other indemnities" to this document.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, there were two accidents in which CHKRJV was involved as main contractor of the relevant project (the "**CHKRJV Accidents**") and one accident in which CCMJV Main Contractor was involved as main contractor of the relevant

project (the "**CCMJV Accident**"). Of the CHKRJV Accidents, one accident led to Employees' compensation proceedings and personal injury proceedings being initiated; and as for the other CHKRJV Accident, legal proceedings have not yet commenced as at the Latest Practicable Date. As for the CCMJV Accident, Employees' compensation proceedings have been initiated. Our Directors confirmed that the insurance cover maintained by CHKRJV and CCMJV Main Contractor respectively as the main contractors of the relevant projects would be sufficient to cover all liabilities under the claims of the three litigation cases, and the three cases have been handed over to the respective insurers. Our Directors do not consider that those three cases would have a material adverse effect on our Group's results of operations or financial condition.

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, nor was our Group aware of any litigation, arbitration or claim which was pending or threatened by third parties against any member of our Group that would have a material adverse effect on our Group's results of operations or financial condition. We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the [**REDACTED**] and Capitalisation Issue, and without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] and the exercise of any options which may be granted under the Share Option Scheme, Sky Hero will hold approximately 63.75% of the issued share capital of our Company. Sky Hero, through Solid Jewel, is ultimately and beneficially owned by Mr. Cui as to 87% and Mr. Yu as to 13%, respectively. Sky Hero and Solid Jewel was each an investment holding company as at the Latest Practicable Date. As Sky Hero, Solid Jewel, and Mr. Cui, directly or indirectly, are entitled to exercise or control the exercise of 30% or more of the voting power at our Company's general meeting, each of Sky Hero, Solid Jewel and Mr. Cui is regarded as our Controlling Shareholder under the Listing Rules.

As at the Latest Practicable Date, save and except for Mr. Cui's indirect interests in China State Port as disclosed in this section below, neither Sky Hero, Solid Jewel nor Mr. Cui controls or conducts any business which competes, or is likely to compete, either directly or indirectly, with our business. As at the Latest Practicable Date, Mr. Cui was the controlling shareholder of Shenzhen Changsheng. Shenzhen Changsheng mainly provides marine construction services and trading and leasing of marine vessels and was owned as to 20% by Mr. Cui and the remaining 80% by a company which was owned as to 90% by Mr. Cui and 10% by Ms. Mu, the spouse of Mr. Cui.

Our Directors consider that Shenzhen Changsheng is unlikely to compete with our Group as the geographic coverage of the services provided by Shenzhen Changsheng is in the PRC, which is different from the current strategic directions of our Group to provide mainly construction services in other areas outside of the PRC. As certain licences are required to provide marine construction services in the PRC and our Group does not possess such licences, we are currently unable to provide marine construction services in the PRC. Furthermore, in the future, in the event that our Group is able to provide marine construction services in the PRC, pursuant to the Non-Competition Undertaking, Shenzhen Changsheng shall not carry on such marine construction works in the PRC. As for the trading and leasing of vessels, although no specific licence under PRC law is required for trading and leasing of vessels outside the PRC and Shenzhen Changsheng is not prohibited under PRC law to lease and trade vessels outside the PRC, Shenzhen Changsheng shall not carry on any business which competes with the Group's business pursuant to the terms of the Non-Competition Undertaking.

According to the audited accounts of Shenzhen Changsheng, the revenue of Shenzhen Changsheng for each of the three years ended 31 December 2013, 2014 and 2015 was approximately RMB100.0 million, RMB79.2 million and RMB50.3 million, respectively. The net profit for each of the three years ended 31 December 2013, 2014 and 2015 was approximately RMB5.1 million, RMB3.1 million and RMB2.0 million, respectively.

According to the Euromonitor Report, the OBOR has the potential to become an economic driving force for Hong Kong over the next few decades. We have engaged in overseas projects during the Track Record Period, such as in Vietnam and Indonesia, and we will continue to pursue new business opportunities overseas, particularly in response to the

anticipated increase in business opportunities in Southeast Asia as driven by the OBOR. As Shenzhen Changsheng only possesses licences for providing marine construction services in the PRC and the geographic coverage of the services provided by Shenzhen Changsheng is solely within the PRC, our Directors consider that the business of Shenzhen Changsheng does not complement the key business strategies of our Group and as a result, injecting Shenzhen Changsheng into our Group would not add value in assisting our Group to capture new business opportunities overseas as driven by the OBOR. Therefore, our Group does not intend to include Shenzhen Changsheng as part of our Group.

Mr. Cui was also indirectly interested in China State Port, a company established in the PRC. China State Port was mainly engaged in, among other things, marine construction activities. As at the Latest Practicable Date, China State Port was held as to approximately 84.63% by two Independent Third Parties and approximately 15.37% by Shenzhen Changsheng. Although Mr. Cui was the vice chairman of the board of directors of China State Port as a representative from Shenzhen Changsheng, he did not participate in the day-to-day management and administrative matters of China State Port. His main duty was to act as a representative of Shenzhen Changsheng on the board of directors of China State Port, to understand the business operations and development of China State Port as a member of its board of directors and to attend board meetings of China State Port as and when required and to contribute his views in such capacity. The other directors of China State Port are Independent Third Parties. As confirmed by Mr. Cui, the principal reason for the investment by Shenzhen Changsheng in China State Port was to enable Shenzhen Changsheng to participate in certain marine construction works in the PRC by establishing a strategic business relationship with China State Port through such investment.

China State Port is a company established in the PRC with its majority interest being ultimately owned by a PRC state-owned enterprise and is mainly engaged in marine construction activities. China State Port is able to carry out certain types of marine construction works in the PRC as well as other territories in which our Group operates. As mentioned above, the investment in China State Port by Mr. Cui is to enable Shenzhen Changsheng to gain more business opportunities in the PRC, and he does not participate in the actual business operations of China State Port. As such, our Group has no intention to acquire the interest held by Mr. Cui in China State Port and his interest in China State Port should not have any effect on our Group's ability to carry on our business independently of and at arm's length from China State Port. Moreover, Mr. Cui will abstain from any decision making of our Group if there is a conflict of interest with China State Port.

Our Directors consider that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective associates based on the following:

Management independence

Our Board is comprised of four executive Directors and three INEDs. Mr. Cui, the chairman of the Board and an executive Director, is one of our Controlling Shareholders. Mr. Yu, an executive Director, is also one of the ultimate beneficial owners of our Company through his interest in Solid Jewel.

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

Save as disclosed, we have our senior management team to carry out the business decisions of our Group independently. Our Directors are satisfied that our senior management team is able to perform their roles in our Company independently and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the [**REDACTED**].

Operational, administrative and financial independence

Our Group has our own independent administrative and corporate governance structure comprised of separate individual departments, each with specific areas of responsibilities, including financial and accounting management and human resources. During the Track Record Period, our Group was operationally and administratively independent of our Controlling Shareholders and their associates as we have our own operational and administrative personnel. Our Board believes that we have been operating independently from our Controlling Shareholders and their associates and will continue to do so after the [**REDACTED**].

During the Track Record Period, save for the vessels we leased from Shenzhen Changsheng as disclosed in the section headed "Continuing connected transactions" in this document, our Group has sufficient capital, equipment and employees to operate our business and make business decisions independently from our Controlling Shareholders. We do not rely on our Controlling Shareholders for access to suppliers and customers as we manage our sourcing independently.

During the Track Record Period, we financed our operations principally through a combination of (i) borrowings from banks; and (ii) cash generated from our operations. As at 31 December 2013, 2014 and 2015, our total bank borrowings amounted to approximately HK$19.1 million, HK$25.2 million and HK$23.5 million, respectively.

According to industry practice, certain main contractors would require the subcontractor to provide performance guarantees in the form of (i) performance bond to be given by third parties such as an insurance company or a bank ("**Performance Bond Provider**"); or (ii) guarantee to be given by the controlling shareholder (either an individual or an entity such as a company, as the case may be) of the subcontractor. As the execution of performance bond requires the subcontractor to provide certain security such as cash to the Performance Bond Provider, this may affect the working capital of the subcontractor. As such, during the Track Record Period, as requested by the main contractors of two marine construction projects in Hong Kong, Mr. Cui, being the then controlling shareholder of HKR, decided to provide

personal guarantees as performance guarantees ("**Performance Guarantees**") instead of seeking performance bonds in relation to the performance of HKR regarding the two marine construction projects, one of which was completed on 30 November 2011 and the other is expected to be completed by 2017. We have requested the said contractors to accept guarantees provided by our Company in place of the Performance Guarantees ("**Requests**") but our Requests have not been granted by the said contractors as at the Latest Practicable Date. Our Directors believe that the reason for the said contractors not granting our Requests was due to internal administrative inconvenience of the said contractors, including the need for handling the documents in relation to the release of the Performance Guarantees. Our Directors believe that the Performance Guarantees are unlikely to be released upon [**REDACTED**]. As at the Latest Practicable Date, our Group was not engaged in any litigation, arbitration or claim and does not have any disputes with any of the said contractors. As such, Mr. Cui will be providing financial assistance to our Group upon [**REDACTED**] in respect of the Performance Guarantees until they are released by the two customers, but they will be fully exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For further details, please refer to the section headed "Continuing connected transactions" in this document. The aggregate amount of maximum liability of Mr. Cui under the Performance Guarantees was approximately HK$23.7 million. As at 31 December 2015, our Group had cash and cash equivalents of approximately HK$82.8 million. Our Directors are of the view that our Group has sufficient internal resources to cover Mr. Cui's liabilities under the Performance Guarantees or performance bond requirements for future projects, if necessary. Moreover, our Company obtained a banking facility of approximately HK$40.0 million in April 2016, which could also be utilised to cover Mr. Cui's liabilities under the Performance Guarantees if required or performance bond requirements for future projects, if necessary. As at 30 April 2016 the amount of cash and cash equivalents and unutilised banking facilities of the Group amounted to approximately HK$112.4 million and HK$34.0 million, respectively. In view of the fact that (i) save for the projects under the Performance Guarantees and the Macao Project in which one of our Group companies, instead of our Controlling Shareholders, provided performance guarantee to the employer, our Group has not been required to provide performance guarantees for our projects during the Track Record Period; (ii) after the Reorganisation, HKR became a wholly-owned subsidiary of our Company and it is our intention that our Group companies, instead of our Controlling Shareholders, will, if required, provide performance guarantees in respect of any future projects; (iii) our Group has sufficient internal resources to cover Mr. Cui's liabilities under the Performance Guarantees or performance bond requirements for future projects, if necessary; and (iv) our Group has obtained a banking facility which could be utilised to cover Mr. Cui's liabilities under the Performance Guarantees or performance bond requirements for future projects, if necessary, we consider that our Group is financially and operationally independent from our Controlling Shareholders despite the fact that the Performance Guarantees may not be released upon [**REDACTED**].

Furthermore, during the Track Record Period, an amount of HK$6 million was provided by a company wholly-owned by Mr. Cui and Ms. Mu jointly to our Group as a shareholder's loan, which is interest-bearing and repayable on demand. The balances of such loan were fully settled as at the Latest Practicable Date. As at 31 December 2015, an amount of HK$298,000 was due from Mr. Cui to our Group and the amount has been settled as at the Latest Practicable Date.

As at 31 December 2015, personal guarantees provided by Mr. Cui and Mr. Yu for loans obtained by our Group in its ordinary and usual course of business and amounting to approximately HK$23.5 million will be released upon [**REDACTED**].

During the Track Record Period and up to the Latest Practicable Date, we had our own finance department and independent accounting systems. Save for the above, our source of funding is independent from our Controlling Shareholders and neither our Controlling Shareholders nor their respective associates had financed our operations during the Track Record Period. Our Directors also believe that we are able to obtain financing independently from our Controlling Shareholders.

Based on the above, our Directors believe that our Group's business operation does not rely on our Controlling Shareholders and our Group is capable of operating independently without financial reliance on our Controlling Shareholders.

NON-COMPETITION

Undertakings Given by Controlling Shareholders

Each of our Controlling Shareholders (namely Sky Hero, Solid Jewel and Mr. Cui) has confirmed that, save as disclosed in this document, none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business. To protect our Group from any potential competition, each of our Controlling Shareholders has given an unconditional and irrevocable Non-Competition Undertaking in favour of our Company (for itself and for the benefits of its subsidiaries) on 22 June 2016, pursuant to which each of our Controlling Shareholders has, among other matters, unconditionally and irrevocably undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below), each of our Controlling Shareholders shall, and shall procure that their respective associates and/or companies controlled by them (other than our Group):

(i) not, directly or indirectly, be interested or involved or engaged in or carry on or concern with or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to providing marine construction services including dredging and non-dredging ground treatment works, reclamation, pier construction works, offshore facilities foundation works, marine transportation, and leasing and trading of vessels) in Hong Kong, and any other country or jurisdiction to which our Group provides such services and/or in which any member of our Group carries on business mentioned above currently and from time to time (the "**Restricted Activity**"), excluding Mr. Cui's investment in China State Port so long as China State Port does not become a close associate of Mr. Cui;

(ii) not solicit any existing employee or then existing employee of our Group for employment by it/him or its/his associates (excluding our Group);

(iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to its/his knowledge in its/his capacity as our Controlling Shareholders or otherwise for any purpose of engaging, investing or participating in any Restricted Activity;

(iv) if there is any project or new business opportunity that relates to the Restricted Activity, refer such project or new business opportunity to our Group for consideration;

(v) not invest or participate in or carry out any project or business opportunity of the Restricted Activity; and

(vi) procure its/his associates (excluding our Group) not to invest or participate in or carry out any project or business opportunity of the Restricted Activity, unless pursuant to the exception set out below.

The above undertakings are subject to the exception that any of the associates of our Controlling Shareholders (excluding our Group) are entitled to invest, participate and be engaged in or carry out any Restricted Activity or any project or business opportunity, regardless of value, which has been offered or made available to our Group, provided always that information about the principal terms thereof have been disclosed to our Company and our Directors, and our Company shall have, after review (taking into account whether the entering into of such project or business opportunity will be in the best interest of our Group) and approval by our Directors (including our INEDs without the attendance by any Director with beneficial interest in such project or business opportunities at the meeting, in which resolutions have been duly passed by the majority of the INEDs), confirmed its rejection in writing to be involved or engaged, or to participate or carry out, in the relevant Restricted Activity and provided also that the principal terms on which that relevant associate of our Controlling Shareholders invests, participates or engages or carries out, in the Restricted Activity are substantially the same as or not more favourable than those disclosed to our Company. Subject to the above, if the relevant associate of our Controlling Shareholders decides to be involved, engaged, participate in or carry out the relevant Restricted Activity, whether directly or indirectly, the terms of such involvement, engagement, participation or carrying out must be disclosed to our Company and our Directors as soon as practicable.

The Non-Competition Undertaking is conditional on (i) the Listing Committee granting the [**REDACTED**] of, and permission to deal in, all our Shares in issue and to be issued under the [**REDACTED**] and our Shares which may be issued upon the exercise of the [**REDACTED**] and options that may be granted under the Share Option Scheme; and (ii) the obligations of the [**REDACTED**] under the [**REDACTED**] becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the [**REDACTED**]) and that the [**REDACTED**] not being terminated in accordance with its terms or otherwise.

For the above purpose, the "Relevant Period" means the period commencing from the [**REDACTED**] and shall expire on the earlier of the dates below:

(a) as for our Controlling Shareholders, the date on which our Controlling Shareholders and/or their respective associates (individually or taken as a whole) cease to own 30% or more of the then issued share capital of our Company directly or indirectly or cease to be the controlling shareholders of our Company for the purpose of the Listing Rules; or

(b) the date on which our Shares cease to be [**REDACTED**] on the Stock Exchange.

Under the Non-Competition Undertaking, each of our Controlling Shareholders has unconditionally and irrevocably undertaken to our Group to allow our Directors, their respective representatives and the auditors of our Group to have sufficient access to the records of each of our Controlling Shareholders and their respective associates to ensure compliance with the terms and conditions of the Non-Competition Undertaking. Each of our Controlling Shareholders has unconditionally and irrevocably undertaken under the Non-Competition Undertaking that he or it shall provide to us and our Directors (including our INEDs) from time to time all information necessary for the annual review by our INEDs with regard to compliance with the terms of the Non-Competition Undertaking by our Controlling Shareholders. Each of our Controlling Shareholders has also unconditionally and irrevocably undertaken to make an annual declaration as to full compliance with the terms of the Non-Competition Undertaking and a consent to disclose such letter in our annual report.

Confirmation Given by Other Directors

Save as disclosed in this document, each Director confirms that he/she does not have any competing business with our Group.

Corporate Governance Measures

In order to properly manage any potential or actual conflict of interests between us and our Controlling Shareholders in relation to compliance and enforcement of the Non-Competition Undertaking, we have adopted the following corporate governance measures:

(i) our INEDs shall review, at least on an annual basis, compliance and enforcement of the terms of the Non-Competition Undertaking by our Controlling Shareholders;

(ii) we will disclose any decisions on matters reviewed by our INEDs on whether to accept the business opportunity referred by our Controlling Shareholders either through our annual report or by way of announcement;

(iii) we will disclose in the corporate governance report of our annual report on how the terms of the Non-Competition Undertaking have been complied with and enforced; and

(iv) in the event that any of our Directors and/or their respective associates has a material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Non-Competition Undertaking, he/she 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 Articles.

Our Directors consider that the above corporate governance measures are sufficient to (a) manage any potential conflict of interests between our Controlling Shareholders and their respective associates and our Group; and (b) protect the interests of our Shareholders, in particular, our minority Shareholders.

INTRODUCTION

Prior to [**REDACTED**], our Company has been chartering vessels from Shenzhen Changsheng, a company established in the PRC which was directly and indirectly wholly-owned by Mr. Cui together with his spouse, Ms. Mu.

Mr. Cui is, and immediately following completion of the [**REDACTED**] will be, one of our Controlling Shareholders and executive Directors, and will therefore become a connected person of our Company under Rule 14A.07(1) of the Listing Rules upon [**REDACTED**]. As Shenzhen Changsheng is a company wholly-owned, directly and indirectly, by Mr. Cui together with his spouse, Ms. Mu, Shenzhen Changsheng is accordingly an associate of Mr. Cui and will therefore become a connected person of our Company under Rule 14A.07(4) of the Listing Rules upon [**REDACTED**].

Under the Listing Rules, for so long as Mr. Cui remains a connected person of our Company, the chartering of vessels between our Group and Shenzhen Changsheng will constitute continuing connected transactions of our Group upon [**REDACTED**].

Further, prior to [**REDACTED**], Mr. Cui has been providing personal guarantees as performance guarantees in relation to the performance of HKR regarding two marine construction projects in Hong Kong ("**Performance Guarantees**"). One of the Performance Guarantees was entered into on 10 September 2010 in order to guarantee satisfactory completion by HKR of the marine piling works for the Central Wanchai Bypass project at Wanchai East ("**Ferry Pier Project**"). Such works were completed in November 2011. The other Performance Guarantee regarding marine construction works in the Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road in Hong Kong was entered into on 7 January 2013. As Mr. Cui will become a connected person of our Company under Rule 14A.07(1) of the Listing Rules upon [**REDACTED**], the Performance Guarantees will constitute continuing connected transactions of our Group upon [**REDACTED**].

As at the Latest Practicable Date, Johannes Wargo held 33% of the shareholding interest of PTIR, a subsidiary of our Company, and will therefore become a connected person of our Company under Rule 14A.07(1) of the Listing Rules upon [**REDACTED**]. As at the Latest Practicable Date, Harris held 33% of the shareholding interest of PTHKRE, a subsidiary of our Company, and will therefore become a connected person of our Company under Rule 14A.07(1) of the Listing Rules upon [**REDACTED**]. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions under Chapter 14A of the Listing Rules and are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Set out below are details of the continuing connected transactions of our Company under Chapter 14A of the Listing Rules upon [**REDACTED**].

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

The following continuing connected transactions in relation to the Performance Guarantees will be fully exempt for our Company under Chapter 14A of the Listing Rules.

According to industry practice, certain main contractors would require the subcontractor to provide performance guarantees in the form of (i) a performance bond to be given by third parties such as an insurance company or a bank; or (ii) guarantee to be given by the controlling shareholder (either an individual or an entity such as a company, as the case may be) of the subcontractor.

HKR has been engaged in a project involving marine piling works for the re-provisioning of the Wan Chai Ferry Pier since September 2010 for the Ferry Pier Project. In order to guarantee satisfactory completion of the Ferry Pier Project by HKR to the main contractor of this project ("**CWJV**"), being an Independent Third Party, Mr. Cui had provided a Performance Guarantee to CWJV under which HKR shall observe and perform the terms and obligations under the Ferry Pier Project. Our works under this project were completed in November 2011. Pursuant to the Performance Guarantee, the liability of Mr. Cui will not exceed approximately HK$7.7 million.

HKR has been engaged in a project involving marine construction works in the Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road in Hong Kong since November 2013 ("**Hong Kong Marine Works Project**"). In order to guarantee satisfactory completion of the Hong Kong Marine Works Project by HKR to the main contractor of this project ("**CSCE**"), being an Independent Third Party, Mr. Cui provided a Performance Guarantee to CSCE under which HKR shall duly and punctually perform, observe and comply with all the terms and obligations under the Hong Kong Marine Works Project. The project is expected to be completed by 2017. Pursuant to the Performance Guarantee, the liability of Mr. Cui will not exceed approximately HK$16.0 million.

We have requested CWJV and CSCE to release the Performance Guarantees and/or to accept guarantees provided by our Company in place of the Performance Guarantees but our request had not been granted by the said contractors as at the Latest Practicable Date. In respect of the Performance Guarantee in relation to the Ferry Pier Project, we have enquired with CWJV and were given to understand that the Performance Guarantee will be released after completion of the project of Wan Chai Development Phase II Central – Wan Chai Bypass at Wan Chai East, which the Ferry Pier Project formed part and which is expected to be completed by September 2017. Accordingly, it is expected that the Performance Guarantees would continue for a certain period of time after [**REDACTED**].

Our Directors are of the view that the Performance Guarantees, being a form of financial assistance (as defined in the Listing Rules) provided by Mr. Cui for our benefit, has been conducted on normal commercial terms where no security over our assets was granted in respect of such financial assistance provided by Mr. Cui. Accordingly, such guarantee is fully exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following connected transactions will constitute non-exempt continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

1. Vessel Chartering Agreement

Background

Our Group has been engaged in the Macao Project since March 2015. Prior to [**REDACTED**], Shenzhen Changsheng chartered vessels to MCR for the Macao Project. Our Group expects that similar chartering arrangements will be adopted in future marine construction projects in Macao.

Principal terms

Date

18 March 2016

Parties

Prosper BVI	(as charterer for and on behalf of our Group)
Shenzhen Changsheng	(as owner)

On 18 March 2016, Shenzhen Changsheng and Prosper BVI entered into a vessel chartering framework agreement ("**Vessel Chartering Framework Agreement**") pursuant to which our Group will charter vessels from Shenzhen Changsheng for a term commencing from 18 March 2016 and ending on 31 December 2017. Prosper BVI has an option to renew the Vessel Chartering Framework Agreement for a further period of three years, and for each exercise of a renewal option by Prosper BVI, Shenzhen Changsheng will be deemed to have granted a new option to Prosper BVI for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or shareholders' approval requirements under the Listing Rules shall have been complied with by our Company.

During the term of the Vessel Chartering Framework Agreement, it is envisaged that from time to time, members of our Group may enter into individual agreements ("**Individual Agreements**") with Shenzhen Changsheng in respect of the chartering of vessels subject to terms and conditions in compliance with those of the Vessel Chartering Framework Agreement.

Payment terms

Pursuant to the Individual Agreements, our Company will pay Shenzhen Changsheng a charter payment per chartered vessel. Such payment is to be made in Hong Kong dollars. The charter payment during the charter period will be settled by monthly instalments in cash on or before the fifteenth day of each month by our Group in arrears for the immediately preceding month.

Charter period

The Vessel Chartering Framework Agreement will be effective from 18 March 2016 and will expire on 31 December 2017 (both dates inclusive).

Reasons for the transactions

The vessels owned by Shenzhen Changsheng are registered in the PRC and are allowed to carry out works in Macao waters. Since the number of vessels currently owned by our Group is inadequate to support the Macao Project, the Vessel Chartering Framework Agreement allows our Group to deploy vessels to our marine construction projects in Macao in an efficient and cost-effective manner, without needing to resort to chartering vessels from other third party owners. Given that it is our Group's strategy to expand our business in Macao, our Directors consider that the chartering of vessels from Shenzhen Changsheng pursuant to the Vessel Chartering Framework Agreement is beneficial to our Group and allows us to undertake an increasing number of marine construction projects in Macao in future.

Our Directors consider that the terms of the Vessel Chartering Framework Agreement are on normal commercial terms and are entered into in the ordinary and usual course of business of our Group, which are fair and reasonable, and are in the interests of our Group as a whole.

Pricing

The prices payable under the Vessel Chartering Framework Agreement will be determined at arm's length negotiations between the parties to the Vessel Chartering Framework Agreement and the Individual Agreements and are based on normal commercial terms, and on terms no less favourable to other charters of similar sized vessels entered into by our Group with different independent counterparties and taking into consideration of the general market conditions. Our Group will take into account not less than three quotations from other charterers for other charters of similar size vessels in the market.

Historical figures

Our Group has started chartering vessels from Shenzhen Changsheng since March 2015 for the undertaking of the Macao Project. The historical total amounts of the chartering of vessels paid by our Group was approximately HK$6.3 million for the year ended 31 December 2015 (being March to December 2015) and approximately HK$6.9 million for the five months ended 31 May 2016.

Annual cap

The annual cap is determined based on the total amount paid by our Group for the chartering of vessels for the year ended 31 December 2015 and our estimation of the number and types of vessels required for the Macao Project. As our Group only commenced chartering vessels from Shenzhen Changsheng since March 2015 for the Macao Project, the total

historical amount of the chartering of vessels paid by our Group for the year ended 31 December 2015 was based on the chartering of six vessels of varying charter periods. As the initial stage of the project mainly involved design, planning and mobilisation activities, most vessels were commissioned to the site in the latter half of 2015. Since late 2015, the Macao Project has been in full progress and it is expected to be substantially completed in the first quarter of 2017. Accordingly, the charter payments for vessel chartering from Shenzhen Changsheng are expected to be substantially increased in 2016. Since January 2016, our Group has commenced the chartering of six vessels from Shenzhen Changsheng, with a monthly charter payment ranging from HK$90,000 to HK$315,000 per vessel, with an average of approximately HK$229,500 per vessel. Our Group will continue to identify other suitable projects in Macao from time to time, and upon completing the Macao Project, our Group expects to undertake other project(s) in Macao which is(are) of similar scale and may require vessel chartering.

Accordingly, the proposed annual caps for the on-going transactions contemplated under the Vessel Chartering Framework Agreement are HK$15,360,000 and HK$3,960,000 for each of the two years ending 31 December 2016 and 2017, respectively.

Listing Rules implications

The transactions contemplated under the Vessel Chartering Framework Agreement constitute continuing connected transactions for our Company. As certain of the applicable ratios (other than the profits ratio) of the transactions on an annual basis are more than 0.1% but less than 5%, the transactions are subject to reporting, announcement and annual review requirements but are exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Application for waiver from strict compliance with the Listing Rules

As the above non-exempt continuing connected transactions (i) are expected to continue on a recurring basis; (ii) are expected to extend over a period of time after [**REDACTED**]; (iii) have been entered into prior to the [**REDACTED**]; and (iv) have been fully disclosed in this document such that potential investors will participate in the [**REDACTED**] on the basis of such disclosure, our Directors (including our Independent Non-Executive Directors) consider that compliance with the announcement requirement would be impractical and in particular, would add unnecessary administrative costs to our Company.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to our Company under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules, subject to the confirmations from our Directors and the Sole Sponsor stated below. We will comply with the relevant requirements under Chapter 14A of the Listing Rules, including, but not limited to, the proposed annual caps set out above, and will comply with the relevant rules of Chapter 14A of the Listing Rules (including shareholders' approval requirements as appropriate) if the waiver from the Stock Exchange expires or any annual cap set out above is exceeded, or when the relevant agreement expires or is renewed or when any terms of the non-exempt continuing connected transactions are materially altered or our Company enters into new agreements with any such connected persons.

Confirmation from our Directors

Our Directors (including our Independent Non-Executive Directors) are of the view that the non-exempt continuing connected transactions described above are fair and reasonable and in the best interests so far as our Shareholders as a whole are concerned, and the non-exempt continuing connected transactions have been entered into and will be carried out in the ordinary and usual course of business of our Company on normal commercial terms. In addition, our Directors (including our Independent Non-Executive Directors) consider that the annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

Our Directors confirmed that we will comply with the applicable requirements under Chapter 14A of the Listing Rules as amended from time to time, and will immediately inform the Stock Exchange if there are any material changes to the aforesaid transactions.

Confirmation from the Sole Sponsor

The Sole Sponsor is of the view that (i) the non-exempt continuing connected transactions described above have been entered into and will be carried out in the ordinary and usual course of business of our Company and on normal commercial terms, and that the terms of such transactions are fair and reasonable and in the interests of our Group and our Shareholders as a whole; and (ii) the proposed annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

2. Contractual Arrangements

Background

We are an established contractor providing marine construction services to both the private and public sectors, with projects in Hong Kong, Macao and Southeast Asia. Pursuant to Indonesia laws, the maximum foreign ownership in a company engaging in the construction of harbour/port is limited to 67%. As at the Latest Practicable Date, each of PTIR and PTHKRE was held as to 67% shareholding interest by our Group. To consolidate control over and derive the economic benefits and risks from the remaining 33% of the shareholding interest in each of PTIR and PTHKRE, HKR has entered into contractual arrangements with the respective Indonesian Shareholder in each of PTIR and PTHKRE, being Johannes Wargo and Harris, respectively.

Principal terms

The Contractual Arrangements consist of (i) Loan Agreements; (ii) Pledge of Shares Agreements; (iii) PoA for Selling Shares; (iv) PoA to Vote; (v) Assignment of Dividends Agreements; and (vi) Spouse Undertakings. For details and the principle terms of these contracts, please refer to the section headed "Contractual Arrangements" in this document.

Listing Rules implications

As at the Latest Practicable Date, Johannes Wargo held 33% of the shareholding interest of PTIR, a subsidiary of our Company, and will therefore become a connected person of our Company under Rule 14A.07(1) of the Listing Rules upon [**REDACTED**]. As at the Latest Practicable Date, Harris held 33% of the shareholding interest of PTHKRE, a subsidiary of our Company, and will therefore become a connected person of our Company under Rule 14A.07(1) of the Listing Rules upon [**REDACTED**]. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions under Chapter 14A of the Listing Rules and are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reasons for the waiver application and confirmation from our Directors

Through the Contractual Arrangements, our Group effectively consolidates control over and derives the economic benefits and risks in respect of the remaining 33% of the shareholding interest in each of PTIR and PTHKRE held by the respective Indonesian Shareholders. Our Directors (including our Independent Non-Executive Directors) are of the view that (i) the Contractual Arrangements are fundamental to our Group's legal structure and business operations; (ii) the Contractual Arrangements are on normal commercial terms or on terms which are more favourable to our Group in the ordinary and usual course of our Group's business; and (iii) the terms of the Contractual Arrangements are fair and reasonable or to the advantage of our Group and are in the interests of our Company and its Shareholders as a whole.

Our Directors also believe that our Group's structure whereby the financial results of each of PTIR and PTHKRE are consolidated into our Group's financial statements as if they were our Group's wholly-owned subsidiaries, and all the economic benefits and risks of PTIR's and PTHKRE's business flow to our Group, places our Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions for the purpose of Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administration costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

In addition, given the Contractual Arrangements were entered into prior to the [**REDACTED**] and have been disclosed in this document, and potential investors of our Company will participate in the [**REDACTED**] on the basis of such disclosure, our Directors consider that compliance with the announcement and the independent Shareholders' approval requirements in respect thereof immediately after [**REDACTED**] would add unnecessary administrative costs to our Company.

To ensure sound and effective operation of our Group after the adoption of the Contractual Arrangements, the management of our Group plans to take the following measures:

(a) as part of our Group's internal control measures, major issues arising from implementation and performance of the Contractual Arrangements will be reviewed by the Board on a regular basis which will be no less frequently than on a quarterly basis. The Board will determine, as part of its periodic review process, whether legal advisers and/or other professionals will need to be retained to assist our Group to deal with specific issues arising from the Contractual Arrangements;

(b) matters relating to compliance and regulatory enquiries from governmental authorities, if any, will be discussed at such regular meetings which will be no less frequently than on a quarterly basis;

(c) the relevant business units and operation divisions of our Group will report regularly, which will be no less frequently than on a monthly basis, to the senior management of our Company on the compliance and performance conditions under the Contractual Arrangements and other related matters; and

(d) our Company shall comply with the conditions prescribed under the waiver given by the Stock Exchange in connection with the continuing connected transactions contemplated under the Contractual Arrangements.

Confirmation from the Sole Sponsor

The Sole Sponsor is of the view that (i) the Contractual Arrangements are fundamental to our Group's legal structure and business operations; (ii) the Contractual Arrangements are on normal commercial terms or on terms which are more favourable to our Group in the ordinary and usual course of our Group's business; and (iii) the terms of the Contractual Arrangements are fair and reasonable or to the advantage of our Group and are in the interests of our Company and Shareholders as a whole.

Application for waiver from strict compliance with the Listing Rules

In view of the above, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with (i) announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) the requirement of setting a maximum aggregate annual value (i.e. an annual cap) in relation to the Contractual Arrangements; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less, for so long as the Shares are [**REDACTED**] on the Stock Exchange, subject however to the following conditions:

(a) *No Change without Independent Non-executive Directors' Approval:* No change to the terms of the Contractual Arrangements will be made without the approval of the Independent Non-Executive Directors.

(b) *No Change without Independent Shareholders' Approval:* Save as described in paragraph (d) below, no change to the terms of the Contractual Arrangements will be made without the approval of our Company's independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) *Economic Benefits and Flexibility:* The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by each of PTIR and PTHKRE through (i) our Group's potential right (if and when so allowed under applicable Indonesia law) to acquire the equity interests in each of PTIR and PTHKRE; (ii) the business structure under which the economic benefits and risks, being the profits and losses derived from each of PTIR and PTHKRE are retained by our Group, such that no annual caps shall be set on the amount of the net operating profits or losses derived from the business operations of PTIR and PTHKRE; and (iii) our Group's absolute right to control the management and operation of, as well as, in substance, all of the voting rights of each of PTIR and PTHKRE.

(d) *Renewal and Cloning:* Each of the Loan Agreements has a term of 10 years and will be automatically renewed upon expiration unless otherwise notified by HKR. On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Group and its subsidiaries incorporated in Indonesia in which our Group, while holding the shareholding interest being the maximum foreign ownership in a company engaging in the construction of harbour/port in Indonesia as allowed under Indonesia law, could consolidate control over and derive the economic benefits and risks in respect of the remaining shareholding interest held by an Indonesian shareholder of such company, such framework and terms under the Contractual Arrangements may be renewed and/or cloned by our Group in the event of (i) the expiry of the existing arrangements; (ii) the appointment by HKR of another Indonesian citizen(s) or legal entity fully owned by Indonesian citizen(s) as the holders of the shares in PTIR and PTHKRE in compliance with Indonesia law; or (iii) any additional Indonesian subsidiary(ies) incorporated or acquired by our Group in future to engage in the same business as that of PTIR and PTHKRE, which constitute continuing connected transactions under the Listing Rules when justified by business expediency and/or due to potential business growth, without obtaining independent Shareholders' approval ("***Cloned Arrangements***"), on substantially the same terms and conditions as described in the section headed "Contractual Arrangements" in this document. The directors, chief executive or substantial shareholders (as defined in the Listing Rules) of any existing or additional Indonesian subsidiary(ies) incorporated or acquired by our Group in future to engage in the same business as that of PTIR and PTHKRE (which our Group may

establish when justified by business expediency) will, upon renewal and/or cloning of the Contractual Arrangements, however be treated as our Group's connected persons and any transactions between these connected persons and our Group (other than those under the Contractual Arrangements and any Cloned Arrangements) shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant Indonesia law and regulations.

(e) *Ongoing Reporting and Approvals:* Our Group will disclose details relating to the Contractual Arrangements and any Cloned Arrangements in place on an ongoing basis as follows:

1. The Contractual Arrangements and any Cloned Arrangements in place during each financial period will be disclosed in our Company's annual reports and accounts in accordance with the relevant provisions of the Listing Rules.

2. The Independent Non-Executive Directors will review the Contractual Arrangements and any Cloned Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during the relevant year have been entered into in accordance with the relevant terms and conditions of the Contractual Arrangements and any Cloned Arrangements such that the revenue generated by each of PTIR and PTHKRE and any other Indonesian subsidiary(ies) under the Cloned Arrangements have been mainly retained by our Group; (ii) no dividends or other distributions have been made by each of PTIR and PTHKRE and any other Indonesian subsidiary(ies) under the Cloned Arrangements to the holders of its remaining shareholding which are not otherwise subsequently assigned or transferred to our Group; and (iii) any new contracts entered into, renewed or reproduced between our Group under the Cloned Arrangement during the relevant financial period under paragraph (d) above are fair and reasonable on normal commercial terms or more advantageous, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.

3. Our Company will engage our auditors to carry out procedures annually on the transactions under the Contractual Arrangements and any Cloned Arrangements and to provide a letter to our Directors with a copy to the Stock Exchange confirming that (i) the transactions have received the approval of our Directors and have been entered into in accordance with the relevant Contractual Arrangements and any relevant Cloned Arrangements; and (ii) no dividends or other distributions have been made by each of PTIR and PTHKRE and any other Indonesian subsidiary(ies) under the Cloned Arrangements to the holders of the remaining shareholding interests which are not otherwise subsequently assigned or transferred to our Group.

4. For the purposes of Chapter 14A of the Listing Rules, each of PTIR and PTHKRE and any other Indonesian subsidiary(ies) under the Cloned Arrangements will be treated as our Company's wholly owned subsidiary, and its directors, chief executive or substantial shareholders and their respective associates (as defined in the Listing Rules) will be treated as connected persons of our Company, and any transactions between these connected persons and our Group, other than those under the Contractual Arrangements and any Cloned Arrangements, will be subject to the requirements under Chapter 14A of the Listing Rules.

5. Each of PTIR and PTHKRE undertakes and our Company shall also procure any other Indonesian subsidiary(ies) under the Cloned Arrangements to undertake that, for so long as the Shares are [**REDACTED**] on the Stock Exchange, each of them will provide our Group's management and our Company's auditors with full access to its relevant records for the purpose of procedures to be carried out by our Company's auditors on the continuing connected transactions.

Our Company will comply with the applicable requirements under the Listing Rules if there are any subsequent changes to these continuing connected transactions not covered in the abovementioned waiver.

DIRECTORS

Our Board is responsible and has general powers for the management and conduct of the business of our Group. The table below shows certain information in respect of members of the Board:

Name	Age	Position	Date of joining our Group	Date of first becoming a Director	Roles and responsibilities
Mr. Cui Qi (崔琦)	53	Executive Director, chief executive officer ("**CEO**") and chairman	5 March 2001	6 October 2015	Overall business strategy and business operation of our Group
Mr. Yu Ming (俞明) (formerly known as Mr. Yu Ming (喻明))	54	Executive Director	5 March 2001	6 October 2015	Overall business operation of our Group
Ms. Kui Ching Wah (具正華)	53	Executive Director	1 October 2001	6 October 2015	Administration and finance functions of our Group
Mr. Tao Yang (陶揚)	52	Executive Director	2 March 2016	2 March 2016	Corporate governance matters of our Group
Mr. Ge Zhenming (葛震明)	77	INED	22 June 2016	22 June 2016	See note below
Ms. Leung Sau Fan Sylvia (梁秀芬)	52	INED	22 June 2016	22 June 2016	See note below
Mr. Leung Yee Tak (梁以德)	67	INED	22 June 2016	22 June 2016	See note below

Note: Participating in meetings of the Board to bring an independent judgment to bear on issues of strategy, performance, accountability, resources, key appointments and standards of conduct and transactions which are material to our Group as and when required; taking the lead where potential conflicts of interest arise and serving on the audit committee, remuneration committee, the nomination committee and the risk management committee (as the case may be).

Executive Directors

Mr. Cui Qi (崔琦), aged 53, is a founder of our Group, an executive Director and also our chairman and CEO. He is primarily responsible for the overall business strategies and operation of our Group. Mr. Cui obtained a bachelor's degree in naval port engineering from Hohai University (河海大學) (previously known as the East China Technical University of Water Resources (華東水利學院)) in July 1984. Between September 1996 and December 1996, he participated in and completed a national construction enterprise project management course offered by the Ministry of Transport (previously known as the Ministry of Communications) of the PRC. He obtained a master's degree in construction economics and management from Tongji University (同濟大學) in December 1998.

Mr. Cui was admitted as a senior engineer from the Ministry of Transport (previously known as the Ministry of Communications) of the PRC in October 1995. He was then admitted as a registered Project Manager (1st Class) in the PRC from the Ministry of Constructions in July 1997. Mr. Cui was admitted as member of the Hong Kong Institute of Construction Managers in February 2000. He was then admitted as a Member of The Chartered Institute of Building in February 2006 and a registered Constructor (1st Class) in the PRC in January 2007. Mr. Cui was admitted as a Fellow Member of the Chartered Institution of Civil Engineering Surveyors in January 2015.

Mr. Cui has over 25 years of experience in the marine construction industry. Prior to founding our Group, Mr. Cui started his career in the industry when he was first employed as an assistant engineer by China Harbour Engineering Company Ltd. ("**CHEC**"), an engineering contractor in the PRC, between August 1984 to September 1986. He then joined China Harbour Engineering Company Hong Kong Branch ("**CHECHK**") in October 1986 (which is a subsidiary of China Communications Construction Company Ltd as at the Latest Practicable Date), and was subsequently promoted to the positions of general manager assistant, deputy general manager and managing director (authorised representative) of CHECHK in June 1991, July 1992 and May 1996, respectively. In June 1996 and August 1996, he was also appointed as the director of C&P Myanmar Pte Ltd and China Infra-Structure Investment Ltd., respectively, which were two joint venture companies formed by CHEC and other partners. After he left CHECHK and its joint venture companies in January 1998, Mr. Cui became the director of China Geo-engineering (Singapore) Pte Ltd, a company which was engaged in marine construction projects in Singapore, between June 1999 and April 2003. Through his extensive industry-related working experience, Mr. Cui has accumulated in-depth knowledge and market understanding for the marine construction industry. Mr. Cui was also a director of Shenzhen Changsheng from April 2005 to 25 March 2016 and a director of China State Port since December 2009. Please refer to the section headed "Relationship with Controlling Shareholders" for further details.

In March 2001, Mr. Cui decided to acquire HKR with Mr. Yu. Since then he has been in charge of the overall business strategies and operation of our Group. Please refer to the paragraphs headed "Our business history" in the section headed "History and development" in this document for further details. As at the Latest Practicable Date, Mr. Cui was a director of Prosper BVI, HKR, CPL, MCR and PTHKRE and the commissioner of PTIR.

Mr. Yu Ming (俞明) (formerly known as Yu Ming (喻明)), aged 54, is a founder of our Group and an executive Director. Mr. Yu is in charge of overall business operation of our Group. Mr. Yu graduated with a bachelor's degree in harbour and waterway engineering from Chongqing Jiaotong University (重慶交通大學) (previously known as Chongqing Jiaotong Institute* (重慶交通學院)) in July 1983 and a master's degree in harbour and waterway engineering from Hohai University (河海大學) (previously known as the East China Technical University of Water Resources (華東水利學院)) in July 1986.

Mr. Yu was admitted as a senior engineer from the Ministry of Transport (previously known as the Ministry of Communications) of the PRC in October 1995. Mr. Yu was admitted as a registered Project Manager (1st Class) in the PRC from the Ministry of Transport in 1998. Further, he was also admitted as member of the Hong Kong Institution of Engineers in January 2002 and was admitted as a member of The Chartered Institute of Building in the United Kingdom in February 2006. He was registered as a Registered Professional Engineer (Civil) from the Engineers Registration Board in Hong Kong since February 2006.

Mr. Yu has over 25 years of experience in the marine construction industry. Prior to founding our Group, Mr. Yu started his career at CCCC Third Harbour Engineering Limited* (中交第三航務工程局有限公司) (previously known as Third Harbour Engineering Bureau* (交通部第三航務工程局)), a company engaged in harbour and waterway engineering, where he worked as engineer, assistant engineer and assistant to the head of the design department between September 1986 and September 1992. Since September 1992, Mr. Yu was transferred from CCCC Third Harbour Engineering Limited to CHECHK, where he worked in various positions, with his last position as the acting department manager. After leaving CHECHK in July 2000, Mr. Yu joined Hyundai-CCECC Joint Venture, an unincorporated company engaged in a project relating to the Kwai Chung Container Port-Terminal 9 Development, between July 2000 and March 2001 where he acted as the section agent. Through his extensive working experience, Mr. Yu has accumulated in-depth knowledge and market understanding for the marine construction industry. Mr. Yu was also a director of Shenzhen Changsheng from April 2012 to 25 March 2016. Please refer to the section headed "Relationship with Controlling Shareholders" for further details of Shenzhen Changsheng.

In March 2001, Mr. Yu decided to acquire HKR with Mr. Cui. Since then he has been in charge of overall business strategy and business operation of our Group. Please refer to the paragraphs headed "Our business history" in the section headed "History and development" in this document for further details. As at the Latest Practicable Date, Mr. Yu was a director of Prosper BVI and HKR.

Ms. Kui Ching Wah (具正華), aged 53, is an executive Director. Ms. Kui joined our Group in October 2001 as the chief financial officer of HKR. Since then, Ms. Kui has been primarily responsible for the administration and finance of our Group. She participated and completed an advanced training course in international business English from the University of International Business and Economics (對外經濟貿易大學) between September 1992 and December 1993. Ms. Kui further obtained a bachelor's degree in accounting from Dongbei University of Finance and Economics* (東北財經大學) in June 2005 and subsequently

obtained a master's degree in accounting from the same university in December 2008. Between May 2010 and October 2011, Ms. Kui participated and completed a course in capital management (investment) from the Research Institute of Tsinghua University in Shenzhen. She was also admitted as a tax accountant from the Chinese Association of Chief Accountant (中國總會計師協會) in October 2012.

Ms. Kui has over 15 years of experience in the accounting field. Prior to joining our Group, between July 1994 to April 1998, Ms. Kui worked as a general manager assistant and an accountant in Busy Peace Transportation Ltd., a company that provides transportation and warehouse services. From April 1998 to September 2001, Ms. Kui then worked as the deputy general manager in China Geology (HK) Industry Limited, a company which was engaged in construction works, where she was responsible for the management of the company in respect of finance and budget control strategies and new business development. Ms. Kui is also one of our joint company secretaries.

Mr. Tao Yang (陶揚), aged 52, is an executive Director representing our [**REDACTED**] Investor. Mr. Tao joined our Group in March 2016 and is responsible for monitoring and advising on corporate governance matters. Mr. Tao graduated with a bachelor's degree in economics from the Central University of Finance and Economics (previously known as Central Institute of Finance and Banking) in June 1987. He further obtained an executive master of business management from Renmin University of China in January 2015.

Mr. Tao was qualified as a senior accountant from China National Machinery Industry Corporation (previously known as China National Machinery Equipment Corporation* (中國機械裝備(集團)公司)) of the PRC in December 2003. Mr. Tao received an outstanding international engineering project manager award from the China International Contractors Association in November 2011.

Mr. Tao has over 25 years of experience in the management and finance industry. Between July 1987 and October 2009, Mr. Tao worked in Guohua International Engineering Contractors Company* (國華國際工程承包公司), an international engineering projects contractor, where he had worked in various positions, including deputy general manager, chief accountant, chairman of the labour union and finance director. In October 2009, Mr. Tao joined CITIC Construction Co., Ltd., an international engineering projects contractor, and has held several positions. Since October 2009, he has served as the deputy general manager and chief accountant. Between October 2009 to April 2011, he was the general manager of the party's affairs department (黨務工作部) and the executive general manager of the America region. Between October 2009 and May 2015, he was the chairman of the labour union and from October 2011 until May 2013, he was the general manager of the risk management department. Between May 2014 and April 2016, he was the finance director. As at the Latest Practicable Date, he was the deputy general manager, chief accountant and general manager of the investment department.

Independent Non-executive Directors

Mr. Ge Zhenming (葛震明), aged 77, is an INED with effect from 22 June 2016. He graduated from Tongji University (同濟大學), majoring in construction industry economics and organisation in July 1962. He was a visiting scholar in the University of Leuven, Belgium from September 1992 to March 1993 and was elected a Fellow of The Royal Institution of Chartered Surveyors in December 2001.

Since September 1962, Mr. Ge has taught at Tongji University where he was a Professor from January 1994 to July 2003. He then became the President in Shsun Training College* (學爾森專修學院) for construction professionals in Shanghai from January 2003 to December 2008. He was appointed as an honorary professor in the Department of Real Estate and Construction of the University of Hong Kong between July 2003 and June 2005 and an adjunct professor in the same department from September 2008 to August 2011. He was appointed as a member of the International Referee Panel of The Hong Kong Institute of Surveyors from 2005 to 2006. He has also been a consultant for China Harbour Engineering Company Limited (Hong Kong) from January 2011 to January 2012.

Ms. Leung Sau Fan Sylvia (梁秀芬), aged 52, is an INED with effect from 22 June 2016. Ms. Leung obtained a bachelor's degree of arts in accountancy from City University of Hong Kong (previously known as City Polytechnic of Hong Kong) in November 1992. She had studied as an external student and passed the approved examinations and obtained a bachelor of laws degree from the University of London in August 2002. She was admitted as an associate of The Hong Kong Institute of Chartered Secretaries (previously known as The Hong Kong Institute of Company Secretaries) in August 1994.

Ms. Leung has over 20 years of experience in company secretarial and corporate finance advisory. She worked for the company secretarial arm of Ernst & Young, Certified Public Accountants, between July 1987 and August 1990, and was mainly engaged in providing company secretarial services to clients. Between August 1990 and January 1995, Ms. Leung provided company secretarial services to a number of companies listed on the Main Board of the Stock Exchange. From May 1997 to early January 2001, Ms. Leung worked as the senior manager of the Listing Division of the Stock Exchange which became a wholly-owned subsidiary of Hong Kong Exchanges & Clearing Ltd. in 2000. Since January 2001, Ms. Leung has worked for a number of corporate finance advisory firms, including Somerley International Limited and Sinopac Securities (Asia) Limited, where she was involved in the supervision and management of corporate advisory work principally for companies listed in Hong Kong. As at the Latest Practicable Date, Ms. Leung served as a director of VC Capital Limited, a company licenced to conduct type 6 (advising on corporate finance) regulated activity under the SFO. Ms. Leung has held a licence for carrying out each of Type 1 (dealing in securities) regulated activity, Type 4 (advising on securities) regulated activity and Type 6 (advising on corporate finance) regulated activity under the SFO for more than 10 years. She has been a Responsible Officer for Type 6 (advising on corporate finance) regulated activity since October 2014. She was a Responsible Officer for Type 1 (dealing in securities) regulated activity and Type 4 (advising on securities) regulated activity between August 2005 and May 2010. As at the Latest Practicable Date, she was one of the Principals of VC Capital Limited.

During her work in corporate finance, Ms. Leung has advised on Hong Kong [**REDACTED**] and various types of transactions involving the Listing Rules, where she obtained extensive knowledge and experience in reviewing and analysing audited financial statements of public companies. Such experience included (i) reviewing financial statements and information of Hong Kong listed companies when conducting financial due diligence work in relation to merger and acquisition transactions; (ii) analysing financial statements and information of peer group companies which were listed on the Stock Exchange when executing [**REDACTED**]; and (iii) analysing the financial position of Hong Kong listed companies when executing proposals in relation to restructuring of these companies. Moreover, Ms. Leung has also obtained extensive experience in dealing with internal and external auditors regarding the supervision of internal financial controls and the auditing of financial statements.

As at the Latest Practicable Date and in the three preceding years, Ms. Leung served as an independent non-executive director of Poly Investments (Hong Kong) Limited (stock code: 119), a company listed on the Stock Exchange, and also chaired its audit committee since 15 May 2013. Additionally, Ms. Leung also served as an independent non-executive director of China Aerospace International Limited (stock code: 31), a company listed on the Stock Exchange, and is also a member of its audit committee.

Mr. Leung Yee Tak (梁以德), aged 67, is an INED with effect from 22 June 2016. He obtained a master's degree in science in December 1972 and a doctoral degree in philosophy in July 1976, both from The University of Aston. He also obtained a higher doctoral degree in science from The University of Aston in Birmingham in July 1995. He was elected as a Member and a Fellow of The Royal Aeronautical Society in October 1979 and August 1990, respectively. He was also admitted as a Member and a Fellow of The Hong Kong Institution of Engineers in June 1985 and March 2008, respectively. He was elected as a Member of The Institution of Structural Engineers in March 1997 and was elected as a Fellow of The Royal Institution of Chartered Surveyors in February 2006. He was admitted as a Fellow of The Chartered Institute of Building in July 2013.

The following are the major appointments of Mr. Leung:

Time Period	University	Appointment
Since July 1998	Harbin Institute of Technology	Consultant professor
Since February 2000	Tianjin University	Guest professor
Since May 2001	Beihang University	Consultant professor
Since September 2001	Dalian University	Guest professor
	Shenyang Jianzhu University (previously known as Shenyang Architecture and Civil Engineering Institute)	Honorary professor
	People's government of Benxi City of Liaoning Province, the PRC	Senior consultant
Since May 2002	Foshan University	Guest professor
Since November 2002	Hubei University of Technology (Hubei Institute of Technology* 湖北工學院)	Guest professor
Since September 2004	Hubei University of Technology (Hubei Institute of Technology* 湖北工學院)	Honorary professor
Between March 2003 and February 2006	Sichuan University	Advisory professor
Since August 2006	Sichuan University	Honorary professor
Between January 2005 and January 2008	Wuhan University	Guest professor
Between September 2003 and September 2008	Northeastern University	Concurrent professor
Between April 2001 and April 2004, between January 2005 and January 2007, and between July 2007 and July 2009	Huazhong University of Science and Technology	Consultant professor
Between March 2010 and March 2013	Xiamen University of Technology	Distinguished professor

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save as the interests of Mr. Cui and Mr. Yu in the Shares which are disclosed in this document, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO. Mr. Cui's interests in China State Port and Shenzhen Changsheng are disclosed in the section headed "Relationship with Controlling Shareholders" in this document. Other than that, our Directors confirmed that none of them is interested in any business which competes or is likely to compete with our Group's business.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

As at the Latest Practicable Date, our Group's senior management include the following persons:

Name	Age	Position	Date of joining our Group	Appointment date	Roles and responsibilities
Mr. Che Hoi Io (謝海堯)	40	Chief engineer	1 November 2015	1 November 2015	Technical operation and management of our Group's projects in Macao
Mr. Fan Tao (范濤)	42	Project manager	1 September 2000	1 September 2000	Management and administration of different projects in our Group
Mr. Nie Zuhan (聶祖汉)	41	Plant manager	1 September 2006	1 September 2006	Vessel maintenance and vessel licence and registration management
Mr. Wong Ting Pan Ronald (黃定斌)	37	Finance manager	1 November 2015	1 November 2015	Financial management and compliance assurance of our Group

Mr. Che Hoi Io (謝海堯), aged 40, is the chief engineer of our Group. Mr. Che joined our Group in November 2015 as the chief engineer of MCR. He is primarily responsible for technical operation and management of our Group's projects in Macao. Mr. Che graduated with a bachelor's degree in civil engineering from the National Central University in Taiwan in June 2000. He was admitted as a registered engineer in Macao in 2004.

Mr. Che has over 10 years of experience in the engineering industry. Before he joined our Group, from September 2000 to August 2005, Mr. Che worked as an engineer in Zhen Hwa Harbour Construction Co. Ltd., a company engaged in marine construction, civil engineering and house construction where he was involved in several construction projects in Macao. From August 2005 to October 2015, Mr. Che served as a project manager and a registered engineer in China Geomaster Engineering Company Limited, a company engaged in marine, civil and building works, where he was involved in a wide range of marine construction projects in Macao.

Mr. Fan Tao (范濤), aged 42, is the project manager of our Group. Mr. Fan joined our Group in September 2000 as a project manager in HKR. He is primarily responsible for the management and administration of different projects of our Group. As at the Latest Practicable Date, Mr. Fan was a director of PTIR.

Mr. Fan graduated with a bachelor's degree in Engineering Management from the Huazhong University of Science and Technology in the PRC in June 2006. He was admitted as an assistant engineer from the Ministry of Transport (previously known as the Ministry of Communications) of the PRC in August 1998. He was then admitted as a registered marine engineer by Zhanjiang Municipal Human Resources and Social Security Bureau (湛江市人力資源和社會保障局) (previously known as Zhanjiang Municipal Human Resources Bureau (湛江市人事局)) in March 2004. He was admitted as a registered qualification certificate constructor (specialised in harbour and shipping lane engineering) by Guangdong Human Resources and Social Security Bureau in the PRC in January 2010.

Mr. Fan has over 15 years of experience in the marine construction industry. Prior to joining our Group, from July 1995 to August 2000, Mr. Fan served as an assistant engineer in The Third Engineering Company of CCCC Fourth Harbour Engineering Co., Ltd.* (中交四航局第三工程有限公司), a company engaged in harbour and waterway engineering, where he was involved in several marine construction projects in the PRC.

Mr. Nie Zuhan (聶祖汉), aged 40, is the plant manager of our Group. Mr. Nie joined our Group in September 2006 as the plant manager of HKR and he is responsible for vessel maintenance and vessel licence and registration management. He graduated with a bachelor's degree in naval and marine engineering from Shanghai Jiao Tong University in the PRC in July 1997. Mr. Nie obtained the qualification of naval assistant engineer (船體助理工程師) from the transportation committee of Jiangmen city, Guangdong Province, the PRC in June 1999. In April 2008, Mr. Nie completed training in dynamic positioning basic (induction) course offered by The Dynamic Positioning Centre Singapore. He was elected as a member of The Royal Institution of Naval Architects in September 2013.

Mr. Nie has over 15 years of experience in the marine and naval architecture industry. Prior to joining our Group, he joined Zhanjiang Shipping Company Limited* (湛江海艦船舶有限公司) in the PRC between July 1997 and September 2006, a company engaged in vessel repairs and maintenance where he was responsible for providing ship repair and technical support services.

Mr. Wong Ting Pan Ronald (黃定斌), aged 37, is the finance manager of our Group. Mr. Wong joined our Group in November 2015 as the finance manager and he is responsible for financial management and compliance assurance of our Group. He graduated with a bachelor's degree in commerce, information systems and electronic commerce in March 2003 and obtained a master's degree in accounting in September 2006, both from Curtin University of Technology in Australia. He was admitted as a certified public accountant of Certified Practising Accountants Australia in March 2012.

Mr. Wong has over five years of experience in the accounting industry. Prior to joining our Group, from January 2009 to March 2011, Mr. Wong served as a trainee accountant and subsequently assistant accountant in Wong Brothers & Co., Certified Public Accountants, where he was responsible for audit and accounting work. From March 2011 to June 2015, Mr. Wong joined BDO Limited in Hong Kong, an international accounting firm, as an associate and subsequently an assistant manager, where he was responsible for the annual audit, interim review and capital transaction engagements for listed companies.

Save as disclosed above, each of our senior management (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management members or substantial or Controlling Shareholders as at the Latest Practicable Date; (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date; and (iv) did not have any interest in the Shares within the meaning of Part XV of the SFO.

JOINT COMPANY SECRETARIES

Ms. Kui serves as one of our joint company secretaries. Please refer to her biography under the paragraph headed "Executive Directors" above.

Mr. Lee Baldwin (李博彥), *CPA* aged 44, was appointed as the company secretary of our Company in November 2015 and is responsible for the company secretarial matters of our Group. He graduated with a bachelor's degree in commerce from the University of Toronto in November 1993. He was admitted as an associate member of the Hong Kong Institute of Certified Public Accountants (previously known as Hong Kong Society of Accountants) in January 2000.

Mr. Lee has over 15 years of experience in the accounting industry. From August 1995 to April 2000, he joined PricewaterhouseCoopers, an international accounting firm, where he served as an associate, and later a senior associate. From April 2000 to August 2003, he served as a manager in management accounting in ENM Holdings Limited (previously known as e-New Media Company Limited) a company listed on the Main Board of the Stock Exchange (stock code: 128), which is engaged in recreational clubs operations and telecommunication services. From September 2003 to April 2009, he joined Noble Century Investment Holdings Limited (previously known as Sam Woo Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 2322), engaged in vessel chartering and foundation construction at the relevant time, where he served as a group accounting manager. From March 2010 to July 2014, he served as a manager in KC Management Limited, a company engaged in management consulting services. He has served as a manager in Masterway Management Limited, a company engaged in management consulting services, since August 2014.

Benefits and social insurance

As required by employment law in Hong Kong, our Group participates in a provident fund scheme registered under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all our [**REDACTED**] in Hong Kong. We contribute 5% of our employees' relevant income per month as required under the ordinance subject to a maximum of HK$1,500 per employee. Contributions from us are 100% vested in each employee immediately but, subject to limited exceptions, all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 or ceases employment and the employee declares not to become employed or self-employed within the foreseeable future. We also provide employee compensation insurance for each of our Hong Kong staff.

Compensation to our Directors and senior management

The aggregate amounts of remuneration of our Directors (including salaries, benefits in kind and/or discretionary bonus) for each of the three years ended 31 December 2013, 2014 and 2015 were approximately HK$1.4 million, HK$1.4 million and HK$1.6 million, respectively. Details of the arrangement for remuneration are set out in Note 12 to the Accountant's Report in Appendix I to this document. Under such arrangement and pursuant to our Directors' service agreements and letters of appointment referred to in the paragraph headed "Further information about Directors and Shareholders – 11. Directors – (b) Particulars of Directors' service contracts" in Appendix IV to this document, the aggregate amount of directors' fees and other emoluments payable to our Directors for the year ending 31 December 2016 is estimated to be approximately HK$3.5 million, excluding any discretionary bonuses. During the Track Record Period, the five individuals whose emoluments were the highest in our Group included two, two and one Director(s) for each of the three years ended 31 December 2013, 2014 and 2015, respectively.

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. We regularly review and determine the remuneration and compensation packages of our Directors and senior management.

After [**REDACTED**], the remuneration committee of our Company will make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

During the Track Record Period, no remuneration was paid by our Company to, or received by, our Directors as an inducement to join or upon joining our Company.

BOARD COMMITTEES

The audit committee, remuneration committee, nomination committee and risk management committee of our Company were approved to be established by resolutions passed by our Board on 22 June 2016. The membership of such committees are as follows:

Name of Director	Audit committee	Remuneration committee	Nomination committee	Risk management committee
Executive Director				
Mr. Cui	N.A.	N.A.	Chairman	N.A
Mr. Yu	N.A.	N.A.	N.A.	Chairman
Ms. Kui	N.A.	N.A.	N.A.	Member
Mr. Tao Yang	N.A.	N.A.	N.A.	N.A.
INED				
Mr. Ge Zhenming	Member	Member	Member	Member
Ms. Leung Sau Fan Sylvia	Chairman	Member	Member	Member
Mr. Leung Yee Tak	Member	Chairman	Member	Member

Each of the above four committees has written terms of reference. The functions of the above four committees are summarised as follows:

Audit committee

Our audit committee has written terms of reference in compliance with Code C.3 of the Corporate Governance Code and Corporate Governance Report as set forth in Appendix 14 to the Listing Rules. The primary duties of the audit committee of our Company are mainly to make recommendations to our Board on the appointment and dismissal of the external auditor, review the financial statements and materials and provide advice in respect of financial reporting and oversee the internal control procedures of our Company.

Remuneration committee

Our remuneration committee has written terms of reference in compliance with Code B.1 of the Corporate Governance Code and Corporate Governance Report as set forth in Appendix 14 to the Listing Rules. The primary functions of the remuneration committee of our Company are to make recommendations to our Board on the overall remuneration policy and the structure relating to all Directors and senior management of our Group, review performance-based remuneration and ensure none of our Directors determine their own remuneration.

Nomination committee

Our nomination committee has written terms of reference in compliance with Code A.5 of the Corporate Governance Code and Corporate Governance Report as set forth in Appendix 14 to the Listing Rules. The primary functions of the nomination committee of our Company are to (i) review the structure, size and composition (including the skills, knowledge and experiences) of our Board at least annually and make recommendations to our Board on any proposed changes to our Board to complement our Company's corporate strategy; (ii) identify individuals suitably qualified as potential board members and select or make recommendations to our Board on the selection of individuals nominated for directorships; (iii) to assess the independence of INEDs; and (iv) make recommendations to our Board on the appointment or re-appointment of Directors and succession planning of Directors, in particular that of our chairman and the chief executive officer.

Risk management committee

Our risk management committee has written terms of reference in compliance with Code D.2 of the Corporate Governance Code and Corporate Governance Report as set forth in Appendix 14 to the Listing Rules. The primary duties of our risk management committee are to (i) advise our Board on risk-related issues; (ii) oversee the risk management framework to identify and deal with the risks faced by our Company such as business and financial risks; (iii) review risk reports and breaches of risk policies; and (iv) review the effectiveness of our Company's risk control/mitigation tools.

Corporate governance functions

The terms of reference of our Board include, among others, (i) developing and reviewing our Group's policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of our Directors and senior management; (iii) reviewing and monitoring our Group's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and our Directors; and (v) reviewing our Company's compliance with the Corporate Governance Code and disclosure in the annual reports of our Company.

Deviation from the Code Provision of the Corporate Governance Code

Under the code provision A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO of our Group should be clearly established and set out in writing. The roles of the chairman and the CEO of our Group is not separated and are performed by the same individual, Mr. Cui, who has been responsible for overall strategic planning and management of our Group since our Group was founded in 2001. Our Directors meet regularly to consider major matters affecting the operations of our Group. As such, our Directors consider that this structure will not impair the balance of power and authority between our Directors and the management of our Group and believe that this structure will enable our Group to make and implement decisions promptly and efficiently.

COMPLIANCE ADVISER

We have appointed Investec as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on, among other matters, the following:

(i) (before its publication) any regulatory announcement, circular or financial report;

(ii) a transaction is contemplated, which might be a notifiable or connected transaction or will involve Share issues and Share repurchases;

(iii) where our Company proposes to use the net proceeds of the [**REDACTED**] in a manner different from that set forth in this document or where our business activities, development or results deviate from any forecast, estimate, or other information in this document; and

(iv) where the Stock Exchange makes any inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of appointment of our compliance adviser will commence on the [**REDACTED**] and will end on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the [**REDACTED**]. Such appointment may be subject to extension by mutual agreement.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme and intends to grant options to our executive Directors and senior management of our Group after [**REDACTED**].

The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward our Directors and other selected participants for their contributions to us.

The total number of Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the [**REDACTED**].

A summary of the principal terms of the Share Option Scheme is set out in the paragraphs headed "Share Option Scheme" in Appendix IV to this document.

So far as our Directors are aware, immediately following completion of the [**REDACTED**] and the Capitalisation Issue (but without taking into account Shares to be issued pursuant to the exercise of the [**REDACTED**]), the following persons will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the issued shares of our Company or any other members of our Group:

		As at the Latest Practicable Date		**Immediately following completion of the [REDACTED] and the Capitalisation Issue (but without taking into account Shares to be issued pursuant to the exercise of the [REDACTED])**	
Name of Shareholder	**Nature of Interest**	**Number of Shares held** *(Note 1)*	**Approximate shareholding percentage** *(%)*	**Number of Shares held** *(Note 1)*	**Approximate shareholding percentage** *(%)*
Sky Hero	Beneficial owner	8,500	85.0	[**REDACTED**]	[**REDACTED**]
Solid Jewel *(Note 2)*	Interest of a controlled corporation	8,500	85.0	[**REDACTED**]	[**REDACTED**]
Mr. Cui *(Note 3)*	Interest of a controlled corporation	8,500	85.0	[**REDACTED**]	[**REDACTED**]
Ms. Mu (*Note 4*)	Interest of spouse	8,500	85.0	[**REDACTED**]	[**REDACTED**]
CITICC	Beneficial owner	1,500	15.0	[**REDACTED**]	[**REDACTED**]

Notes:

1. The letter "L" denotes a person's long position in such Shares.

2. Solid Jewel is deemed or taken to be interested in all the Shares which are beneficially owned by Sky Hero under the SFO. Sky Hero is wholly-owned by Solid Jewel.

3. Mr. Cui is deemed or taken to be interested in all the Shares which are beneficially owned by Solid Jewel under the SFO. Solid Jewel is owned as to 87% by Mr. Cui and 13% by Mr. Yu, respectively.

4. Ms. Mu is the spouse of Mr. Cui and she is deemed or taken to be interested in all the Shares which are beneficially owned by Mr. Cui under the SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the [**REDACTED**] and the Capitalisation Issue, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be directly or indirectly interested in 10% or more of the issued shares of our Company or any of our subsidiaries.

The following table is prepared on the basis that the [**REDACTED**] and the Capitalisation Issue have been completed. This table does not take into account any Shares which may be issued upon exercise of the [**REDACTED**] or options granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased pursuant to the general mandates for the allotment and issue or repurchase of Shares granted to our Directors.

Authorised share capital		*HK$*
4,000,000,000	Shares	40,000,000

Shares issued and to be issued, fully paid or credited as fully paid

Number of Shares	**Description of Shares**	*HK$*
10,000	Shares in issue as at the date of this document	100
[**REDACTED**]	Shares to be issued pursuant to the [**REDACTED**] Issue	[**REDACTED**]
[**REDACTED**]	Shares to be issued under the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Total	[**REDACTED**]

If the [**REDACTED**] is exercised in full, our Company's issued share capital immediately following the [**REDACTED**], the Capitalisation Issue and the issue of Shares pursuant to the full exercise of the [**REDACTED**] will be as follows:

Authorised share capital		*HK$*
4,000,000,000	Shares	40,000,000

Shares issued and to be issued, fully paid or credited as fully paid

Number of Shares	**Description of Shares**	*HK$*
10,000	Shares in issue as at the date of this document	100
[**REDACTED**]	Shares to be issued pursuant to the Capitalisation Issue	[**REDACTED**]
[**REDACTED**]	Shares to be issued under the [**REDACTED**] and full exercise of the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Total	[**REDACTED**]

ASSUMPTIONS

The above tables assume that the [**REDACTED**] becomes unconditional and the issue of Shares pursuant to the [**REDACTED**] is made as described herein and take no account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors.

[**REDACTED**]

SHAREHOLDERS' GENERAL MEETING

Please refer to Appendix III to this document in respect of circumstances under which general meetings and class meetings are required.

RANKING

The [**REDACTED**] will rank equally in all respects with all Shares in issue and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this document except in respect of the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions in writing of our Shareholders passed on 22 June 2016, subject to the share premium account of our Company being credited as a result of the allotment and issue of the [**REDACTED**], our Directors were authorised to allot and issue a total of 599,990,000 Shares to the then Shareholders as at the close of business on the date of passing of the said written resolutions, credited as fully paid at par by way of capitalisation of the sum of HK$5,999,900 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the Shares in issue (save for the right to participate in the Capitalisation Issue).

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraphs headed "Share Option Scheme" in Appendix IV to this document.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions set out in the paragraphs headed "Conditions of the [**REDACTED**]" in the section headed "Structure and conditions of the [**REDACTED**]" in this document being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with, either unconditionally or subject to such terms and conditions as may then be specified in the resolution, subject to the restriction that the aggregate number of Shares or securities so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, issue and allotment of Shares pursuant to exercise of options that may be granted under the Share Option Scheme or a specific authority granted by the Shareholders) shall not exceed:

(i) 20% of the number of issued Shares immediately upon completion of the [**REDACTED**] and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] and Shares which may be allotted and issued pursuant to the exercise of options under the Share Option Scheme); and

(ii) the number of securities repurchased by our Company (if any) under the paragraphs headed "General mandate to repurchase shares" below (up to a maximum number equivalent to 10% of the number of issued Shares immediately upon completion of the [**REDACTED**] and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] and Shares which may be allotted and issued pursuant to the exercise of options under the Share Option Scheme)).

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue, scrip dividend or similar arrangement in accordance with the Articles, or the options which may be granted under the Share Option Scheme. This general mandate to issue Shares will expire at the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which our Company is required by any applicable law or the Articles to hold our next annual general meeting; or

(iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors by such mandate.

For further details of this general mandate, please refer to the paragraphs headed "Resolutions in writing of our Shareholders passed on 22 June 2016" in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions set out in the paragraphs headed "Conditions of the [**REDACTED**]" in the section headed "Structure and conditions of the [**REDACTED**]" in this document being fulfilled, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares of not more than 10% of the aggregate number of issued Shares immediately upon completion of the [**REDACTED**] and the Capitalisation Issue (excluding Shares which may be issued upon the exercise of the [**REDACTED**] and any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange(s) on which the Shares are [**REDACTED**] (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out under the paragraphs headed "Repurchase by our Company of our own securities" in Appendix IV to this document.

This general mandate to repurchase Shares will expire at the earliest of:

(i) the conclusion of the next annual general meeting of our Company; or

(ii) the expiration of the period within which our Company is required by any applicable law or the Articles to hold our next annual general meeting; or

(iii) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors by such mandate.

For further details of this general mandate, please refer to the paragraphs headed "Further information about our Company – Resolutions in writing of our Shareholders passed on 22 June 2016" in Appendix IV to this document.

The following discussion and analysis of our Group's financial condition and results of operations should be read in conjunction with our combined financial information as at 31 December 2013, 2014 and 2015 and for each of the three years ended 31 December 2015 together with the accompanying notes as set out in the Accountant's Report in Appendix I to this document. The following discussion contains forward-looking statements that involve risks and uncertainties. However, whether our actual results and developments will meet our expectations and projections depends on a number of risks and uncertainties over which our Group does not have control. For further information regarding the factors that could cause or contribute to such differences you should refer to the sections headed "Risk factors" and "Business" in this document.

OVERVIEW

We provide marine construction services to both the private and public sectors, with projects in Hong Kong, Macao and Southeast Asia. We provide dredging and non-dredging ground treatment works, reclamation works, pier construction works, offshore facilities foundation works and marine transportation while the remaining portion of our revenue was generated from the leasing and trading of vessels. We have our own fleet of vessels specifically designed to carry out marine construction works. As at the Latest Practicable Date, we owned a total of 29 vessels, which includes piling barges, split hopper barges, flat top barges, grab dredgers, derrick lighters, tug boats, anchor boats and floating jetty barges, and a total of 67 construction works equipment, which includes cranes, excavators, earth-moving machines, fork-lift trucks, pile hammers, air compressors and power generators. By having our own fleet of vessels in Hong Kong specifically designed for executing marine construction works, we are in a better position to control our project costs and capture additional business opportunities in Hong Kong.

Our Group has participated in numerous major marine construction projects in Hong Kong since 2001 and commenced operations in Southeast Asia in 2008 and in Macao in 2014.

Our business is divided into three major segments:

- **Marine construction works:** Marine construction works is our core business. Our services include dredging and non-dredging ground treatment works, reclamation, pier construction works, offshore facilities foundation works and marine transportation.

- **Leasing of vessels:** Leasing of vessels includes income generated from renting out our idle vessels to other contractors.

- **Trading of vessels:** Trading of vessels includes income generated from buying and selling vessels and sourcing vessels for customers.

For each of the three years ended 31 December 2013, 2014 and 2015, our total revenue amounted to approximately HK$396.2 million, HK$272.8 million and HK$572.9 million, respectively. Our profit attributable to equity holders for the same period was approximately HK$33.9 million, HK$37.1 million and HK$96.0 million, respectively. As at the Latest Practicable Date, the awarded contract sum for the contracts on hand (including contracts in progress and contracts in respect of works which have yet to commence) amounted to approximately HK$1,864.9 million.

BASIS OF PRESENTATION OF OUR FINANCIAL INFORMATION

The financial information of our Group has been prepared in accordance with HKFRS(s) and under the historical cost convention.

Our further financial information on the basis of preparation of the financial information is set out in Note 2 "Summary of significant accounting policies" of the Accountant's Report contained in Appendix I to this document.

SIGNIFICANT FACTORS AFFECTING OPERATING RESULTS AND FINANCIAL CONDITION OF OUR GROUP

The results of operations and financial condition of our Group have been and will continue to be affected by a number of factors, including those discussed below and in the section headed "Risk factors" in this document.

Our performance is dependent on the general economic conditions of markets in which we operate in particular the marine construction industry, and changes in national and/or local policies may adversely affect the demand for our services

Our revenue is primarily generated from the provision of marine construction works in Hong Kong, Macao and Southeast Asia. For each of the three years ended 31 December 2013, 2014 and 2015, our Group's revenue generated from marine construction works was approximately HK$368.2 million, HK$257.8 million and HK$553.1 million, respectively, representing approximately 92.9%, 94.5% and 96.5% of our Group's total revenue, respectively. The demand for our services is closely related to the level of government spending on transportation infrastructure, in particular spending related to the construction and improvement of ports, waterways, sea-crossing viaducts and land reclamation in the countries in which we operate. Any downturn in the construction sector and/or reduction in the overall value and number of infrastructure projects may correspondingly reduce the demand for our services. As such, our revenue and profitability may be adversely affected.

In addition, our performance is also subject to national and/or local policies related to the marine construction industry. For example, the OBOR can enable Hong Kong to serve as a hub for trade logistics and finance under the OBOR framework in the Hong Kong-Fujian-Guangdong-ASEAN region along the OBOR's sea routes. The proposed expansion of the Hong Kong International Airport into a Three-runway System (3RS) will require a further 650-hectare land reclamation to build the third runway, passenger concourse, and other related facilities. This may in turn create more marine construction opportunities and activities in Hong Kong. Macao has been granted control and jurisdiction of its surrounding coastal waters covering an area of 85 km^2 in December 2015. This will expand the available supply of water areas to be reclaimed for Macao and it will benefit future land reclamation projects in Macao. Furthermore, the Indonesian government is planning works on 24 sea ports to support the long-term improvement of its national marine transportation and logistics infrastructure. Any changes or alterations to the current policies may reduce the overall value and number of infrastructure projects which may in turn affect our business, financial condition and results of operations.

Our performance is dependent on certain offshore operations

During the Track Record Period, we had operations in certain Southeast Asian countries such as Indonesia and Vietnam. For each of the three years ended 31 December 2013, 2014 and 2015, our revenue generated from operations outside Hong Kong was approximately 38.4%, 39.9% and 82.5%, respectively. We expect a significant amount of our revenue and profits to continue to be generated from our projects outside Hong Kong in the foreseeable future. Our business and financial performance is therefore subject to changing international economic, political and local conditions, including in Indonesia and Vietnam where such conditions are often volatile. Any changes or alterations to these local economic and political conditions may affect our business, financial condition and results of operations. Please refer to the paragraphs headed "Our overseas operations are subject to various risks and uncertainties" in the section headed "Risk factors" in this document for further information.

Our marine construction works contracts are subject to tenders or acceptable quotations

Our Group's ability to compete for and secure sizeable and profitable marine construction works contracts is one of the main contributors to our success as well as ongoing growth and future profitability. Our marine construction business operates on a non-recurring and project-by-project basis and our customers may vary from year to year. Upon the completion of our contracts on hand, in the event that our Group is unable to secure new contracts or has not commenced work for any of our new contracts, our revenue and financial performance may be adversely affected.

Our performance is dependent on revenue contribution from each of our business segments

Marine construction works contributed most of our revenue during the Track Record Period. The table below sets out a breakdown of revenue contribution by segment for the period indicated:

	Year ended 31 December		
Revenue contribution	**2013**	**2014**	**2015**
	%	%	%
Marine construction works	92.9	94.5	96.5
Leasing of vessels	0.2	3.8	0.4
Trading of vessels	6.9	1.7	3.1
Total	100.0	100.0	100.0

Any factors that materially affect a particular segment of our operations during a certain period may have a material effect on our overall results of operations.

Our performance may be affected by competition in the markets in which we operate

We experience competition in Hong Kong, Macao and the Southeast Asian markets in which we operate. Our competitors are mainly state-owned and local companies in Hong Kong and China, as well as leading international companies engaged in construction works. We compete with other domestic dredging, reclamation, environmental protection and maritime engineering businesses and related operations and expect to face increasing competition from both local and international market participants in the future. Failure to maintain or enhance our competitiveness through pricing and/or technical expertise within the marine construction industry and failure to secure profitable contracts may result in a reduction of profit, which may adversely affect our financial performance. Please refer to the paragraphs headed "Competition in the markets in which we operate could reduce our market share and business results" in the section headed "Risk factors" in this document.

Our financial performance is subject to fluctuations in costs of raw materials, subcontracting charges and rental expenses for vessels and equipment

The primary factors affecting our cost of sales and our overall results of operations are costs associated with raw materials, subcontracting charges and rental expenses for vessels and equipment.

For each of the years ended 31 December 2013, 2014 and 2015, our costs of raw materials were approximately HK$140.0 million, HK$68.2 million and HK$198.9 million, respectively, representing approximately 40.4%, 31.0% and 43.4%, respectively, of our total cost of sales. Our costs of raw materials consist mainly of costs of landfilling materials, steel, diesel and other raw materials required for our projects. If there are changes in the price of raw materials, our results of operations and financial condition may be affected.

For each of the three years ended 31 December 2013, 2014 and 2015, subcontracting charges amounted to approximately HK$54.6 million, HK$32.8 million and HK$29.1 million, respectively, representing approximately 15.8%, 14.9% and 6.3%, respectively, of our total cost of sales. The key factors we consider when selecting subcontractors include work experience, professionalism, track record and quotation of subcontracting fees. If there are changes in subcontracting charges, our results of operations and financial condition may be affected.

For each of the three years ended 31 December 2013, 2014 and 2015, rental expenses for vessels and equipment amounted to approximately HK$45.9 million, HK$37.2 million and HK$61.4 million, respectively, representing approximately 13.2%, 16.9% and 13.4%, respectively, of our total cost of sales. If there are changes in rental expenses for vessels and equipment, our results of operations and financial condition may be affected.

We prepare our tenders or quotations based on our estimates and available information, taking into consideration the deployment of our resources including our vessels and equipment to carry out our works and services, costs of raw materials and labour, as well as the operational difficulties and length of the relevant projects. Significant variations in the size of our projects may affect our allocation of resources and business performance. In the event that we fail to allocate our resources efficiently, or should there be any cost overruns or underestimates, we may suffer losses. In addition, our tender or quotation may carry inherent risks, including risks of losses from underestimating costs and unforeseen complexity in operating projects and other circumstances or incidents that may occur during the contract period which may cause project costs to rise unexpectedly. If we are unable to perform our contracted works with acceptable profit margins, our profitability may be adversely affected.

Our financial performance is affected by fluctuations in foreign currencies

The revenue of our Group is primarily denominated in HK$, USD and MOP. Our operating expenses are predominately denominated in USD, HK$, RMB, MOP and IDR. Fluctuations in currency exchange rates may affect our revenue and costs, which in turn may affect our gross profit and gross profit margins. Further information on our foreign currencies are set out in the paragraph headed "Foreign exchange" in this section.

Our financial performance is subject to timely settlement by our customers

In general for our marine construction works contracts, we submit timely payment applications to our customers and normally require our customers to make progress payments calculated in accordance with the value of works completed which may include variation works and claims, if any. The billings for each project are made in accordance with the stipulated terms and conditions of the respective contracts. If our customers experience financial distress or are unable to settle their payments due to us in a timely manner or at all, the financial condition and results of operations of our Group may be materially and adversely affected.

CRITICAL ACCOUNTING POLICIES

Our Group's significant accounting policies, which are relevant for the discussion and analysis of our financial condition and results of operations as included in this document, are set forth in detail in Note 2 to the Accountant's Report set out in Appendix I to this document. Critical accounting policies are those that are most important to the portrayal of our Group's results of operations and financial position and require management to exercise its judgement in the process of applying our Group's accounting policies. The 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 judgements on our carrying amounts of assets and liabilities and our results. We believe the following critical accounting policies involve the most significant estimates and judgements used in the preparation of our Group's financial statements.

Significant accounting policies

Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses 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 immediately recognised as an expense.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

Our Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to work performed to date as a percentage of total contract value.

On the combined balance sheets, our Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case. Progress billings not yet paid by the customers and retention receivables are included in current assets as our Group expects to realise these within its normal operating cycle.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of our Group's activities. Our Group recognises revenue when (i) the amount of revenue can be reliably measured; (ii) it is probable that future economic benefits will flow to the entity; and (iii) specific criteria have been met. Revenue is shown net of sales tax, returns, rebates and discounts and after eliminating sales within our Group.

(i) Revenue from construction contracts is recognised based on the stage of completion of the contracts.

(ii) Rental income from leasing of vessels is recognised based on the straight-line basis over the lease terms.

(iii) Trading of vessels is recognised when the goods are delivered and the risks and rewards of ownership have been passed to the customers; commission income is recognised when services are rendered which is generally the time when the transacting parties first come into an agreement.

Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. For the joint arrangements that specify that the parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements, they are classified as joint operations. For the remaining joint arrangements, they are classified as joint ventures.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. 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. Joint ventures are included on the equity basis of accounting.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise our Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 share of any assets held jointly;

– its liabilities, including its share of any liabilities incurred jointly;

– its revenue 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 assets that the Group has the rights to and the liabilities that the Group has the obligations for, in relation to the joint operations, are recognised in the combined balance sheets on an accrual basis and classified according to the nature of the item. The share of expenses that the Group incurs and its share of income that it earns from the joint operations are included in the combined statements of comprehensive income.

Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the asset will flow to our Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the combined statements of comprehensive income during the financial period in which they are incurred.

Depreciation of both owned and leased plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over the estimated useful lives as follows:

Vessels	10-20 years
Machinery and equipment	3-10 years
Furniture and fixtures	5 years
Motor vehicles	5 years
Office equipment	3 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Gains or losses on disposals are determined by comparing proceeds with carrying amounts and are recognised in the combined statements of comprehensive income.

Trade and other receivables

Trade receivables are amounts due from customers in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined statements of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to that cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the combined statements of comprehensive income in the period in which they are incurred.

RESULTS OF OPERATIONS

The table below presents the summary of combined statements of comprehensive income of our Group for each of three years ended 31 December 2013, 2014 and 2015 extracted from the Accountant's Report as set out in Appendix I to this document.

Combined statements of comprehensive income

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	396,168	272,760	572,928
Cost of sales	(346,354)	(219,838)	(457,987)
Gross profit	49,814	52,922	114,941
Other income and gain, net	(61)	(10)	(2,566)
Gain on disposal of investment in an associate	–	–	19,494
Professional fees incurred for [**REDACTED**]	–	–	(8,417)
Administrative expenses	(5,708)	(6,324)	(11,548)
Operating profit	44,045	46,588	111,904
Finance costs, net	(1,311)	(1,341)	(1,071)
Share of losses of joint ventures	(3)	(4)	(5)
Profit before taxation	42,731	45,243	110,828
Income tax expense	(8,824)	(8,183)	(14,830)
Profit for the year	33,907	37,060	95,998
Other comprehensive income for the year	–	–	–
Profit and total comprehensive income attributable to equity holders of the Company	33,907	37,060	95,998

KEY COMPONENTS OF OUR COMBINED STATEMENTS OF COMPREHENSIVE INCOME

During the Track Record Period, our Group recorded revenue of approximately HK$396.2 million, HK$272.8 million and HK$572.9 million, respectively, representing a decrease of approximately 31.1% from 31 December 2013 to 31 December 2014 and an increase of approximately 110.0% from 31 December 2014 to 31 December 2015. Our Group recorded net profit of approximately HK$33.9 million, HK$37.1 million and HK$96.0 million during the Track Record Period, representing an increase of approximately 9.4% from 31 December 2013 to 31 December 2014 and 158.8% from 31 December 2014 to 31 December 2015.

REVENUE

During the Track Record Period, our Group generated all of our revenue from (i) marine construction works; (ii) leasing of vessels; and (iii) trading of vessels.

	Year ended 31 December					
Revenue	**2013**		**2014**		**2015**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Marine construction works	368,188	92.9	257,806	94.5	553,130	96.5
Leasing of vessels	877	0.2	10,222	3.8	2,048	0.4
Trading of vessels	27,103	6.9	4,732	1.7	17,750	3.1
Total	396,168	100.0	272,760	100.0	572,928	100.0

Marine construction works

Marine construction works is our core business. Revenue from marine construction works is recognised upon completion of certain stages of a contract. Our Group submits payment applications to our customers usually on a monthly basis. The monthly cut-off dates of such payment applications are normally specified in the contracts. Typically, our customers, or where we are the main contractor, the authorised persons employed by our customers, certify the value of the works completed, which may include variation works and claims, if any, and our customers arrange settlement in respect of the portion of completed works.

Upon completion of each marine construction project, our Group submits payment applications to our customers which may include the variation works carried out by our Group and claims, if any. Due to the complexity of marine construction works, which may be subject to ground and marine seabed conditions, weather and potential additional works to the original contractual terms, variation works and differences in the progress of marine construction works from the original schedules are common in our industry. The negotiation of the final settlement, i.e. variation works and claims between our Group and our customer is often a prolonged process which is not uncommon in the marine construction industry. Therefore, it is possible that our Group receives settlement of the outstanding sum of a contract after a prolonged period subsequent to the completion of such marine construction projects. Such is evidenced by the settlement made by our customer of the Palabuhan Ratu Power Plant project after negotiations of a prolonged period.

For each of the three years ended 31 December 2013, 2014 and 2015, our marine construction works accounted for approximately 92.9%, 94.5% and 96.5%, respectively, of our Group's total revenue. Set out below is the list of projects carried out by our Group during the Track Record Period, the revenue recognised during the Track Record Period and the percentage of completion as at 31 December 2015:

Projects	Location	Year ended 31 December 2013	2014	2015	Total revenue recognised during the Track Record Period	Completion
		HK$'000	*HK$'000*	*HK$'000*	*(Note 6)*	*% (Note 7)*
Wan Chai Development Phase II Central and Wan Chai Bypass at Wan Chai West *(Note 1)*	Hong Kong	16,077	28,781	23,636	68,494	68.2%
Central – Wan Chai Bypass Tunnel (North Point Section) and Island Eastern Corridor Link	Hong Kong	23,985	14,893	–	38,878	80.4%
Hong Kong-Zhuhai-Macao Bridge Projects *(Note 2)*	Hong Kong	147,620	49,911	25,080	222,611	84.7%
Shatin to Central Link Projects *(Note 3)*	Hong Kong	25,840	48,866	23,028	97,734	79.4%
Ha Tinh Steel Factory Public Road Area 2 Site Improvement	Vietnam	41,364	18,147	–	59,511	Completed
Tegal Buleud Port Construction	Indonesia	41,629	20,208	8,083	69,920	Completed
Bali Power Plant Phase I Port Construction	Indonesia	69,299	70,486	24,875	164,660	Completed
Manokwari Port Construction	Indonesia	–	–	226,356	226,356	66.3%
Bintan Island Port Construction	Indonesia	–	–	44,174	44,174	53.5%
Palabuhan Ratu Power Plant *(Note 4)*	Indonesia	–	–	18,239	18,239	Completed
Macao Project	Macao	–	–	150,921	150,921	38.0%
Other marine construction works income *(Note 5)*	N/A	2,374	6,514	8,738	17,626	N/A
		368,188	257,806	553,130	1,179,124	

Notes:

1. Wan Chai Development Phase II Central and Wan Chai Bypass at Wan Chai West project is comprised of three contracts (namely, Contract A, Contract K and Contract L referred to in the paragraphs headed "Contracts completed during the Track Record Period" and "Contracts on hand as at the Latest Practicable Date" in the section headed "Business" in this document) during the Track Record Period.

2. Hong Kong-Zhuhai-Macao Bridge Projects is comprised of three contracts (namely, Contract C, Contract I and Contract M referred to in the paragraphs headed "Contracts completed during the Track Record Period" and "Contracts on hand as at the Latest Practicable Date" in the section headed "Business" in this document) during the Track Record Period.

3. Shatin to Central Link Projects is comprised of two contracts (namely, Contract D and Contract J referred to in the paragraphs headed "Contracts completed during the Track Record Period" and "Contracts on hand as at the Latest Practicable Date" in the section headed "Business" in this document) during the Track Record Period.

4. Revenue generated from the Palabuhan Ratu Power Plant project represents the settlement of that project of which our works had been completed prior to the Track Record Period. During the year ended 31 December 2015, we recognised revenue from this project of approximately HK$18.2 million. All associated costs were recognised prior to the Track Record Period.

5. Other marine construction works income mainly represents short term, miscellaneous works that our Group performed.

6. For Indonesian and Vietnamese projects, payments received by our Group are subject to withholding taxes and the amounts shown are before deducting the relevant withholding taxes.

7. The percentage of completion is based on the payment certificate issued by our customers or authorised persons employed by our customers. Percentage of completion represents the amount of works certified as a percentage of the total contract revenue which consists of revenue already recognised and revenue expected to be recognised taking into account the original contract works and variation orders and claims to the extent that the same had been agreed with our customer as at 31 December 2015.

Our Group completed seven contracts during the Track Record Period. As at the Latest Practicable Date, our Group has 11 contracts on hand (including contracts in progress and contracts of which our work has yet to commence) with an aggregate contract sum of approximately HK$1,864.9 million, of which approximately HK$1,004.9 million (excluding variations and claims) had been recognised as revenue during the Track Record Period and the amount of revenue expected to be recognised from these contracts on hand for each of the two years ending 31 December 2016 and 2017 are approximately HK$680.0 million and HK$180.0 million, respectively. For further details of our contracts on hand, please refer to the paragraphs headed "Contracts on hand as at the Latest Practicable Date" in the section headed "Business" in this document.

Revenue generated from marine construction works decreased from approximately HK$368.2 million for the year ended 31 December 2013 to approximately HK$257.8 million for the year ended 31 December 2014, which was mainly due to the decrease in revenue generated from the Hong Kong-Zhuhai-Macao Bridge Projects and the Vietnam Projects. Such decrease, however, was partially offset by an increase in revenue generated from the Shatin to Central Link Projects. The decrease in revenue generated from the Hong Kong-Zhuhai-Macao Bridge Projects from approximately HK$147.6 million for the year ended 31 December 2013 to approximately HK$49.9 million for the year ended 31 December 2014 was mainly due to (i) the decrease in works performed by us; and (ii) the time lag in assessment between payment application and payment certificate of our works. The decrease in revenue generated from the Vietnam Projects from approximately HK$41.4 million for the year ended 31 December 2013 to approximately HK$18.1 million for the year ended 31 December 2014 was mainly due to the decrease in works performed by us as most of our works were performed prior to the Track Record Period and during the year ended 31 December 2013. The increase in revenue generated from the Shatin to Central Link Projects from approximately HK$25.8 million for the year ended 31 December 2013 to approximately HK$48.9 million for the year ended 31 December 2014 was due to the increase in works performed for the year ended 31 December 2014.

Revenue generated from marine construction works increased from approximately HK$257.8 million for the year ended 31 December 2014 to approximately HK$553.1 million for the year ended 31 December 2015, which was mainly due to the increase in revenue generated from (i) the Manokwari Port Construction project of approximately HK$226.4 million; and (ii) the Macao Project of approximately HK$150.9 million. These two projects accounted for an aggregate of approximately 68.2% of our revenue generated from marine construction works for the year ended 31 December 2015. The increase in revenue generated from the abovementioned two projects was due to the commencement of works in 2015 and the corresponding increase in works performed for the year ended 31 December 2015.

Leasing of vessels

We provide leasing of vessels services to Independent Third Parties in the construction industry. For each of the three years ended 31 December 2013, 2014 and 2015, our leasing of vessels accounted for approximately HK$0.9 million, HK$10.2 million and HK$2.0 million, respectively, representing approximately 0.2%, 3.8% and 0.4 %, respectively, of our Group's revenue.

Revenue generated from leasing of vessels increased from approximately HK$0.9 million for the year ended 31 December 2013 to approximately HK$10.2 million for the year ended 31 December 2014, which was mainly due to less marine construction works performed by our Group for the year ended 31 December 2014 which in turn led to a higher number of our vessels being available to be leased out during the year.

Revenue generated from leasing of vessels decreased from approximately HK$10.2 million for the year ended 31 December 2014 to approximately HK$2.0 million for the year ended 31 December 2015, which was mainly due to more marine construction works performed by our Group for the year ended 31 December 2015 which in turn led to a lower number of our vessels being available to be leased out during the year.

Trading of vessels

We are engaged in the trading of vessels. For each of the three years ended 31 December 2013, 2014 and 2015, our trading of vessels accounted for approximately HK$27.1 million, HK$4.7 million and HK$17.8 million, respectively, representing approximately 6.9%, 1.7% and 3.1%, respectively, of our Group's revenue.

Revenue generated from trading of vessels decreased from approximately HK$27.1 million for the year ended 31 December 2013 to approximately HK$4.7 million for the year ended 31 December 2014. During the year ended 31 December 2013, we sold four vessels which generated revenue of approximately HK$27.1 million. The ownership of those four vessels was initially transferred to our Group and therefore the corresponding cost of trading of such vessels was incurred when they were sold. For the year ended 31 December 2014, the ownership of a vessel that we assisted in selling was not transferred to our Group. The income generated from such vessel of approximately HK$4.7 million was a commission income and no corresponding cost of trading of vessels was incurred.

Revenue generated from trading of vessels increased from approximately HK$4.7 million for the year ended 31 December 2014 to approximately HK$17.8 million for the year ended 31 December 2015. The ownership of a vessel we sold in the year ended 31 December 2015 was initially transferred to our Group and a corresponding cost of trading of vessels was incurred.

Our Directors indicated that during the Track Record Period, we traded vessels when there was an anticipated demand in the market. Whether the ownership of a vessels was initially transferred to us or whether we only charged a commission fee depended on each trade.

Domestic and overseas business

During the Track Record Period, we generated our revenue in Hong Kong, Macao, Indonesia and Vietnam. Most of our overseas revenue was generated from marine construction works. The following table sets out the revenue by region for the periods indicated:

	Year ended 31 December					
	2013		2014		2015	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Hong Kong	243,876	*61.6*	163,918	*60.1*	100,280	*17.5*
Indonesia	110,928	*28.0*	90,695	*33.3*	321,727	*56.2*
Vietnam	41,364	*10.4*	18,147	*6.6*	–	*0.0*
Macao	–	*0.0*	–	*0.0*	150,921	*26.3*
	396,168	*100.0*	272,760	*100.0*	572,928	*100.0*

Revenue of our Group generated in Hong Kong, Indonesia and Vietnam decreased from the year ended 31 December 2013 to the year ended 31 December 2014. The decrease in revenue generated in Hong Kong from approximately HK$243.9 million for the year ended 31 December 2013 to approximately HK$163.9 million for the year ended 31 December 2014 was mainly due to the decrease in revenue generated from the Hong Kong-Zhuhai-Macao Bridge Projects. The decrease in revenue generated in Indonesia from approximately HK$110.9 million for the year ended 31 December 2013 to approximately HK$90.7 million for the year ended 31 December 2014 was due to the works performed in the Tegal Buleud Port Construction project being substantially completed in the year ended 31 December 2013. The decrease in revenue generated in Vietnam from approximately HK$41.4 million for the year ended 31 December 2013 to approximately HK$18.1 million for the year ended 31 December 2014 was mainly due to the decrease in works performed by us as most of the works in Vietnam were performed prior to the Track Record Period and during the year ended 31 December 2013.

Revenue of our Group generated in Hong Kong and Vietnam decreased from the year ended 31 December 2014 to the year ended 31 December 2015, while revenue of our Group generated in Indonesia and Macao increased during the corresponding period. The decrease in revenue generated in Hong Kong from approximately HK$163.9 million for the year ended 31 December 2014 to approximately HK$100.3 million for the year ended 31 December 2015 was mainly due to the decrease in works performed for our projects in Hong Kong, in particular, the completion of one of the contracts in the Hong Kong-Zhuhai-Macao Bridge Projects and one of the two contracts in the Shatin to Central Link Projects. The revenue generated in Indonesia increased from approximately HK$90.7 million for the year ended 31 December 2014 to approximately HK$321.7 million for the year ended 31 December 2015 which was mainly attributable to the revenue generated from the Manokwari Port Construction project of approximately HK$226.4 million. The decrease in revenue generated in Vietnam from approximately HK$18.1 million for the year ended 31 December 2014 to nil for the year ended

31 December 2015 was mainly due to the completion of the Vietnam Projects in 2014. The increase in revenue generated in Macao from nil for the year ended 31 December 2014 to approximately HK$150.9 million for the year ended 31 December 2015 was mainly due to the revenue generated from the Macao Project of approximately HK$150.9 million which commenced in March 2015.

COST OF SALES

Cost of sales mainly includes costs of raw materials, subcontracting charges, staff costs, rental expenses for vessels and equipment and other expenses, which are primarily recognised and transferred from work-in-progress to the combined statements of comprehensive income based on the percentage of completion. The following table sets out a breakdown of our cost of sales during the Track Record Period:

	Year ended 31 December					
	2013		2014		2015	
Cost of sales	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Raw materials	139,964	*40.4%*	68,176	*31.0%*	198,888	*43.4%*
Landfilling materials	60,515	*17.5%*	24,350	*11.1%*	29,135	*6.4%*
Steel	44,164	*12.8%*	8,259	*3.7%*	131,502	*28.7%*
Diesel	15,790	*4.5%*	28,049	*12.8%*	17,117	*3.7%*
Others	19,495	*5.6%*	7,518	*3.4%*	21,134	*4.6%*
Subcontracting charges	54,557	*15.8%*	32,790	*14.9%*	29,050	*6.3%*
Staff costs	29,299	*8.5%*	42,365	*19.3%*	45,938	*10.0%*
Rental expenses for vessels and equipment	45,861	*13.2%*	37,199	*16.9%*	61,433	*13.4%*
Depreciation	8,225	*2.4%*	7,752	*3.5%*	8,761	*1.9%*
Repair and maintenances	4,895	*1.4%*	6,136	*2.8%*	4,681	*1.0%*
Transportation	16,358	*4.7%*	6,638	*3.0%*	26,196	*5.7%*
Site expenses	10,097	*2.9%*	7,338	*3.3%*	19,452	*4.3%*
Cost of trading of vessels	22,752	*6.6%*	–	*0.0%*	14,423	*3.1%*
Custom duties	5,646	*1.6%*	5,745	*2.6%*	22,256	*4.9%*
Insurance	550	*0.2%*	1,838	*0.9%*	2,733	*0.7%*
Consultancy fee	784	*0.2%*	632	*0.3%*	15,215	*3.3%*
Others	7,366	*2.1%*	3,229	*1.5%*	8,961	*2.0%*
	346,354	*100.0%*	219,838	*100.0%*	457,987	*100.0%*

Our most significant cost of sales are costs related to raw materials and rental expenses for vessels and equipment. During the Track Record Period, the costs of raw materials represented approximately 40.4%, 31.0% and 43.4% of our cost of sales, respectively, while rental expense for vessels and equipment represented approximately 13.2%, 16.9% and 13.4%, respectively. The proportion of raw materials and rental expenses for vessels and equipment in our cost of sales depends upon, among other factors, the design and requirements of each marine construction project which typically varies from project to project.

Raw materials

During the Track Record Period, the costs of raw materials amounted to approximately HK$140.0 million, HK$68.2 million and HK$198.9 million, respectively. The decrease in the costs of raw materials from approximately HK$140.0 million for the year ended 31 December 2013 to approximately HK$68.2 million for the year ended 31 December 2014, representing a decrease of approximately 51.3%, was primarily due to the decrease in revenue generated from marine construction works, in particular the Hong Kong-Zhuhai-Macao Bridge Projects. Given the project mainly involved reclamation and construction of seawall, marine piling and building of marine platforms, it required more raw materials compared to other types of marine construction works such as marine transportation. The decrease in revenue generated from the abovementioned project of 66.2% from the year ended 31 December 2013 to the year ended 31 December 2014 led to a decrease in the costs of raw materials for the corresponding period.

The increase in costs of raw materials from approximately HK$68.2 million for the year ended 31 December 2014 to approximately HK$198.9 million for the year ended 31 December 2015, representing an increase of approximately 191.6%, was primarily due to the increase in revenue generated from marine construction works. Two of our largest projects by revenue for the year ended 31 December 2015, the Manokwari Port Construction project and the Macao Project, were raw material intensive projects as one mainly involved port construction and the other mainly involved reclamation works.

Subcontracting charges

Our Group also engaged subcontractors for parts of the works of our contracts, such as diving works, testing works and environmental monitoring works. During the Track Record Period, subcontracting charges amounted to approximately HK$54.6 million, HK$32.8 million and HK$29.1 million, respectively, representing approximately 15.8%, 14.9% and 6.3%, respectively, of our cost of sales. The decrease in subcontracting charges from approximately HK$54.6 million for the year ended 31 December 2013 to approximately HK$32.8 million for the year ended 31 December 2014, representing a decrease of approximately 39.9%, was primarily due to the completion of the Vietnam Projects for which we outsourced the majority of site improvement works to our subcontractors for the year ended 31 December 2013.

The decrease in subcontracting charges from approximately HK$32.8 million for the year ended 31 December 2014 to approximately HK$29.1 million for the year ended 31 December 2015, representing a decrease of approximately 11.3% was primarily due to the decrease in subcontracting works performed for the Shatin to Central Link Projects.

Staff costs

The increase in staff costs from approximately HK$29.3 million for the year ended 31 December 2013 to approximately HK$42.4 million for the year ended 31 December 2014, representing an increase of approximately 44.7%, was primarily due to the increase in costs derived from the hiring of additional project management staff, engineers and construction

workers and increase in overtime works. Despite the fall in revenue during the year ended 31 December 2014, the Shatin to Central Link Projects required overtime works, and one of the contracts for this project namely Contract D, required more staff, which led to an increase in the total number of staff and a corresponding increase in staff costs for the year ended 31 December 2014.

The increase in staff costs from approximately HK$42.4 million for the year ended 31 December 2014 to approximately HK$45.9 million for the year ended 31 December 2015, representing an increase of approximately 8.3%, was primarily due to the increase in costs derived from the hiring of additional project management staff, engineers and construction workers in response to the increase in marine construction works performed by our Group.

Rental expenses for vessels and equipment

During the Track Record Period, rental expenses for vessels and equipment amounted to approximately HK$45.9 million, HK$37.2 million and HK$61.4 million, respectively, representing approximately 13.2%, 16.9% and 13.4%, respectively, of our cost of sales. Rental expenses for vessels and equipment mainly represent expenses incurred from rental of vessels and equipment from Independent Third Parties. The decrease in rental expenses for vessels and equipment from approximately HK$45.9 million for the year ended 31 December 2013 to approximately HK$37.2 million for the year ended 31 December 2014, representing a decrease of approximately 19.0%, was primarily due to the decrease in rental of vessels and equipment for the Hong Kong-Zhuhai-Macao Bridge Projects as works performed by us for this project decreased for the year ended 31 December 2014 compared with the corresponding period in 2013.

The increase in rental expenses for vessels and equipment from approximately HK$37.2 million for the year ended 31 December 2014 to approximately HK$61.4 million for the year ended 31 December 2015, representing an increase of approximately 65.1%, was primarily due to the increase in expenses incurred from rental of additional vessels and equipment from Independent Third Parties in connection with the additional marine construction works performed.

Transportation

Transportation expenses mainly represents costs incurred from the transportation of raw materials. During the Track Record Period, transportation expense amounted to approximately HK$16.4 million, HK$6.6 million and HK$26.2 million, respectively, representing approximately 4.7%, 3.0% and 5.7%, respectively, of our cost of sales. The decrease in transportation expenses from approximately HK$16.4 million for the year ended 31 December 2013 to approximately HK$6.6 million for the year ended 31 December 2014, representing a decrease of approximately 59.8%, was primarily due to the decrease in the purchase of raw materials which in turn led to lower transportation expenses incurred.

The increase in transportation expenses from approximately HK$6.6 million for the year ended 31 December 2014 to approximately HK$26.2 million for the year ended 31 December 2015, representing an increase of approximately 297.0%, was primarily due to the increase in expenses incurred from transporting raw materials which corresponded with the increase in the purchase of raw materials.

Cost of trading of vessels

During the Track Record Period, cost of trading of vessels amounted to approximately HK$22.8 million, nil and HK$14.4 million, respectively, representing approximately 6.6%, nil and 3.1%, respectively, of our cost of sales. Cost of trading of vessels is directly correlated with the revenue generated from trading of vessels. The ownership of the vessels we traded were sometimes transferred to us prior to our Group selling the vessels. Therefore, cost of trading of vessels was incurred when we eventually sold these vessels. However, in the case that the ownership of the vessels were not transferred to us, no cost of trading of vessels was incurred as our Group only received a commission income. Cost of trading of vessels was incurred for both the years ended 31 December 2013 and 2015 but no cost of trading of vessels was incurred for the year ended 31 December 2014.

Custom duties

Custom duties mainly represent costs incurred from paying custom duties to the relevant authority for custom clearance. During the Track Record Period, custom duties amounted to approximately HK$5.6 million, HK$5.7 million and HK$22.3 million, respectively, representing approximately 1.6%, 2.6% and 4.9%, respectively, of our cost of sales. Custom duties remained stable from approximately HK$5.6 million for the year ended 31 December 2013 to approximately HK$5.7 million for the year ended 31 December 2014.

The increase in custom duties from approximately HK$5.7 million for the year ended 31 December 2014 to approximately HK$22.3 million for the year ended 31 December 2015, representing an increase of approximately 291.2%, was primarily due to the increase in raw materials transported to our Indonesian projects such as the Manokwari Port Construction project and the Bintan Port Construction project which in turn led to a higher amount of custom duties paid to the relevant authority for clearance purposes. This increase in custom duties directly correlates with the increase in costs of raw materials for the year ended 31 December 2015.

The following sensitivity analysis illustrates the impact of hypothetical changes, based on historical fluctuations during the Track Record Period, in the costs of landfilling materials, steel and diesel, staff costs, subcontracting charges and rental expense for vessels and equipment under cost of sales for the respective periods during the Track Record Period:

Sensitivity analysis on price of landfilling materials

	Year ended 31 December					
	2013		2014		2015	
Change in price of landfilling materials	Corresponding increase in cost of sales	Change in cost of sales	Corresponding increase in cost of sales	Change in cost of sales	Corresponding increase in cost of sales	Change in cost of sales
%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
60.0%	36,309.0	10.5%	14,610.0	6.6%	17,481.0	3.8%
45.0%	27,231.8	7.9%	10,957.5	5.0%	13,110.8	2.9%
30.0%	18,154.5	5.2%	7,305.0	3.3%	8,740.5	1.9%
15.0%	9,077.3	2.6%	3,652.5	1.7%	4,370.3	1.0%

Sensitivity analysis on price of steel

	Year ended 31 December					
	2013		2014		2015	
Change in price of steel	Corresponding changes in cost of sales	Change in cost of sales	Corresponding changes in cost of sales	Change in cost of sales	Corresponding changes in cost of sales	Change in cost of sales
%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
33.0%	14,574.1	4.2%	2,725.5	1.2%	43,395.7	9.5%
24.0%	10,599.4	3.1%	1,982.2	0.9%	31,560.5	6.9%
15.0%	6,624.6	1.9%	1,238.9	0.6%	19,725.3	4.3%
6.0%	2,649.8	0.8%	495.5	0.2%	7,890.1	1.7%
-6.0%	(2,649.8)	-0.8%	(495.5)	-0.2%	(7,890.1)	-1.7%
-15.0%	(6,624.6)	-1.9%	(1,238.9)	-0.6%	(19,725.3)	-4.3%
-24.0%	(10,599.4)	-3.1%	(1,982.2)	-0.9%	(31,560.5)	-6.9%
-33.0%	(14,574.1)	-4.2%	(2,725.5)	-1.2%	(43,395.7)	-9.5%

Sensitivity analysis on price of diesel

	Year ended 31 December					
	2013		2014		2015	
Change in price of diesel	Corresponding changes in cost of sales	Change in cost of sales	Corresponding changes in cost of sales	Change in cost of sales	Corresponding changes in cost of sales	Change in cost of sales
%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
38.0%	6,000.2	1.7%	10,658.6	4.8%	6,504.5	1.4%
28.0%	4,421.2	1.3%	7,853.7	3.6%	4,792.8	1.0%
18.0%	2,842.2	0.8%	5,048.8	2.3%	3,081.1	0.7%
8.0%	1,263.2	0.4%	2,243.9	1.0%	1,369.4	0.3%
-8.0%	(1,263.2)	-0.4%	(2,243.9)	-1.0%	(1,369.4)	-0.3%
-18.0%	(2,842.2)	-0.8%	(5,048.8)	-2.3%	(3,081.1)	-0.7%
-28.0%	(4,421.2)	-1.3%	(7,853.7)	-3.6%	(4,792.8)	-1.0%
-38.0%	(6,000.2)	-1.7%	(10,658.6)	-4.8%	(6,504.5)	-1.4%

Sensitivity analysis on staff costs

	Year ended 31 December					
	2013		2014		2015	
Change in staff costs	Corresponding increase in cost of sales	Change in cost of sales	Corresponding increase in cost of sales	Change in cost of sales	Corresponding increase in cost of sales	Change in cost of sales
%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
14.0%	4,101.9	1.2%	5,931.1	2.7%	6,431.3	1.4%
11.0%	3,222.9	0.9%	4,660.2	2.1%	5,053.2	1.1%
8.0%	2,343.9	0.7%	3,389.2	1.5%	3,675.0	0.8%
5.0%	1,465.0	0.4%	2,118.3	1.0%	2,296.9	0.5%

Sensitivity analysis on subcontracting charges *(Note 2)*

	Year ended 31 December					
	2013		2014		2015	
Change in subcontracting charges	Corresponding increase in cost of sales	Change in cost of sales	Corresponding increase in cost of sales	Change in cost of sales	Corresponding increase in cost of sales	Change in cost of sales
%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
14.0%	4,101.9	1.2%	5,931.1	2.7%	6,431.3	1.4%
11.0%	3,222.9	0.9%	4,660.2	2.1%	5,053.2	1.1%
8.0%	2,343.9	0.7%	3,389.2	1.5%	3,675.0	0.8%
5.0%	1,465.0	0.4%	2,118.3	1.0%	2,296.9	0.5%

Sensitivity analysis on rental expenses for vessels and equipment

	Year ended 31 December					
	2013		2014		2015	
Change in rental expenses for vessels and equipment	Corresponding increase in cost of sales	Change in cost of sales	Corresponding increase in cost of sales	Change in cost of sales	Corresponding increase in cost of sales	Change in cost of sales
%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
7.0%	3,210.3	0.9%	2,603.9	1.2%	4,300.3	0.9%
5.0%	2,293.1	0.7%	1,860.0	0.8%	3,071.7	0.7%
3.0%	1,375.8	0.4%	1,116.0	0.5%	1,843.0	0.4%
1.0%	458.6	0.1%	372.0	0.2%	614.3	0.1%

Notes:

(1) The sensitivity analysis above assumes that only one variable changes while other variables remain unchanged. This sensitivity analysis is intended for reference only, and any variation may differ from the amounts indicated. [**REDACTED**] should note in particular that this sensitivity analysis is not intended to be exhaustive and is limited to the impact of changes in the costs of landfilling materials, steel, diesel, staff costs, subcontracting charges and rental expenses for vessels and equipment, respectively, and does not reflect changes in our revenue.

(2) Due to the range and mix of subcontracted services provided to our Group, such as diving works, testing works and environmental monitoring works during the Track Record Period, the historical fluctuation of subcontracting charges is not an appropriate reference for sensitivity analysis. As such, the sensitivity analysis of subcontracting charges is based on the historical fluctuations of staff costs.

GROSS PROFIT

The table below sets out a breakdown of gross profit and gross profit margin of our Group for the years indicated:

	Year ended 31 December					
	2013		2014		2015	
	HK$'000	*Gross profit margin %*	*HK$'000*	*Gross profit margin %*	*HK$'000*	*Gross profit margin %*
Gross profit	49,814	12.6	52,922	19.4	114,941	20.1
Gross profit by business segment						
Marine construction works	45,301	12.3	37,968	14.7	109,652	19.8
Leasing of vessels	162	18.5	10,222	100.0	1,962	95.8
Trading of vessels	4,351	16.1	4,732	100.0	3,327	18.7
Gross profit by geographic location						
Hong Kong	28,356	11.6	37,520	22.9	19,182	19.1
Indonesia	13,445	12.1	11,886	13.1	68,380	21.3
Vietnam	8,013	19.4	3,516	19.4	–	–
Macao	–	–	–	–	27,379	18.1

During the Track Record Period, our Group recorded gross profit margin of approximately 12.6%, 19.4% and 20.1%, respectively.

For the year ended 31 December 2013, the gross profit margin of approximately 12.6% was largely attributable to the Hong Kong-Zhuhai-Macao Bridge Projects, the Vietnam Projects and the Tegal Buleud project as these projects contributed approximately 62.6% in aggregate of our revenue generated from marine construction works for the year ended 31 December 2013.

The gross profit margin of approximately 19.4% recorded in the year ended 31 December 2014 was mainly attributable to the Shatin to Central Link Projects, the Bali Power Plant Phase 1 Port Construction project, the Tegal Buleud Port Construction project and the Vietnam Projects which in aggregate contributed approximately 61.2% of our revenue generated from marine construction works for the year ended 31 December 2014. The higher gross profit margin of approximately 19.4% recorded in the year ended 31 December 2014 compared with the year ended 31 December 2013 was mainly due to the increase in profit margins from (i) marine construction works; (ii) leasing of vessels; and (iii) trading of vessels. The higher profit margin from marine construction works was mainly attributable to the Shatin to Central Link Projects having a higher gross profit margin. This was due to CHKRJV having acted as the main contractor in the two contracts and subcontracted the marine construction works to us,

essentially on a back-to-back basis. Our Group's gross profit margin for that project was therefore comparatively higher than the other marine construction works projects we performed where we purely acted as a subcontractor. The higher profit margin from leasing of vessels was mainly due to the fact that our Group did not incur any significant direct cost attributable to the leasing of vessels for the year ended 31 December 2014. For the year ended 31 December 2013, our Group rented vessels to Independent Third Parties for rental income. As such vessels were mainly used for leasing purposes, the costs of leasing to Independent Third Parties, representing depreciation and related maintenance costs, were allocated in proportion to their respective revenue. For the year ended 31 December 2014, our Group generated revenue from leasing of vessels but these vessels were mainly used for our marine construction projects and only leased to Independent Third Parties temporarily during periods when these vessels were not utilised in our marine construction projects. Given these vessels were mainly used for our marine construction projects, the direct costs attributable to the leasing of these vessels, representing depreciation and maintenance costs, were allocated to the marine construction works segment. Consequently, as there were no significant costs directly attributable to the leasing of vessels, all the costs were allocated to the marine construction works segment, which resulted in a gross profit margin of 100% for the year ended 31 December 2014. The higher profit margin from trading of vessels for the year ended 31 December 2014 was mainly due to the approximately HK$4.7 million in segment revenue recognised during this period being commission income, with no corresponding cost of trading of vessels incurred.

For the year ended 31 December 2015, the gross profit margin of approximately 20.1% was largely attributable to the Macao Project and the Manokwari Port Construction project as these projects contributed approximately 68.2% in aggregate of revenue generated from marine construction works. The comparatively higher gross profit margin of approximately 20.1% recorded in the year ended 31 December 2015 compared with the year ended 31 December 2014 was mainly attributable to the increase in profit margins from marine construction works. Such increase was mainly attributable to the Palabuhan Ratu Power Plant project, from which our Group recognised approximately HK$18.2 million revenue from successful claims and no associated costs for the year ended 31 December 2015, as our works had been completed prior to the Track Record Period.

OTHER INCOME AND GAIN, NET

During the Track Record Period, other income and gain, net, primarily consisted of exchange gain or loss, loss on disposal of plant and equipment and freight income. For each of the three years ended 31 December 2013, 2014 and 2015, our Group recorded other income and gain, net of approximately HK$(0.06) million, HK$(0.01) million and HK$(2.6) million, respectively.

GAIN ON DISPOSAL OF INVESTMENT IN AN ASSOCIATE

For the year ended 31 December 2015, gain on disposal of investment in an associate mainly consisted of the gain on disposal of 30% equity interest in an associate, Hong Kong Marine Construction Limited ("**HKMC**") of approximately HK$19.5 million. HKMC was

incorporated in Hong Kong in August 2007 with the principal purpose of acquiring and holding a marine vessel specialising in dredging works. HKMC was ultimately held by an Independent Third Party ("**Independent Third Party A**") and our Group as to 70% and 30%, respectively. Given that our Group has experience and track record in sourcing marine vessels, we became business partners with Independent Third Party A with the intention of benefitting from the potential upside in the investment and ownership of a marine vessel. At the time, the Directors considered that instead of receiving fees directly from the sourcing of a marine vessel for Independent Third Party A, our Group might benefit from income generated from leasing, as well as an eventual gain upon disposal of the marine vessel. As HKMC was an investment holding company, during the Track Record Period, HKMC was not engaged in any business other than holding a marine vessel. The total investment in HKMC by our Group was US$3.5 million (equivalent to approximately HK$27.3 million), of which HK$0.3 million was comprised of capital and the remaining balance was comprised of a non-interest bearing loan. As at 31 December 2015, the non-interest bearing loan has been fully settled.

During the Track Record Period, HKMC received leasing income by leasing the marine vessel to Independent Third Party A for marine construction projects. For each of the three years ended 31 December 2012, 2013 and 2014, the revenue generated by HKMC was approximately US$1.0 million, US$0.5 million and nil, respectively. However, during the same period, HKMC recorded losses of approximately US$2.7 million, US$1.9 million and US$1.1 million, respectively, mainly due to substantial depreciation of the marine vessel. This in turn caused HKMC to record a net liabilities position during the Track Record Period. In 2014, Independent Third Party A commenced discussions with our Group on the possible acquisition of our Group's 30% equity interest in HKMC, as Independent Third Party A intended to carry out an internal reorganisation for enhancing the efficiency of its business operations. Having considered that (i) no dividend had been paid from HKMC to our Group since its establishment; (ii) our Group intended to enhance its working capital for its current business operations and potential marine construction projects; and (iii) Independent Third Party A was the controlling shareholder of HKMC and ultimate lessor of the marine vessel, our Directors were of the view that Independent Third Party A was a natural acquirer of HKMC (and in turn the marine vessel) and the offer, which represented an annual investment return of approximately 8% to our initial investment over the seven year period, would be fair and reasonable to our Group.

In June 2015, we received US$2.5 million (equivalent to approximately HK$19.5 million) as consideration for the disposal of 30% equity interest in HKMC. The consideration was arrived at after arm's length negotiation between our Group and Independent Third Party A with reference to an annual investment return of approximately 8% to our initial investment (i.e. US$3.5 million) over the seven year period for which such investment was held (i.e. from 2008 to 2014). The disposal was completed and the relevant consideration was settled in June 2015. Our Group has previously equity accounted for the loss of an associate – HKMC in prior years, with a nil carrying amount as at 31 December 2013 and 2014.

No gain or loss on disposal of investment in an associate was recorded for both the years ended 31 December 2013 and 2014.

PROFESSIONAL FEES INCURRED FOR [REDACTED]

During the Track Record Period, professional fees incurred for [**REDACTED**] amounted to approximately nil, nil and [**REDACTED**], respectively. The increase in professional fees incurred from approximately nil for the year ended 31 December 2014 to approximately [**REDACTED**] for the year ended 31 December 2015 was due to the incurring of expenses (being mainly fees to professional parties) related to the preparation for the [**REDACTED**] and the [**REDACTED**].

ADMINISTRATIVE EXPENSES

Administrative expenses mainly include staff costs, depreciation, operating lease, professional expenses, entertainment expenses, travel expenses and other administrative expenses. The following table sets out a breakdown of our administrative expenses for the years indicated:

	Year ended 31 December					
	2013		2014		2015	
Administrative expenses	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Staff costs, including Directors' emoluments	2,966	52.0	3,465	54.8	4,557	39.5
Depreciation	273	4.8	255	4.0	210	1.8
Operating lease	1,033	18.1	1,125	17.8	1,968	17.0
Professional fees	114	2.0	339	5.4	1,810	15.7
Entertainment expense	158	2.8	278	4.4	858	7.4
Travel expense	613	10.7	379	6.0	577	5.0
Bank charges	178	3.1	152	2.4	95	0.8
Others	373	6.5	331	5.2	1,473	12.8
	5,708	100.0	6,324	100.0	11,548	100.0

Staff costs, including Directors' emoluments

Staff costs include Directors' emoluments, management and administrative staff costs. Directors' emoluments include Directors' salaries and MPF contributions. During the Track Record Period, Directors' remuneration and benefits amounted to approximately HK$1.4 million, HK$1.4 million and HK$1.6 million, respectively.

The increase in staff costs, including Directors' emoluments, from approximately HK$3.0 million for the year ended 31 December 2013 to approximately HK$3.5 million, representing an increase of approximately 16.7%, and from approximately HK$4.6 million for the year ended 31 December 2014 to the year ended 31 December 2015, representing an increase of approximately 31.4%, respectively. This was primarily due to the increase in (i) the number of management and administrative staff; and (ii) staff salaries.

Operating lease

Our Group incurred operating lease expenses in respect of office and staff quarters. During the Track Record Period, operating lease expenses amounted to approximately HK$1.0 million, HK$1.1 million and HK$2.0 million, respectively. This represented increases of 10.0% between 31 December 2013 and 31 December 2014, and 81.8% between 31 December 2014 and 31 December 2015, which were primarily due to the expansion of our office and staff quarters for the year ended 31 December 2015.

Professional fees

Professional fees include fees of legal, audit and other advisers for our general operational purposes. During the Track Record Period, the professional fees amounted to approximately HK$0.1 million, HK$0.3 million and HK$1.8 million. Professional fees increased from approximately HK$0.1 million for the year ended 31 December 2013 to approximately HK$0.3 million for the year ended 31 December 2014 and further increased to approximately HK$1.8 million for the year ended 31 December 2015. This represented an increases of approximately 200.0% between 31 December 2013 and 31 December 2014 and 500.0% between 31 December 2014 and 31 December 2015, which were primarily due to the increase in annual audit fees, legal fees and other consulting fees for general corporate purposes.

Travelling expenses

The decrease in travelling expenses from approximately HK$0.6 million for the year ended 31 December 2013 to approximately HK$0.4 million for the year ended 31 December 2014, representing a decrease of approximately 33.3%, was primarily due to the decrease in business travel of our staff to Indonesia and Vietnam for the year ended 31 December 2014. The increase in travelling expenses from approximately HK$0.4 million for the year ended 31 December 2014 to approximately HK$0.6 million for the year ended 31 December 2015, representing an increase of approximately 50.0%, was primarily due to the increase in business travel of our staff to Indonesia and Macao for the year ended 31 December 2015.

FINANCE COSTS

Finance costs mainly represent interest expenses for bank loans and a Director's loan.

For each of the three years ended 31 December 2013, 2014 and 2015, the weighted average interest rates on our short-term bank loans were approximately 2.8%, nil, and 3.3%, respectively. For each of the three years ended 31 December 2013, 2014 and 2015, the weighted average interest rates on our long-term bank loans were approximately 3.3%, 3.1% and 3.4%, respectively. We did not have any short-term bank loans for the year ended 31 December 2014. We did not have any bank overdraft for each of the three years ended 31 December 2013, 2014 and 2015.

Finance costs related to our outstanding bank loans and a Director's loan for each of the three years ended 31 December 2013, 2014 and 2015 were approximately HK$1.3 million, HK$1.3 million and HK$1.1 million, respectively. Finance costs remained stable for the two years ended 31 December 2013 and 2014. The decrease in finance costs from approximately HK$1.3 million for the year ended 31 December 2014 to approximately HK$1.1 million for the year ended 31 December 2015, representing a decrease of approximately 15.4%, was mainly attributable to the decrease in bank borrowings.

INCOME TAX EXPENSES

Income tax expenses

Our income tax expenses decreased from approximately HK$8.8 million for the year ended 31 December 2013 to approximately HK$8.2 million for the year ended 31 December 2014, mainly due to the decrease in income generated from marine construction works. The decrease in our effective tax rate of approximately 20.7% for the year ended 31 December 2013 to approximately 18.1% for the year ended 31 December 2014 was mainly due to lower onshore taxable profits.

Our income tax expenses increased from approximately HK$8.2 million for the year ended 31 December 2014 to approximately HK$14.8 million for the year ended 31 December 2015, mainly due to the increase in income generated from marine construction works. The decrease in our effective tax rate of approximately 18.1% for the year ended 31 December 2014 to approximately 13.4% for the year ended 31 December 2015 was mainly due to lower onshore taxable profits.

Hong Kong and Macao taxation

Our provision for Hong Kong profits tax and Macao Complementary Income tax was calculated at 16.5% and 12.0%, respectively of the relevant estimated assessable profits during the Track Record Period.

Vietnam taxation

According to the applicable rules and regulations in Vietnam, corporate income tax ("**Vietnam CIT**") and value added tax *(*"**Vietnam VAT**") are applicable to foreign contractors/subcontractors in Vietnam. A foreign contractor ("**Foreign Contractor**") is defined as a foreign business organisation, with or without a Vietnam permanent establishment, that conducts business or earns income in Vietnam under contract, agreement, commitment which is either (i) between a Vietnam entity and a foreign contractor; or (ii) between a foreign contractor and a foreign subcontractor for the latter to perform part of the main contract. As such, Foreign Contractor includes foreign contractors and foreign subcontractors. If a Foreign Contractor subcontracts part of the main contract to a foreign subcontractor, the Vietnamese entity (that contracts with the Foreign Contractor) shall withhold, declare and pay Vietnam VAT and Vietnam CIT on behalf of the Foreign Contractor and foreign subcontractor based on

the corresponding Vietnam VAT and Vietnam CIT rates applicable to the portion of works performed by the respective parties. Foreign subcontractors are not required to declare and pay Vietnam VAT and Vietnam CIT on the value of works they carry out under the subcontracts as relevant taxes have been withheld by the Vietnamese entity for works conducted by the foreign subcontractor.

According to applicable rules and regulations, the Tax Adviser is of the view that HKR was subject to Vietnam CIT at 2% and Vietnam VAT at 5% during the Track Record Period. As disclosed above and as advised by the Tax Adviser, Vietnam CIT and Vietnam VAT withheld by a Vietnamese entity on contract fee payment to a Foreign Contractor shall be the final tax. The subcontracting fee paid by the Foreign Contractor to its foreign subcontractor shall not be liable to Vietnam VAT, Vietnam CIT or other Vietnam tax. Since HKR is a foreign subcontractor to the PRC contractor in respect of the Vietnam Projects, the construction service fee received by HKR has already been deducted for Vietnam CIT at 2% and Vietnam VAT at 5% in accordance with relevant rules and regulations. HKR is not liable to any additional taxes in Vietnam. As advised by the Tax Adviser, HKR was in compliance with the relevant tax rules and regulations in Vietnam in respect of construction service fee income received by the Foreign Contractor during the Track Record Period.

Indonesia taxation

HKR

As advised by the Tax Adviser, the applicable taxes to companies conducting business in Indonesia include corporate income tax ("**Indonesia CIT**"), value added tax ("**Indonesia VAT**") and branch profits tax ("**Indonesia BPT**"). Throughout the Track Record Period, given HKR was a non-Indonesian resident and did not apply for business registration to conduct business as a foreign entity in Indonesia, it follows that HKR could not apply for the relevant construction work licence and obtain relevant tax registration in Indonesia. This constitutes a violation of Indonesia regulations.

Under income tax Article 4(2) of Government Regulation No. 51 of 2008 ("**Regulation No. 51**"), since HKR provided construction implementation services without business qualification issued by the Construction Services Development Board ("**LPJK**") and did not qualify as a small enterprise, HKR is required to pay Indonesia CIT at 4% on the service fee income received from its customer. In addition, according to Regulation No. 51 in relation to income tax on income for construction service business in Indonesia, for the purpose of simplifying the calculation and collection of Indonesia CIT for construction service business, Indonesia CIT is charged at a specific percentage of gross construction service income and is collected on a withholding basis by the service users (i.e. HKR's customer), who then remit the Indonesia CIT collected to the Directorate General of Taxes ("**DGT**"). During the Track Record Period, the payment received by HKR from HKR's customer was net of Indonesia CIT.

In respect of Indonesia VAT, the service user is subject to Indonesia VAT of 10% in accordance with the relevant rules and regulations in Indonesia, which state that when the transaction involves a resident and a non-resident, the resident is responsible for all relevant reporting and payment obligations to DGT in respect of Indonesia VAT.

As at the Latest Practicable Date, HKR had no outstanding tax obligation and liabilities in respect of Indonesia VAT and Indonesia CIT.

In accordance with Article 5 of the comprehensive double taxation agreement ("**DTA**") between Indonesia and Hong Kong, HKR should be regarded as having a permanent establishment ("**PE**") in Indonesia, as the provision of construction services under an Indonesia project (the "**Indonesia project**") exceeded 183 days in Indonesia. As such, HKR would be subject to Indonesia BPT of 5%, as HKR was a non-resident conducting business through a PE in Indonesia. With reference to the provision in Article 10 of the DTA, the Indonesia BPT is calculated as follows:

(Profits arising from the Indonesia project minus Indonesia CIT) x 5%.

During the Track Record Period and up to the Latest Practicable Date, no Indonesia BPT had been paid by HKR. As advised by the Indonesia Legal Adviser, since the Indonesia project was completed and HKR no longer carries out any business activities in Indonesia, the Indonesia regulation does not provide for, and HKR is not in a position to rectify the aforesaid violation by applying for the required registration retrospectively. Consequently, as advised by the Tax Adviser, in the absence of a business registration, a non-resident cannot proceed with the application of tax registration and will not have a tax identity to rectify tax reporting retrospectively. Accordingly, HKR is not in a position to perform Indonesia BPT reporting. Although HKR cannot perform the business registration voluntarily and tax registration retrospectively, DGT can impose on HKR an official assessment if the DGT has sufficient information to determine that HKR's Indonesia BPT liability exists. The statutory time bar for DGT to issue a tax assessment is five years from the last date of the relevant tax year and the maximum tax penalties on late reporting is 48% of the original Indonesia BPT amount. Therefore, the maximum amount of the Indonesia BPT including penalty payable by HKR is approximately HK$1.7 million.

In respect of the abovementioned non-compliance issues, please refer to the paragraphs headed "Non-compliance" in the section headed "Business" in this document.

PTIR

During the Track Record Period, PTIR had legal and economic rights to income and expenses for its projects in Indonesia. PTIR was (i) a qualified contractor with business qualification issued by LPJK to provide construction services; and (ii) a registered VAT-payer in Indonesia. PTIR was subject to Indonesia CIT and Indonesia VAT of 3% and 10%, respectively. As advised by the Tax Adviser, as at the Latest Practicable Date, PTIR had no outstanding tax liabilities in Indonesia.

Hong Kong and Macao taxation in relation to the Vessel Lease Agreement

For the year ended 31 December 2015, our Group, through MCR, generated revenue of approximately HK$150.9 million from marine construction works rendered in Macao. In connection with marine construction works rendered in Macao, on 22 February 2016, HKR,

acting as principal and agent to CPL, entered into the Vessel Lease Agreement with MCR which was effective from 1 March 2015, whereby MCR was charged a monthly fee for leasing vessels and equipment from HKR and CPL for use in Macao waters, effective from the delivery date of the respective vessel or equipment. This monthly rental expense for vessels and equipment was considered to be tax deductible for the purposes of calculating Macao tax. As at the Latest Practicable Date, it is expected that the leasing of vessels in MCR from HKR and CPL will continue.

Hong Kong taxation

As advised by the Tax Adviser, by virtue of (i) Section 14(1) of the IRO in relation to charge of profits tax in Hong Kong; (ii) Section 23B(3) of the IRO in relation to the calculation of assessable profits of a shipping business in Hong Kong; and (iii) Departmental Interpretation and Practice Notes (the "**DIPN(s)**") no. 15 issued by the IRO in relation to, among others, leasing arrangements of machinery for use outside Hong Kong, such income derived from leasing by a taxpayer is regarded as a source of income derived outside Hong Kong, which is not subject to Hong Kong tax pursuant to Section 23B(3) of the IRO.

According to the Vessel Lease Agreement, HKR leases certain vessels and equipment (including its own vessels and equipment, vessels leased from a third party and a vessel owned by CPL) to MCR for use in Macao and with delivery in Macao waters. Insofar as the vessels are concerned, the lease is on a bare-boat charter basis. The majority of the equipment is for use in conjunction with the vessels. As advised by the Tax Adviser, the rental income for both the vessels and equipment is described as charter hire income and the income shall be subject to Hong Kong profits tax based on the formula in Section 23B(3) of the IRO as follows:

Relevant Sums x Total Shipping Profits/Total Shipping Income

"Relevant Sums" is defined in Section 23B(12) of the IRO to include (a) dredging operation within Hong Kong waters; (b) charter hire for ship operating solely or mainly in Hong Kong waters; and (c) 50% of charter hire rental income if the ship navigates between Hong Kong and the river trade waters (Macao & Pearl River).

"Total Shipping Profits" is defined in Section 23B(12) of the IRO as the worldwide profits from its business as an owner of ships.

"Total Shipping Income" is defined in Section 23B(12) of the IRO as the worldwide income from its business as an owner of ships.

In accordance with Section 23B(12) of the IRO, the Relevant Sums shall be "nil" given that the charter hire income does not derive from operations of vessels operating solely or mainly in Hong Kong waters, or vessels navigating between Hong Kong and the river trade waters. As such, charter hire income subject to Hong Kong profits tax as calculated by the above-mentioned formula is nil.

As advised by the Tax Adviser, Sections 61 and 61A of the IRO are the general anti-avoidance provisions to counter-act (i) artificial or fictitious arrangement; and (ii) arrangement with tax avoidance, as the sole or dominant purpose. The Vessel Lease Agreement is for HKR and CPL to provide vessels and equipment to MCR in Macao waters. The leasing income is a commercial consideration to reward HKR and CPL for providing the right to use the vessels and equipment. As such, the Tax Adviser advised that Section 61 of the IRO which targets artificial or fictitious arrangements does not apply under such circumstances. The charging of leasing income by HKR and CPL to MCR for delivery of vessels and equipment in Macao waters is driven by commercial considerations and substance, and therefore are not for the sole or dominant purpose of obtaining a Hong Kong tax benefit. As such, section 61A of the IRO does not apply either.

Macao taxation

As advised by the Macao Legal Adviser, pursuant to paragraphs 1 and 3 of Article 9 of the Industrial Tax Regulation, HKR and CPL are not required to register with the Macao Finance Bureau for the purpose of Industrial Contribution and, according to Articles 2 and 3 of the Complementary Income Tax Regulation, HKR and CPL would not be subject to taxation in Macao as they are not deemed to be conducting a commercial or industrial activity in Macao.

Paragraphs 1 and 3 of Article 9 of the Industrial Tax Regulation determine that foreign companies that do not have a permanent establishment in Macao and develop in Macao (i) any construction works or prospection activities and research related thereto; or (ii) technical or scientific services, including mere consultancy or assistance, must be registered with the Macao Finance Bureau for the purposes of Industrial Contribution. HKR and CPL do not have a permanent establishment in Macao and do not develop any construction works or prospection activities and research related thereto, nor do they provide any technical or scientific services, including mere consultancy or assistance in Macao. This being the case, as all existing activities of HKR and CPL are developed outside of Macao, their scopes of business therefore fall outside the scope of the provisions of paragraphs 1 and 3 of Article 9 of the Industrial Tax Regulation. HKR and CPL are thus not required to register with the Macao Finance Bureau for the purposes of Industrial Contribution and they are not subject to payment of Industrial Contribution.

As for the Macao Complementary Income Tax, Articles 2 and 3 of the Complementary Income Tax Regulation state that such tax is levied over the global revenue corresponding to the annual net profits derived from carrying out a commercial or industrial activity that any individual or corporation, regardless of residency or head office, derives from Macao. Profits are defined under Article 20 of the Complementary Income Tax Regulation as the profits or gains from operations, the proceeds from any transactions or operations executed by the taxpayers in Macao as a result of normal or occasional, or primary or secondary activities.

According to the Vessel Lease Agreement, the vessels and equipment would be initially leased by HKR to MCR for a period of one year from a date specified for each vessel and equipment which ranges from 30 March 2015 to 12 September 2016, and subsequently renewable by agreement between the parties. During the rental period, MCR would pay HKR

a monthly rent for each individual vessel and equipment in use, for an aggregate amount of up to HK$5.14 million. As agreed between the parties of the Vessel Lease Agreement, HKR is responsible to deliver their leased vessels and equipment to MCR in Macao, and HKR would arrange and pay for the transportation and importation into Macao. Upon expiry of the Vessel Lease Agreement, it is contractually established that MCR shall be responsible for returning the leased vessels and equipment to HKR and paying the related costs. The delivery and return of vessels and equipment would take place within Macao waters as mutually agreed.

As advised by the Macao Legal Adviser, considering the contents and specific terms of the Vessel Lease Agreement and the actual performance of the Vessel Lease Agreement by the parties thereto, the Macao Legal Adviser is of the view that HKR and CPL did not engage in commercial or industrial activities or render services in Macao, because (a) HKR and CPL had no permanent or non-permanent establishment in Macao; (b) the Vessel Lease Agreement was executed outside of Macao; (c) no obligation under the Vessel Lease Agreement required HKR's and CPL's further participation in Macao (e.g. there were no maintenance or repair requirements or obligations on the part of HKR or CPL); (d) payments made by MCR to HKR under the Vessel Lease Agreement were received by the latter in Hong Kong; and (e) aside from the Vessel Lease Agreement, HKR and CPL had no further involvement in or in relation to Macao, i.e. they neither purported to conduct business in Macao, directly or indirectly, nor did they develop or procure to develop any commercial relationships with entities other than those under the Vessel Lease Agreement. Therefore, the Macao Legal Adviser is of the view that HKR and CPL were neither required to be registered locally nor apply for any authorisation or permit from local authorities in order to perform their obligations under the Vessel Lease Agreement. Therefore, HKR and CPL would not be subject to taxation in Macao.

Specifically, according to paragraphs 1 and 3 of Article 9 of the Industrial Tax Regulation, the Macao Legal Adviser is of the view that HKR and CPL were not required to register with the Macao Finance Bureau for the purposes of Industrial Contribution and, according to Articles 2 and 3 of the Complementary Income Tax Regulation, HKR and CPL would not be subject to taxation in Macao as they would not be deemed as being engaged in a commercial or industrial activity in Macao (and no Macao-sourced taxable income exists).

As for the reasoning for the relevant fees paid by MCR being tax deductible, as advised by the Macao Legal Adviser, such fees were costs directly related to the operation of MCR's business and were thus considered tax deductible expenses under Article 21 of the Complementary Income Tax Regulation. As tax deductible expenses, the relevant fees paid by MCR would be tax deductible by MCR under the rules of the Complementary Income Tax Regulation and the accounting rules in Macao.

As advised by the Macao Legal Adviser, under prevailing Macao tax law, there are no transfer pricing rules or anti-avoidance rules. Macao tax authorities are legally allowed to analyse a taxpayer's tax returns, annual accounts and supporting documentation. However, the Macao Finance Bureau is only empowered to determine whether expenses claimed are accepted as tax-deductible or not, i.e. such power does not empower the Macao Tax authorities to challenge the validity of the underlying supporting arrangements, but only whether the expenses arising therefrom are acceptable for tax deduction.

To the best knowledge of the Macao Legal Adviser, there are no precedent cases relating to transfer pricing issues or instances where the Macao Finance Bureau has challenged or claimed tax-avoidance in related party transactions. In light of the reasons set out above, the Macao Legal Adviser is of the view that the Macao tax authorities would not challenge the transfer pricing arrangement in respect of the intra-group leasing income under the Vessel Lease Agreement, which, as described above, was non-taxable for Macao tax purposes. Accordingly, it is unlikely that the transfer pricing arrangement would be challenged by the Macao tax authorities.

Furthermore, the Macao Legal Adviser is also of the view that (i) the arrangement under the Vessel Lease Agreement would not be challenged by the relevant regulatory authorities in Macao; and (ii) the risk of Macao tax exposure arising from the intra-group transaction is low.

In addition, as advised by the Macao Legal Adviser, there are currently no double taxation treaties or equivalent agreements with Hong Kong in force in Macao that are or can potentially be applicable to our Group's activity. Hence, in the unlikely event that the Macao tax authority deems HKR and CPL to be subject to taxation in Macao, the Macao tax authority would apply the relevant Macao Law to the income generated by purported activities of HKR and CPL in Macao, regardless of whether such income has been, will be or may be taxed in any other jurisdictions.

In addition, our Company also engaged the Tax Adviser for advice on the tax treatment of the intra-group leasing income under the Vessel Lease Agreement. In light of (i) HKR and CPL having no permanent or non-permanent establishment in Macao; (ii) the Vessel Lease Agreement was executed on the part of HKR and CPL outside of Macao; (iii) the Vessel Lease Agreement does not require the participation of HKR and CPL in Macao, such as vessel maintenance or repair during the tenure of the lease; (iv) the lease rental was remitted to bank accounts in Hong Kong; (v) the Vessel Lease Agreement is governed by Hong Kong laws; and (vi) HKR and CPL had no other business or commercial activities in Macao, HKR and CPL should not be subject to taxation in Macao in respect of the rental income received from MCR. In addition, the Tax Adviser also concluded that HKR and CPL are not subject to Article 9 of the Macao Industrial Tax Regulation (which requires registration of a foreign entity without business establishment if the entity renders Relevant Services in Macao) as the leasing of vessels and equipment by HKR and CPL does not fall within the scope of Relevant Services, therefore, HKR and CPL are not subject to tax registration and Macao tax.

Notwithstanding opinions from the Tax Adviser and Macao Legal Adviser, there is no assurance that the tax authorities of Hong Kong and/or Macao will not have differing interpretations of the relevant tax provisions and/or circumstances of the arrangements under the Vessel Lease Agreement. Under such circumstances, (i) in respect of Hong Kong tax, our Company will consider lodging a notice of objection in writing to the Inland Revenue Department, appealing to the Board of Review (constituted under the IRO) and/or to the courts in Hong Kong; and (ii) in respect of Macao tax, our Company will consider filing an administrative complaint to the Macao Finance Bureau in respect of their decision or act and request for such decision or act to be modified or revoked, and where considered appropriate,

submit a hierarchical appeal, appeal to the Chief Executive of Macao and/or file a judicial appeal to the Administrative Court of Macao and higher courts of Macao against such decision of the Macao tax authorities. In the event that our Group proceeds and fails with its objection(s) and/or appeal(s) with the relevant tax authorities in Hong Kong and/or Macao, our Group may be liable to pay additional tax expenses.

For illustrative purposes only and calculated based on information available as at the Latest Practicable Date assuming that (i) the leasing income derived by HKR and CPL under the Vessel Lease Agreement is subject to Hong Kong tax; and (ii) we have failed with our objection(s) and/or appeal(s) to the Hong Kong tax authorities, the maximum Hong Kong tax liability in relation to the Vessel Lease Agreement on an onshore basis, as advised by the Tax Adviser for the year ended 31 December 2015 is approximately HK$1.2 million.

For illustrative purposes only and calculated based on information available as at the Latest Practicable Date assuming that (i) the leasing income derived by HKR and CPL under the Vessel Lease Agreement is subject to Macao tax; and (ii) we have failed with our objection(s) and/or appeal(s) to the Macao tax authorities, the maximum Macao complementary tax liability in relation to the Vessel Lease Agreement, as advised by the Tax Adviser for the year ended 31 December 2015 is approximately MOP4.6 million (equivalent to approximately HK$4.4 million).

Deed of Indemnity in connection with the Vessel Lease Agreement and Indonesia BPT

The Controlling Shareholders have executed the Deed of Indemnity with and in favour of our Company to provide indemnities to our Group in relation to, among others, tax which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received on or before the [**REDACTED**], save for tax liabilities which have already been provided for in the audited accounts of our Company and our subsidiaries as at and up to 31 December 2015. For further details, please refer to the paragraphs headed "Other Information – Estate duty, tax indemnity and other indemnities" in Appendix IV to this document.

Notwithstanding the Deed of Indemnity, in respect of our ongoing marine construction works in Macao, our Group may be subject to possible tax exposure from similar intra-group leasing arrangements to those under the Vessel Lease Agreement after the [**REDACTED**] as the Deed of Indemnity does not cover any tax liabilities arising from such intra-group leasing arrangements after the [**REDACTED**].

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2015 compared with year ended 31 December 2014

Revenue

Revenue increased by approximately HK$300.1 million, or approximately 110.0%, from approximately HK$272.8 million for the year ended 31 December 2014 to approximately HK$572.9 million for the year ended 31 December 2015. Such increase was mainly due to the

increase in revenue generated for the year from (i) the Manokwari Port Construction project of approximately HK$226.4 million; and (ii) the Macao Project of approximately HK$150.9 million. The Manokwari Port Construction project was the largest project by revenue that our Group undertook during the Track Record Period. The revenue generated from the Manokwari Port Construction project amounted to approximately HK$226.4 million, all of which was recognised in the year ended 31 December 2015, representing approximately 39.5% of our revenue in the same year.

Cost of sales

Cost of sales increased by approximately HK$238.2 million, or approximately 108.4%, from approximately HK$219.8 million for the year ended 31 December 2014 to approximately HK$458.0 million for the year ended 31 December 2015, due to the increase in marine construction works carried out by our Group. The increase in marine construction works led to a corresponding increase in costs of raw materials, rental expenses for vessels and equipment, transportation expenses and site expenses.

Other income and gain, net

Other income and gain, net decreased by approximately HK$2.6 million from approximately HK$(0.01) million for the year ended 31 December 2014 to approximately HK$(2.6) million for the year ended 31 December 2015, which was primarily due to loss on disposal of plant and equipment of approximately HK$2.0 million.

Gain on disposal of investment in an associate

Gain on disposal of investment in an associate increased from nil for the year ended 31 December 2014 to approximately HK$19.5 million for the year ended 31 December 2015. For details, please refer to the information set out in the paragraphs headed "Gain on disposal of investment in an associate" above.

Professional fees incurred for [**REDACTED**]

Professional fees incurred for [**REDACTED**] increased from nil for the year ended 31 December 2014 to approximately HK$[**REDACTED**] for the year ended 31 December 2015. This was mainly due to the incurring of expenses (being mainly fees to professional parties) in relation to the preparation for the [**REDACTED**] and the [**REDACTED**].

Administrative expenses

Administrative expenses increased by approximately HK$5.2 million, or approximately 82.5%, from approximately HK$6.3 million for the year ended 31 December 2014 to approximately HK$11.5 million for the year ended 31 December 2015. This was primarily due to the increase in (i) staff costs, including Directors' emoluments of approximately HK$1.1 million; (ii) operating lease expenses of approximately HK$0.8 million; and (iii) professional fees for general operational purposes of approximately HK$1.5 million.

Finance costs, net

Finance costs, net decreased by approximately HK$0.2 million, or approximately 15.4%, from approximately HK$1.3 million for the year ended 31 December 2014 to approximately HK$1.1 million for the year ended 31 December 2015. Such decrease was primarily attributable to the decrease in the amount of our Group's total borrowings.

Income tax expenses

Income tax expenses increased by approximately HK$6.6 million, or approximately 80.5%, from approximately HK$8.2 million for the year ended 31 December 2014 to approximately HK$14.8 million for the year ended 31 December 2015. The increase in income tax expenses was mainly attributable to the increase in revenue generated for the year ended 31 December 2015. For details, please refer to information set out in the paragraphs headed "Income tax expenses" above.

Profit and total comprehensive income attributable to equity holders of the Company

As a result of the foregoing, our profit and total comprehensive income attributable to equity holders of the Company amounted to approximately HK$96.0 million for the year ended 31 December 2015 as compared to approximately HK$37.1 million for the year ended 31 December 2014. Such increase was mainly due to the increase in revenue generated from marine construction works.

Year ended 31 December 2014 compared with the year ended 31 December 2013

Revenue

Revenue decreased by approximately HK$123.4 million, or approximately 31.1%, from approximately HK$396.2 million for the year ended 31 December 2013 to approximately HK$272.8 million for the year ended 31 December 2014. Such decrease was mainly due to the decrease in revenue generated from the Hong Kong-Zhuhai-Macao Bridge Projects and the Vietnam Projects, which was partially offset by an increase in revenue generated from the Shatin to Central Link Projects. The decrease in revenue generated from the Hong Kong-Zhuhai-Macao Bridge Projects from approximately HK$147.6 million for the year ended 31 December 2013 to approximately HK$49.9 million for the year ended 31 December 2014 was mainly due to (i) decrease in works performed by us; and (ii) the time lag in assessment between payment application and payment certificate of our works. The decrease in revenue generated from the Vietnam Projects from approximately HK$41.4 million for the year ended 31 December 2013 to approximately HK$18.1 million for the year ended 31 December 2014 was mainly due to most of our works having been performed prior to the Track Record Period and during the year ended 31 December 2013. The increase in revenue from the Shatin to Central Link Projects from approximately HK$25.8 million for the year ended 31 December 2013 to approximately HK$48.9 million for the year ended 31 December 2014 was due to the increase in works performed for the year ended 31 December 2014.

Cost of sales

Cost of sales decreased by approximately HK$126.6 million, or approximately 36.5%, from approximately HK$346.4 million for the year ended 31 December 2013 to approximately HK$219.8 million for the year ended 31 December 2014, to the decrease in costs of raw materials, transportation expenses, cost of trading of vessels and subcontracting charges.

Other income and gain, net

Other income and gain, net increased by approximately HK$0.1 million from approximately HK$(0.1) million for the year ended 31 December 2013 to approximately nil for the year ended 31 December 2014. Such increase was primarily attributable to the decrease in exchange loss.

Gain on disposal of investment in an associate

No gain on disposal of investment in an associate was recorded for both the years ended 31 December 2013 and 2014.

Administrative expenses

Administrative expenses increased by approximately HK$0.6 million, or approximately 10.5%, from approximately HK$5.7 million for the year ended 31 December 2013 to approximately HK$6.3 million for the year ended 31 December 2014. Such increase was mainly due to the increase in staff costs, including Directors' emoluments and professional fees for general operating purposes.

Finance costs, net

Finance costs, net remained stable from approximately HK$1.3 million for the year ended 31 December 2013 to approximately HK$1.3 million for the year ended 31 December 2014.

Income tax expenses

Income tax expenses decreased by approximately HK$0.6 million, or approximately 6.8%, from approximately HK$8.8 million for the year ended 31 December 2013 to approximately HK$8.2 million for the year ended 31 December 2014,. Such decrease was mainly attributable to the reduction in income generated from marine construction works for the year ended 31 December 2014.

Profit and total comprehensive income attributable to equity holders of the Company

As a result of the foregoing, our profit and total comprehensive income attributable to equity holders of the Company amounted to approximately HK$37.1 million for the year ended 31 December 2014 as compared to approximately HK$33.9 million for the year ended 31 December 2013. Such increase was mainly due to the increase in gross profit and gross profit margin.

FINANCIAL CONDITION OF OUR GROUP

The table below presents the summary of combined statements of financial positions of our Group as at 31 December 2013, 2014 and 2015 extracted from the Accountant's Report as set out in Appendix I to this document.

Combined balance sheets

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Non-current assets			
Plant and equipment	80,624	74,618	97,581
Investments in joint ventures	303	299	294
	80,927	74,917	97,875
Current assets			
Trade and retention receivables	83,880	61,334	102,464
Deposits and other receivables	845	1,498	4,533
Amounts due from customers for contract work	51,643	73,153	72,923
Amounts due from related companies	29,078	13,821	–
Amount due from a Director	1,696	552	298
Income tax recoverable	–	–	2,949
Time deposits with maturity over 3 months	793	2,945	8,299
Pledged bank deposits	786	2,237	3,137
Cash and cash equivalents	8,571	23,412	82,834
	177,292	178,952	277,437
Total assets	258,219	253,869	375,312

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
EQUITY			
Capital and reserves			
Combined share capital	23,104	23,104	23,104
Reserves	95,672	112,732	148,730
Total equity	118,776	135,836	171,834
LIABILITIES			
Non-current liabilities			
Borrowings	8,781	9,079	3,467
Deferred income tax liabilities	5,755	5,755	9,468
	14,536	14,834	12,935
Current liabilities			
Trade and retention payables	63,774	17,369	28,870
Accruals and other payables	19,768	19,312	20,244
Amount due to joint ventures	300	295	500
Amounts due to customers for contract work	4,705	5,609	45,473
Amounts due to the other partners of joint operation	5,689	8,542	8,159
Amount due to related company	9,724	670	1,626
Dividend payable	–	20,000	61,477
Loan from a Director	5,549	5,313	–
Amount due to a Director	–	–	2,000
Borrowings	10,305	16,100	19,991
Income tax payable	5,093	9,989	2,203
	124,907	103,199	190,543
Total liabilities	139,443	118,033	203,478
Total equity and liabilities	258,219	253,869	375,312

ANALYSIS ON MAJOR COMPONENTS OF THE COMBINED STATEMENTS OF FINANCIAL POSITION

Plant and equipment

Plant and equipment mainly represents vessels and equipment. As at 31 December 2013, 2014 and 2015, plant and equipment amounted to approximately HK$80.6 million, HK$74.6 million and HK$97.6 million, respectively.

The decrease in plant and equipment from approximately HK$80.6 million as at 31 December 2013 to approximately HK$74.6 million as at 31 December 2014 was primarily due to acquisitions of vessels and equipment of a lower aggregate value in the year ended 31 December 2014.

The increase in plant and equipment from approximately HK$74.6 million as at 31 December 2014 to approximately HK$97.6 million as at 31 December 2015 was primarily due to acquisitions of vessels and equipment of a higher aggregate value as we performed more marine construction works in the year ended 31 December 2015.

Trade and retention receivables

Set out below is the composition of trade and retention receivables as at the end of each financial year during the Track Record Period:

	As at 31 December		
	2013	**2014**	**2015**
Trade and retention receivables	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	48,523	17,836	61,088
Retention receivables	35,357	43,498	41,376
	83,880	61,334	102,464

Trade receivables analysis

Our trade receivables mainly consist of receivables related to marine construction works certified by our customers in relation to completed and on going projects. In general, our Group submits payment applications to our customers on a monthly basis in accordance with the value of works undertaken including variation works and claims, if any, for marine construction works projects. For marine construction works, the credit terms granted to our customers vary from contract to contract. Such credit terms may make reference to the payment application date, with settlement typically ranging from 30 days to 60 days from such date, depending on the terms and conditions of the contracts.

The following table sets out the turnover days of trade receivables for each reporting period during the Track Record Period:

	Year ended 31 December		
	2013	**2014**	**2015**
Trade receivables *(HK$'000)*	48,523	17,836	61,088
Revenue *(HK$'000)*	396,168	272,760	572,928
Turnover days of trade receivables *(Note)*	44.7	23.9	38.9

Note: The trade receivables turnover days for a given year is calculated based on the trade receivables balance as at the year end divided by revenue for that year and multiplied by 365 days.

As our marine construction works operate on a non-recurring and project-by-project basis, our revenue recognised during the Track Record Period may fluctuate subject to the size and the progress of our marine construction works contracts at a given time, which in turn affects our trade receivables balance as at the respective year ends and the trade receivables turnover days during the Track Record Period.

The decrease in trade receivables from approximately HK$48.5 million as at 31 December 2013 to approximately HK$17.8 million as at 31 December 2014 and the decrease in trade receivables turnover days from approximately 44.7 days for the year ended 31 December 2013 to approximately 23.9 days for the year ended 31 December 2014 were mainly attributable to a relatively low proportion of revenue recorded in the corresponding fourth quarter, in particular from the Hong Kong-Zhuhai-Macao Bridge Projects.

The increase in trade receivables from approximately HK$17.8 million as at 31 December 2014 to approximately HK$61.1 million as at 31 December 2015 and the increase in trade receivables turnover days from approximately 23.9 days for the year ended 31 December 2014 to approximately 38.9 days for the year ended 31 December 2015 were mainly due to the substantial increase in revenue generated for the year ended 31 December 2015 and a relatively high proportion of revenue recorded in the corresponding fourth quarter of 2015. The aforesaid increase in revenue and the revenue profile for the year ended 31 December 2015 were mainly due to our Group generating (i) approximately HK$226.4 million from the Manokwari Port Construction project; (ii) approximately HK$150.9 million from the Macao Project; and (iii) approximately HK$44.2 million from the Bintan Island Port Construction project. In particular, we mainly generated revenue from the Bintan Island Port Construction project since the third quarter of 2015.

The following table sets out the ageing analysis of the trade receivables, net of provision for doubtful debt, based on the invoice date as at the end of each financial year during the Track Record Period:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables ageing since invoice date			
Current	27,971	4,501	41,630
1 to 30 days	18,597	514	14,686
31 to 60 days	1,639	1,841	1,290
61 to 90 days	316	10,130	2,838
91 to 180 days	–	850	–
181 to 365 days	–	–	–
More than 1 year	–	–	644
Total trade receivables	**48,523**	**17,836**	**61,088**

As at 31 December 2015, our Group had trade receivables of approximately HK$0.6 million aged over six months. No provision has been made as the relevant project was still on going. Notwithstanding the above, due to the capital intensive nature of the marine construction industry, it is not uncommon for customers or contractors to delay payments to their contractors or subcontractors when the projects are delayed or until the contractors have received settlements for works performed. Our customers generally settle amounts due to our Group in accordance with the credit period set out in the contracts. As at 30 April 2016, approximately HK$59.5 million of all the trade receivables as at 31 December 2015 have been settled.

We have undertaken measures aimed at managing the ageing of our trade receivables. Before submitting tenders and quotations for marine construction projects, we would assess the credit quality and reputation of our potential customers. We also monitor the ageing of our trade receivables on a regular basis.

We make specific provision for doubtful debts when there is objective evidence that we will not be able to collect the amounts due. We did not make any provision for doubtful debt in respect of trade receivables during the Track Record Period.

Retention receivables analysis

Retention receivables represent the retention money required by our customers to secure our Group's due performance of the contracts. Typically, the amount of retention money depends on negotiation between both parties and is approximately 10.0% of the value of works certified and is subject to a maximum retention of 5.0% of the total original contract value or a monetary cap. The terms and conditions in relation to the release of retention money also vary from contract to contract, which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period.

The following table sets out the ageing analysis of the retention receivables based on invoice date as at the end of each financial year during the Track Record Period:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Retention receivables ageing since invoice date			
Within 1 year	25,786	11,767	4,548
Between 1 and 5 years	8,626	31,731	36,828
More than 5 years	945	–	–
Total retention receivables	**35,357**	**43,498**	**41,376**

Our retention receivables amounted to approximately HK$35.4 million, HK$43.5 million and HK$41.4 million as at 31 December 2013, 2014 and 2015, respectively. As at 31 December 2013, 2014 and 2015, the five largest retention receivables totalled approximately HK$34.0 million, HK$43.3 million and HK$40.4 million, respectively.

We expect all these retention monies to be released after the expiry of the defect liability period or the time period pre-agreed between our Company and our customers according to the respective contracts and works completed. As at 30 April 2016, none of the retention monies recorded as at 31 December 2015 had been released to us and the expected release dates of the remaining retention monies shall fall between August 2016 and April 2019.

Deposits and other receivables

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Deposits and other receivables	845	1,498	4,533

Deposits and other receivables recorded in current assets represent receivables for leasing of vessels and equipment, rental deposit and other miscellaneous receivables.

As at 31 December 2015, deposits and other receivables amounted to approximately HK$4.5 million. Approximately HK$0.8 million was rental deposit, approximately HK$2.7 million was mobilisation charges of the two vessels chartered to a Vietnamese counterparty, approximately HK$0.3 million was advance to staff and approximately HK$0.7 million was miscellaneous receivables.

Amounts due from customers for contract work

Amounts due from customers for contract work represent work performed by us but not yet certified by our customers as at the end of a financial year. Such amounts generally include costs incurred plus recognised profits (less recognised losses) which exceed progress billings. Our Group normally submits payment applications to our customers on a monthly basis. The following table sets out the amounts due from customers for contract work as at the end of each financial year as indicated.

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Amounts due from customers for contract work	51,643	73,153	72,923

The amounts due from customers for contract work are typically affected by the value of works we performed close to the end of each reporting period and the timing of receiving certificates, and thus will vary from period to period. Furthermore, considering the vast number of items related to marine construction projects, negotiation with customers for the value of works performed by us set out in the payment certificates is common.

Amounts due from customers for contract work increased from approximately HK$51.6 million as at 31 December 2013 to approximately HK$73.2 million as at 31 December 2014, which was mainly due to the increase in the amount of marine construction works performed but had yet to be certified by our customers in the year ended 31 December 2014, in particular from the Wan Chai Development Phase II Central – Wan Chai Bypass at Wan Chai West project, the Hong Kong-Zhuhai-Macao Bridge Projects and the Bali Power Plant Phase I Port Construction project. Amounts due from customers for contract work decreased from approximately HK$73.2 million as at 31 December 2014 to approximately HK$72.9 million as at 31 December 2015. The balance of amounts due from customers for contract work as at 31 December 2015 mainly represented amounts of marine construction works performed but had yet to be certified by our customers, in particular from the Hong Kong-Zhuhai-Macao Bridge Projects and Wan Chai Development Phase II Central – Wan Chai Bypass at Wan Chai West project.

Amounts due from related companies

The amounts due from related companies refer to payments of a non-trade nature on behalf of related companies. The following table sets out the amounts due from related companies as at the end of each financial year as indicated:

	As at 31 December		
	2013	**2014**	**2015**
Amounts due from related companies	*HK$'000*	*HK$'000*	*HK$'000*
China Changsheng Group Limited	10	16	–
China Infrastructure Consultants Limited	36	203	–
Shenzhen Changsheng	28,616	13,602	–
China Equipment Technology Limited	416	–	–
Total amounts due from related companies	**29,078**	**13,821**	–

No amounts due from related companies were recorded as at 31 December 2015. Amounts due from related companies decreased from approximately HK$29.1 million as at 31 December 2013 to approximately HK$13.8 million as at 31 December 2014. This was due to a decrease in the balance of amounts due from Shenzhen Changsheng from approximately HK$28.6 million as at 31 December 2013 to approximately HK$13.6 million as at 31 December 2014. All amounts due from related companies during the Track Record Period were unsecured and not interest-bearing.

Trade and retention payables

Our trade and retention payables are primarily related to the purchase of raw materials, works performed by subcontractors and rental expenses for vessels and equipment and retention payables in relation to subcontractors for on going projects. Set out below is the composition of trade and retention payables as at the end of each financial year as indicated:

	As at 31 December		
	2013	**2014**	**2015**
Trade and retention payables	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	63,774	17,369	28,205
Retention payables	–	–	665
	63,774	17,369	28,870

The following table sets out the turnover days of trade payables for each reporting period during the Track Record Period:

	Year ended 31 December		
	2013	**2014**	**2015**
Trade payables (*HK$'000*)	63,774	17,369	28,205
Cost of sales (*HK$'000*)	346,354	219,838	457,987
Turnover days of trade payables *(Note)*	67.2	28.8	22.5

Note: The trade payables turnover days for a given year is calculated based on the trade payables balance as at the year end divided by cost of sales for that year and multiplied by 365 days.

As our cost of sales decreased from approximately HK$346.4 million for the year ended 31 December 2013 to approximately HK$219.8 million for the year ended 31 December 2014, our trade payables decreased from approximately HK$63.8 million as at 31 December 2013 to approximately HK$17.4 million as at 31 December 2014. Our cost of sales increased to approximately HK$458.0 million for the year ended 31 December 2015 and our trade payables increased to approximately HK$28.2 million as at 31 December 2015.

As our marine construction works business operates on a non-recurring and project-by-project basis, our cost of sales incurred during the Track Record Period may fluctuate depending on the size and progress of our marine construction works contracts at a given time, thereby affecting our trade payables balance as at the respective year ends and the trade payables turnover days during the Track Record Period.

The decrease in trade payables from approximately HK$63.8 million as at 31 December 2013 to approximately HK$17.4 million as at 31 December 2014 and the decrease of trade payables turnover days from approximately 67.2 days for the year ended 31 December 2013 to approximately 28.8 days for the year ended 31 December 2014 were mainly attributable to the decrease in the purchase of raw materials and rental of vessels and equipment in the Hong Kong-Zhuhai-Macao Bridge Projects which generally had longer payment periods.

The increase of trade payables from approximately HK$17.4 million as at 31 December 2014 to approximately HK$28.2 million as at 31 December 2015 and the decrease in trade payables turnover days from approximately 28.8 days for the year ended 31 December 2014 to approximately 22.5 days for the year ended 31 December 2015 were mainly attributable to our Group having shorter payment terms to pay our largest suppliers for the year ended 31 December 2015 which in turn led to lower trade payables turnover days.

The following table sets out the ageing analysis of the trade payables based on the invoice date as at the end of each financial year during the Track Record Period:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables ageing since invoice date			
Current	22,364	7,529	17,147
1 to 30 days	9,898	2,397	2,059
31 to 60 days	16,033	1,667	252
61 to 90 days	4,138	432	3,229
91 to 180 days	7,935	1,395	3,052
181 to 365 days	3,195	3,677	1,618
More than 365 days	211	272	848
Total trade payables	**63,774**	**17,369**	**28,205**

As at 30 April 2016, approximately HK$26.3 million of trade payables as at 31 December 2015 had been settled.

Accruals and other payables

Accruals and other payables represent an advance from an individual who is a shipbroker and an Independent Third Party ("**Independent Third Party B**"), accruals and other payables such as wages, legal and professional fees and transportation costs. Set out below is the composition of accruals and other payables as at the end of each financial year as indicated:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Accruals and other payables	19,768	19,312	20,244

As at 31 December 2013, 2014 and 2015, there was an amount of approximately HK$14.4 million due to Independent Third Party B. Such amount relates to an advance from Independent Third Party B to partly finance an acquisition of a vessel which was purchased in January 2011 for a total consideration of US$3.8 million. In 2010, Independent Third Party B approached our Group for a possible joint investment in a specialised construction vessel (the "**Specialised Construction Vessel**"). Since we did not possess the full financial capacity at the time to acquire the vessel on our own, after several discussions, we decided to acquire the Specialised Construction Vessel with approximately half of the consideration being provided in the form of an advance from Independent Third Party B and the balance being paid by our Group from our internal resources. The advance from Independent Third Party B (i.e. approximately HK$14.4 million) was unsecured, non interest-bearing and repayable on demand. This amount has been fully settled in March 2016.

Independent Third Party B decided to provide the advance to us as we initially agreed to share the benefits with Independent Third Party B such as rental income and gains upon disposal of the Specialised Construction Vessel. However, no concrete terms in relation to abovementioned sharing of benefits had been agreed between us and Independent Third Party B. At the same time, having considered the Specialised Construction Vessel's specifications and condition, our Directors believed that the acquisition of the Specialised Construction Vessel was in the interests of our Group as (i) the Specialised Construction Vessel could be used in our marine construction projects and enhance our credentials for project tendering; (ii) the Specialised Construction Vessel could be purchased without considerable financial burden as Independent Third Party B would provide an advance of approximately half of the consideration; and (iii) any subsequent sale of the Specialised Construction Vessel in the market could provide us with a potential gain upon disposal, which would be shared with Independent Third Party B. The Specialised Construction Vessel was originally intended for use in the works for Hong Kong-Zhuhai-Macao Bridge Hong Kong Link Road Section between Scenic Hill and Hong Kong Boundary Crossing Facilities, Hong Kong, PRC. However, as our customer decided to adopt an alternative method for the marine construction works in that project, the Specialised Construction Vessel was never utilised since its acquisition by our Group. As (a) the Specialised Construction Vessel had been idle since its acquisition; (b) there are no projects in the current pipeline which require the use of the Specialised Construction Vessel; and (c) there has been no potential buyer for the Specialised Construction Vessel at an acceptable price, Independent Third Party B decided to request for repayment of his advance to our Company in March 2016. Our Directors understand that such request was made by Independent Third Party B for personal reasons. Since our Group anticipated that we may be able to use the Specialised Construction Vessel for potential marine construction projects in Hong Kong such as the third runway of the Hong Kong International Airport, our Directors decided to retain ownership of the Specialised Construction Vessel and our Group repaid the advance in March 2016. Our Directors confirm that before the Track Record Period, a company owned by Independent Third Party B had provided delivery and customs clearance services to Shenzhen Changsheng. Save for such services and as disclosed above, our Directors confirm that our Group, Shareholders, Directors, senior management and their respective associates did not have any past and present relationships nor any business relationships with Independent Third Party B.

As at 31 December 2015, accruals and other payables amounted to approximately HK$20.2 million. Save for the amount due to an Independent Third Party B of approximately HK$14.4 million, approximately HK$3.6 million was accrued wages payable, approximately HK$1.7 million was accruals for [**REDACTED**] fees and approximately HK$0.5 million was accruals for audit fee.

Amounts due to customers for contract work

Amounts due to customers for contract work represent the amount of progress billings which exceed the contract costs incurred plus recognised profits. During the Track Record Period, the balance was mainly due to (i) the advance payments from customers for operating our vessels and procuring raw materials; or (ii) the timing difference between the amounts certified by our customer and our actual costs incurred. Amounts due to customers for contract work were approximately HK$4.7 million, HK$5.6 million and HK$45.5 million as at 31 December 2013, 2014 and 2015, respectively.

Amounts due to customers for contract work increased from approximately HK$4.7 million as at 31 December 2013 to approximately HK$5.6 million as at 31 December 2014. Such increase mainly arose from the Tegal Buleud Port Construction project and the Shatin to Central Link Projects. Amounts due to customers for contract work increased from approximately HK$5.6 million as at 31 December 2014 to approximately HK$45.5 million as at 31 December 2015, which mainly arose from projects in Indonesia, the Shatin to Central Link Projects and the Macao Project. The increase of approximately HK$39.9 million from approximately HK$5.6 million as at 31 December 2014 to approximately HK$45.5 million as at 31 December 2015, was due to (i) advance payments from our customers for our projects in Indonesia and the Macao Project of approximately HK$34.1 million; and (ii) timing difference between the amounts certified by our customer and actual costs incurred in the Shatin to Central Link Projects of approximately HK$5.2 million.

Amounts due to related companies

The amounts due to related companies refer to trade and non-trade related payments on behalf of our Group. The following table sets out the amounts due to related companies as at the end of each financial year as indicated:

		As at 31 December		
Amounts due to related companies	**Nature**	**2013**	**2014**	**2015**
		HK$'000	*HK$'000*	*HK$'000*
China Equipment Technology Limited	non-trade	8,168	670	–
Hong Kong Marine Engineering Limited	non-trade (cash advance)	1,556	–	–
Shenzhen Changsheng	trade	–	–	1,626
Total amounts due to related companies		**9,724**	**670**	**1,626**

The amount due to Shenzhen Changsheng was approximately HK$1.6 million as at 31 December 2015. The nature of such amount relates to the chartering of vessels for our Macao Project. Vessels owned by Shenzhen Changsheng are registered in the PRC and are allowed to carry out marine construction works in Macao waters. This enabled our Group to deploy such vessels to our Macao Project without needing to resort to chartering vessels from other third party owners. It is expected that the chartering of vessels from Shenzhen Changsheng to our Group will continue in the future. For details, please refer to the section headed "Continuing connected transactions" in this document.

Loan from a Director

As at 31 December 2013, 2014 and 2015, a loan from a Director amounted to HK$5.5 million, HK$5.3 million and nil, respectively. The loan from a Director was unsecured, interest bearing and repayable on demand as at each of the above dates.

Amount due to a Director

As at 31 December 2013, 2014 and 2015, an amount due to a Director amounted to approximately nil, nil and HK$2.0 million, respectively. This amount was not interest bearing and has been settled as at the Latest Practicable Date.

LIQUIDITY AND CAPITAL RESOURCES

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

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Net cash generated from operating activities	15,282	14,588	93,714
Net cash used in investing activities	(20,653)	(5,604)	(20,658)
Net cash (used in)/generated from financing activities	(2,345)	5,857	(13,634)
Net increase/(decrease) in cash and cash equivalents	(7,716)	14,841	59,422
Cash and cash equivalents at beginning of the year	16,287	8,571	23,412
Cash and cash equivalents at end of the year	8,571	23,412	82,834

Net cash generated from operating activities

Our cash inflow from operating activities is primarily generated from the provision of marine construction works. Our cash outflow for operating activities is primarily related to staff costs, purchase of raw materials, subcontracting charges and administrative expenses. Our cash flow from operating activities is affected by a number of factors, which include the progress of marine construction projects and the settlement of trade receivables by our customers and trade payables by our Group.

For the year ended 31 December 2013, our net cash generated from operating activities amounted to approximately HK$15.3 million, while our net cash inflow from operating activities after adjusting for non-cash items but before changes in working capital was approximately HK$52.5 million. The difference of approximately HK$37.2 million was primarily due to the net effect of (i) the increase in trade and retention receivables and trade payables of approximately HK$12.0 million and HK$29.8 million, respectively; (ii) the increase in amounts due from customers for contract work of approximately HK$37.2 million; and (iii) the decrease in amounts due to customers for contract work of approximately HK$23.2 million.

Our net cash generated from operating activities amounted to approximately HK$14.6 million for the year ended 31 December 2014, while our net cash inflow from operating activities after adjusting for non-cash items but before changes in working capital was approximately HK$54.6 million. The difference of approximately HK$40.0 million was mainly attributable to the net effect of (i) the decrease in trade and retention receivables and trade payables of approximately HK$22.5 million and HK$46.4 million, respectively; (ii) the increase in amounts due from customers for contract work of approximately HK$21.5 million; and (iii) the decrease in amounts due from related companies of approximately HK$6.2 million.

Our net cash generated from operating activities amounted to approximately HK$93.7 million for the year ended 31 December 2015, while our net cash inflow from operating activities after adjusting for non-cash items but before changes in working capital was approximately HK$103.3 million. The difference of approximately HK$9.6 million was mainly attributable to the net effect of (i) the increase in trade and retention receivables and the increase in trade payables of approximately HK$41.1 million and HK$11.5 million, respectively; and (ii) the increase in amounts due to customers for contract work of approximately HK$39.9 million.

Net cash used in investing activities

During the Track Record Period, our cash outflow for investing activities was primarily utilised to acquire plant and equipment. Our cash inflow from investing activities was primarily generated from the disposal of plant and equipment and the disposal of interest in an associate.

For the year ended 31 December 2013, our net cash used in investing activities was approximately HK$20.7 million, which was mainly attributable to the cash utilised to acquire plant and equipment of approximately HK$19.1 million.

For the year ended 31 December 2014, our net cash used in investing activities was approximately HK$5.6 million, which was mainly attributable to the cash utilised to acquire plant and equipment of approximately HK$2.0 million and an increase in time deposits with maturity over three months of approximately HK$2.2 million.

For the year ended 31 December 2015, our net cash used in investing activities was approximately HK$20.7 million, which was mainly attributable to the cash utilised to acquire plant and equipment of approximately HK$34.5 million and proceeds from disposal of interest in an associate of approximately HK$19.5 million.

Net cash used in/generated from financing activities

Our cash inflow from financing activities was primarily from the drawdown of bank loans and a loan from a Director. Our cash outflow for financing activities primarily consists of repayment of principal and interest for bank loans and repayment of a loan due to a Director.

For the year ended 31 December 2013, our net cash used in financing activities amounted to approximately HK$2.3 million. Cash inflows mainly included the drawdown of long-term bank loans of approximately HK$18.1 million. Cash outflow mainly included the repayment of long-term bank loans of approximately HK$20.8 million.

For the year ended 31 December 2014, our net cash generated from financing activities amounted to approximately HK$5.9 million. Cash inflows mainly included the drawdown of long-term bank loans of approximately HK$19.0 million. Cash outflow mainly included the repayment of long-term bank loans of approximately HK$12.9 million.

For the year ended 31 December 2015, our net cash used in financing activities amounted to approximately HK$13.6 million. Cash inflows mainly included the drawdown of long-term bank loans of approximately HK$13.9 million. Cash outflow mainly included (i) the repayment of long-term bank loans of approximately HK$15.6 million; (ii) a dividend payment of HK$6.6 million; and (iii) the repayment of a loan to a Director of approximately HK$5.3 million.

NET CURRENT ASSETS

The following table sets out our Group's current assets and liabilities as at 31 December 2013, 2014, 2015 and 30 April 2016:

	As at 31 December			As at 30 April
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Current assets				
Trade and retention receivables	83,880	61,334	102,464	130,566
Deposits and other receivables	845	1,498	4,533	5,497
Amounts due from customers for contract work	51,643	73,153	72,923	76,364
Amounts due from related companies	29,078	13,821	–	–
Amount due from a Director	1,696	552	298	–
Income tax recoverable	–	–	2,949	2,949
Time deposits with maturity over 3 months	793	2,945	8,299	4,541
Pledged bank deposits	786	2,237	3,137	19,363
Cash and cash equivalents	8,571	23,412	82,834	112,408
Total current assets	177,292	178,952	277,437	351,688
Current liabilities				
Trade and retention payables	63,774	17,369	28,870	8,874
Accruals and other payables	19,768	19,312	20,244	4,791
Amount due to joint ventures	300	295	500	500
Amounts due to customers for contract work	4,705	5,609	45,473	84,999
Amounts due to the other partners of joint operations	5,689	8,542	8,159	4,808
Amount due to related company	9,724	670	1,626	1,377
Dividend payable	–	20,000	61,477	35,000
Loan from a Director	5,549	5,313	–	–
Amount due to a Director	–	–	2,000	–
Borrowings	10,305	16,100	19,991	71,298
Income tax payable	5,093	9,989	2,203	2,428
Total current liabilities	124,907	103,199	190,543	214,075
Net current assets	52,385	75,753	86,894	137,613

As at 31 December 2013, we had net current assets of approximately HK$52.4 million. The key components of our current assets as at 31 December 2013 mainly comprised of (i) trade and retention receivables of approximately HK$83.9 million; (ii) amounts due from customers for contract work of approximately HK$51.6 million; (iii) amounts due from related companies of approximately HK$29.1 million; and (iv) cash and cash equivalents of approximately HK$8.6 million. The key components of our current liabilities as at 31 December 2013 were mainly (i) trade and retention payables of approximately HK$63.8 million; (ii) accruals and other payables of approximately HK$19.8 million; and (iii) borrowings of approximately HK$10.3 million.

As at 31 December 2014, we had net current assets of approximately HK$75.8 million. The key components of our current assets as at 31 December 2014 mainly comprised of (i) trade and retention receivables of approximately HK$61.3 million; (ii) amounts due from customers for contract work of approximately HK$73.2 million; and (iii) cash and cash equivalents of approximately HK$23.4 million. The key components of our current liabilities as at 31 December 2014 were mainly (i) trade and retention payables of approximately HK$17.4 million; (ii) accruals and other payables of approximately HK$19.3 million; (iii) dividend payable of approximately HK$20.0 million; and (iv) borrowings of approximately HK$16.1 million.

As at 31 December 2015, we had net current assets of approximately HK$86.9 million. The key components of our current assets as at 31 December 2015 mainly comprised of (i) trade and retention receivables of approximately HK$102.5 million; (ii) amounts due from customers for contract work of approximately HK$72.9 million; and (iii) cash and cash equivalents of approximately HK$82.8 million. The key components of our current liabilities as at 31 December 2015 were mainly (i) trade and retention payables of approximately HK$28.9 million; (ii) accruals and other payables of approximately HK$20.2 million; (iii) amounts due to customers for contract work of approximately HK$45.5 million; and (iv) dividend payable of approximately HK$61.5 million.

As at 30 April 2016, we had net current assets of approximately HK$137.6 million. The key components of our current assets as at 30 April 2016 mainly comprised of (i) trade and retention receivables of approximately HK$130.6 million; (ii) amounts due from customers for contract work of approximately HK$76.4 million; and (iii) cash and cash equivalents of approximately HK$112.4 million. The key components of our current liabilities as at 30 April 2016 were mainly (i) trade and retention payables of approximately HK$8.9 million; (ii) accruals and other payables of approximately HK$4.8 million; (iii) amounts due to customers for contract work of approximately HK$85.0 million; (iv) dividend payable of approximately HK$35.0 million; and (v) borrowings of approximately HK$71.3 million.

Our net current assets increased by approximately HK$23.4 million from approximately HK$52.4 million as at 31 December 2013 to approximately HK$75.8 million as at 31 December 2014, primarily due to the substantial decrease in trade and retention payables of approximately HK$46.4 million, which was partially offset by the increase in dividend payable of approximately HK$20.0 million.

Our net current assets increased by approximately HK$11.1 million from approximately HK$75.8 million as at 31 December 2014 to approximately HK$86.9 million as at 31 December 2015, primarily due to the combined effects of (i) the increase in trade and retention receivables of approximately HK$41.1 million; and (ii) the increase in cash and cash equivalents of approximately HK$59.4 million, which were partially offset by the increase in dividend payable of approximately HK$41.5 million.

Our net current assets increased by approximately HK$50.7 million from approximately HK$86.9 million as at 31 December 2015 to approximately HK$137.6 million as at 30 April 2016, primarily due to the combined effects of (i) the increase in trade and retention receivables of approximately HK$28.1 million; and (ii) the increase in cash and cash equivalents of approximately HK$29.6 million, which were partially offset by the increase in amounts due to customers for contract work of approximately HK$39.5 million. The amount due to customers for contract work increased from approximately HK$45.5 million as at 31 December 2015 to approximately HK$85.0 million as at 30 April 2016, which was mainly attributable to the additional advance payment received from January to April 2016 of approximately HK$55.6 million from the Macao Government in relation to the Macao Project.

INDEBTEDNESS

The table below sets out the indebtedness of our Group as at the respective dates indicated:

	As at 31 December			As at 30 April
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)
Indebtedness				
Non-current				
Long-term bank loans	8,781	9,079	3,467	1,457
Current				
Amount due to a joint venture	300	295	500	500
Amount due to a Director	–	–	2,000	–
Amounts due to related companies	9,724	670	–	–
Loan from a Director	5,549	5,313	–	–
Long-term bank loans due for repayment within one year	8,527	11,100	9,291	5,944
Long-term bank loans due for repayment within one year which contain a repayment on demand clause	1,692	2,463	2,537	21,324
Long-term bank loans due for payment after one year which contain a repayment on demand clause	–	2,537	–	24,244
Short-term bank borrowings	86	–	8,163	19,786
	25,878	22,378	22,491	71,798
Total borrowings	34,659	31,457	25,958	73,255

As at 30 April 2016, the latest practicable date of the purpose of the indebtedness statement for this document, we had outstanding borrowings of approximately HK$73.3 million, which were denominated in HK$ and MOP. The increase in borrowings as at 30 April 2016 compared with 31 December 2015 is due to the drawdown of bank loans to (i) repay the advance from Independent Third Party B for financing half of the purchase price in the purchase of the Specialised Construction Vessel as detailed in the paragraphs headed "Accruals and other payables" in this section; (ii) settle the payment for a bulk purchase of steel materials

for use in the Manokwari Port Construction Project; and (iii) strengthen our Group's cash position to facilitate the bidding of a large scale marine construction project submitted in April 2016. As at 30 April 2016, our Group had approximately HK$34.0 million of unutilised banking facilities.

As at 30 April 2016, we had no material covenants relating to our outstanding debts, save for a hire purchase finance facility of approximately HK$4.3 million. The agreement in respect of such facility provided by a financial institution has been entered into in June 2013 and set out therein are the relevant financial covenants including (i) the general banking facilities outstanding at another financial institution will not exceed HK$1.8 million at all times; and (ii) the tangible net worth (based on the net asset value) of HKR shall be maintained at no less than HK$22 million.

Our Group raises borrowings to finance the acquisitions of vessels and equipment and to fulfil working capital requirements. We expect to repay the borrowings through our cash flows generated from operating activities and financing activities.

During the Track Record Period, our Group settled our debt obligations in a timely manner and did not breach any financial bank covenant.

	As at 31 December			As at 30 April
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)
Indebtedness				
On demand and less than 1 year	25,878	19,841	22,491	47,554
Between 1 and 2 years	5,518	10,174	3,171	23,761
Between 2 and 5 years	3,263	1,442	296	1,940
Total borrowings	34,659	31,457	25,958	73,255

Short-term bank loans

As at 31 December 2013, 2014, 2015 and 30 April 2016, our Group had short-term bank loans of approximately HK$0.1 million, nil, HK$8.2 million and HK$19.8 million, respectively, which were primarily utilised for working capital purposes.

Long-term bank loans

The long-term borrowings represent bank loans raised for (i) working capital purposes; and (ii) acquisition of vessels and equipment. The long-term bank loans classified as non-current liabilities amounted to approximately HK$8.8 million, HK$9.1 million, HK$3.5 million and HK$1.5 million as at 31 December 2013, 2014 and 2015 and 30 April 2016,

respectively, and the long-term bank loans (including current portion due for repayment within one year, amounts due after one year which contain repayment on demand clause) classified as current liabilities amounted to approximately HK$10.2 million, HK$16.1 million, HK$11.8 million and HK$51.5 million, respectively.

Our long-term bank loans increased from approximately HK$19.0 million as at 31 December 2013, to approximately HK$25.2 million as at 31 December 2014, and decreased to approximately HK$15.3 million as at 31 December 2015. Our Group increased our long-term bank loans to approximately HK$53.0 million as at 30 April 2016 as we have obtained an additional long-term bank loan in the amount of HK$40.0 million subsequent to 31 December 2015.

The terms for the long-term bank loans generally ranged from two years to four years.

Bank loans under personal guarantee and/or security provided by one or more of our executive Directors as at 31 December 2015 will be released upon [**REDACTED**].

OFF BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group has not entered into any material off balance sheet commitments or arrangements.

CONTINGENT LIABILITIES

As at 31 December 2015 and 30 April 2016, the joint operations held by the Group have given guarantees on performance bonds relating to construction contracts in the ordinary course of business, and the amounts shared by the Group were approximately HK$127.7 million and HK$126.4 million, respectively. As at 30 April 2016, the Group has also given guarantee on a performance bond relating to a construction contract of approximately HK$29.1 million. These performance bonds are expected to be released in accordance with the terms of the respective construction contracts. Save for the guarantees given on these performance bonds, we had no material contingent liabilities.

CHARGED ASSETS

Our Group charged three vessels, namely, one piling barge, one dredger and one tug boat, owned by CPL as security in favour of the MCRJV Partner in relation to the provision of performance bond and prepayment surety bond to the project owner in relation to the Macao Project as at 31 December 2015 and 30 April 2016. The aggregate value of the three vessels was agreed to be approximately HK$52 million based on a valuation report issued by a property valuer and the surety provided by MCRJV Partner will not exceed 70% of the agreed value.

As at 31 December 2013, 2014 and 2015 and 30 April 2016, vessels with carrying amounts of HK$9,918,000, HK$12,947,000, HK$7,840,000 and HK$7,840,000, respectively, were secured for the Group's bank borrowings.

DISCLAIMER

Save as disclosed in this document, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities as at 30 April 2016, being our indebtedness statement date. Details of material changes to our Group's indebtedness subsequent to the Track Record Period and up to the Latest Practicable Date are set out under the paragraphs headed "Net current assets" in this section. Save for the information as disclosed under the paragraphs headed "Net current assets" in this section, our Directors confirm that, as at the Latest Practicable Date, there is no material change in our Group's indebtedness since 30 April 2016.

FOREIGN EXCHANGE

Due to the geographical nature of our business, we used different foreign currencies for our operation during the Track Record Period. For each of the three years ended 31 December 2013, 2014 and 2015, our Group recorded exchange losses of approximately HK$0.1 million, HK$0.01 million and HK$0.6 million, respectively. The exchange losses were mainly due to the changes in our foreign currency denominated trade receivables as at each of the three years ended 31 December 2013, 2014 and 2015.

During the Track Record Period, our Group's revenue was mainly denominated in HK$, US$ and MOP (the "**Major Currencies**"). For each of the three years ended 31 December 2013, 2014 and 2015, approximately 61.6%, 58.4% and 17.4%, respectively, of our Group's revenue was denominated in HK$, and approximately 38.4%, 41.6% and 56.2%, respectively, of our Group's revenue was denominated in US$.

Regarding the recent issue of the Regulation of Bank of Indonesia No.17 of 2015 on the Mandatory Use of Rupiah in the Territory of the Republic of Indonesia ("**BI Regulation No. 17/2015**") by the Bank of Indonesia on 31 March 2015, IDR, as the lawful currency of Indonesia, must be used as the payment currency for any cash and non-cash transaction conducted within the territory of the Republic of Indonesia. Nevertheless, the transitional provision of BI Regulation No. 17/2015 stipulates that any written agreement that is signed prior to 1 July 2015 will remain valid until the expiration of such agreement. As at the Latest Practicable Date, we had three Indonesian projects on hand, namely the (i) Manokwari Port Construction Project; (ii) Bintan Island Port Construction Project; and (iii) Merak Cement Grinding Project Supporting Specialised Wharf Engineering. Given that agreements for the Manokwari Port Construction Project and Bintan Island Port Construction Project were entered into with our respective customers prior to 1 July 2015, all payments from our customers denominated in US$ are still valid. The Merak Cement Grinding Project Supporting Specialised Wharf Engineering with a contract sum of RMB251.9 million (equivalent to approximately HK$314.9 million) was entered into between our Group and our customer after 1 July 2015. Therefore, payments from the customer under the Merak Cement Grinding Project Supporting Specialised Wharf Engineering will be dominated in IDR. During the Track Record

Period, no revenue was generated from the Merak Cement Grinding Project Supporting Specialised Wharf Engineering. As a result of BI Regulation No.17/2015, our Directors believe that our Group will have increasing exposure to IDR going forward if we undertake new contracts in Indonesia. For further details of BI Regulation No. 17/2015, please refer to the paragraphs headed "Laws and regulations in Indonesia" in the section headed "Regulatory overview" in this document.

During the Track Record Period, our major cost of sales included costs of raw materials, subcontracting charges and rental expenses for vessels and equipment. These costs were mainly denominated in the Major Currencies and other foreign currencies, including RMB, IDR, SGD and VND (the "**Other Currencies**"). For each of the three years ended 31 December 2013, 2014 and 2015, approximately 81.9%, 54.3% and 24.5%, respectively, of our costs of raw materials were denominated in the Other Currencies, approximately 27.4%, 27.8% and 39.2%, respectively, of our subcontracting charges were denominated in the Other Currencies, and approximately 26.9%, 50.1% and 28.0%, respectively, of our rental expenses for vessels and equipment were denominated in the Other Currencies.

Although our Group did not adopt any hedging policies during the Track Record Period, our Directors consider that we were able to mitigate our exposure to foreign exchange risks by using the Major Currencies as (i) our principal currencies in our contracts with our customers; and (ii) to settle payments with our suppliers and any related operating expenses where possible. Since HK$ is pegged to US$ and MOP is pegged to HK$, our Directors consider that there will be no significant foreign exchange risks on US$ and MOP transactions and balances. Pursuant to the treasury policy of our Group, our Group will only convert the Major Currencies to the applicable foreign currencies when we do not have sufficient foreign currencies to settle our operating expenses. Going forward, our Directors will continue to use the Major Currencies as our principal currencies in our contracts with our customers and suppliers in order to mitigate our exposure to foreign exchange risks. In the event that the payments are settled by our customers denominated in a currency other than the Major Currencies, our Group will retain sufficient applicable currency for our operating expense and convert the remaining foreign currency to HK$ or US$. In addition, our Group will continue to evaluate and monitor our exposure to foreign exchange risks from time to time and may consider adopting hedging policies if necessary.

SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that after taking into account the cash flow generated from the operating activities, the existing financial resources available to our Group including internally generated funds and the estimated net proceeds of the [**REDACTED**], our Group has sufficient working capital for its present requirements for the next 12 months from the date of this document.

CONTRACTUAL COMMITMENTS

The following table sets out our operating lease commitments contracted but not provided for as at 31 December 2015:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
No later than 1 year	1,125	1,048	2,510
Later than 1 year and no later than 5 years	1,048	–	1,511
	2,173	1,048	4,021

As at 31 December 2013, 2014 and 2015, our Group did not have any operating lease commitments as a lessor.

CAPITAL EXPENDITURES

Our capital expenditures are primarily comprised of expenditures for plant and equipment. Our incurred capital expenditures for each of the three years ended 31 December 2013, 2014 and 2015 amounted to approximately HK$19.1 million, HK$2.0 million and HK$34.5 million, respectively. Fluctuations in our capital expenditures during the Track Record Period primarily reflect changes in purchase of vessels and equipment to meet our various business needs.

As at the Latest Practicable Date, our anticipated capital expenditures for each of the two years ending 31 December 2016 and 2017 will be approximately HK$37.0 million and approximately HK$95.0 million, respectively. These anticipated capital expenditures will be mainly used to support the growth of our business in line with our current plans. We plan to meet these commitments primarily through internally generated cash, proceeds from the [**REDACTED**] and external financing.

ANALYSIS ON KEY FINANCIAL RATIOS

The following table sets out the key financial ratios of our Group during the Track Record Period:

	As at 31 December		
	2013	**2014**	**2015**
Current ratio[(1)]	1.42 times	1.73 times	1.46 times
Gearing ratio[(2)]	0.21 times	0.22 times	0.14 times
Debt to equity ratio[(3)(7)]	0.12 times	0.01 times	N/A

	Year ended 31 December		
	2013	**2014**	**2015**
Return on assets[(4)]	13.1%	14.6%	25.6%
Return on equity[(5)]	28.5%	27.3%	55.9%
Interest coverage[(6)]	33.59 times	34.74 times	104.48 times

Notes:

1. *Current ratio is calculated by dividing current assets by current liabilities as at the respective year-end date.*

2. *Gearing ratio is calculated by dividing total debts (being the total interest-bearing loans including banks and other borrowings and a loan from a Director) by total equity as at the respective year-end date.*

3. *Debt to equity ratio is calculated by dividing net debts (being the total interest-bearing loans including banks and other borrowings and a loan from a Director less cash and cash equivalents, pledged bank deposits and time deposits with maturity over three months) by total equity as at the respective year-end date.*

4. *Return on assets is calculated by dividing profit for the year by total assets as at the respective year-end date.*

5. *Return on equity is calculated by dividing profit for the year by total equity as at the respective year-end date.*

6. *Interest coverage is calculated by dividing profit before interest and tax by the finance costs for the corresponding year.*

7. *The figure as at 31 December 2015 represents that our Group was in a net cash position.*

Current ratio

Our current ratio was approximately 1.42 times, 1.73 times and 1.46 times as at 31 December 2013, 2014 and 2015, respectively.

The increase in our current ratio from approximately 1.42 times as at 31 December 2013 to approximately 1.73 times as at 31 December 2014 was due to the increase in current assets and the decrease in current liabilities. Current assets as at 31 December 2014 of approximately HK$179.0 million increased by approximately 1.0% compared with the current assets of

approximately HK$177.3 million as at 31 December 2013. Current liabilities as at 31 December 2014 of approximately HK$103.2 million decreased by approximately 17.4% compared with current liabilities of approximately HK$124.9 million as at 31 December 2013. The increase in current assets was primarily due to the increase in cash and cash equivalents which was partially offset by a decrease in the amounts due from related companies. The decrease in current liabilities was primarily due to the decrease in trade and retention payables which was partially offset by the increase in dividend payable.

The decrease in our current ratio from approximately 1.73 times as at 31 December 2014 to approximately 1.46 times as at 31 December 2015 was due to the larger increase in current liabilities than current assets. Current assets as at 31 December 2015 of approximately HK$277.4 million increased by approximately 55.0% compared with the current assets of approximately HK$179.0 million as at 31 December 2014. Current liabilities as at 31 December 2015 of approximately HK$190.5 million increased by approximately 84.6% compared with current liabilities of approximately HK$103.2 million as at 31 December 2014. The increase in current assets was primarily due to the increase in trade and retention receivables and cash and cash equivalents. The increase in current liabilities was primarily due to the increase in amounts due to customers for contract work and dividend payable.

Gearing ratio

Our gearing ratio as at 31 December 2013, 2014 and 2015 was approximately 0.21 times, 0.22 times and 0.14 times, respectively.

The increase in gearing ratio from approximately 0.21 times for the year ended 31 December 2013 to approximately 0.22 times for the year ended 31 December 2014 was primarily due to the increase in total borrowings of our Group.

The decrease in gearing ratio from approximately 0.22 times for the year ended 31 December 2014 to approximately 0.14 times for the year ended 31 December 2015 was primarily due to the decrease in total borrowings of our Group.

Debt to equity ratio

Our debt to equity ratio as at 31 December 2013, 2014 and 2015 was approximately 0.12 times, 0.01 times and N/A, respectively.

The decrease in debt to equity ratio from approximately 0.12 times for the year ended 31 December 2013 to approximately 0.01 times for the year ended 31 December 2014 was primarily due to the increase in cash and cash equivalents of approximately 173.2% while our total borrowings increased by approximately 31.9%.

No debt to equity ratio was calculated as at 31 December 2015 since our cash and cash equivalents were larger than our total interest-bearing loans as at 31 December 2015.

Return on assets

Our return on assets was approximately 13.1%, 14.6% and 25.6% for each of the three years ended 31 December 2013, 2014 and 2015, respectively. We generated an improved return on assets over the Track Record Period primarily due to the increase in the value of marine construction works performed by our Group that were certified by our customers or authorised persons employed by our customers, which in turn increased our net profit over the Track Record Period. The rate of increase in our net profit for the year ended 31 December 2015 exceeded the rate of increase in our total assets over the same period.

The increase in return on assets from approximately 13.1% for the year ended 31 December 2013 to approximately 14.6% for the year ended 31 December 2014 was primarily due to the increase in net profit of approximately 9.3% and the decrease in total assets of approximately 1.7%.

The increase in return on assets from approximately 14.6% for the year ended 31 December 2014 to approximately 25.6% for the year ended 31 December 2015 was primarily due to the increase in net profit of approximately 159.0% and the increase in total assets of approximately 47.8%.

Return on equity

Our return on equity was approximately 28.5%, 27.3% and 55.9% for each of the three years ended 31 December 2013, 2014 and 2015, respectively.

The decrease in return on equity from approximately 28.5% for the year ended 31 December 2013 to approximately 27.3% for the year ended 31 December 2014 was primarily due to the increase in net profit of approximately 9.3% and the increase in total equity attributable to equity holders of the Company of approximately 14.4%.

The increase in return on equity from approximately 27.3% for the year ended 31 December 2014 to approximately 55.9% for the year ended 31 December 2015 was primarily due to the increase in net profit of approximately 159.0% and the increase in total equity attributable to equity holders of the Company of approximately 26.5%.

Interest coverage

The interest coverage of our Group for each of the three years ended 31 December 2013, 2014 and 2015 was approximately 33.59 times, 34.74 times and 104.48 times, respectively. Interest coverage ratio increased from approximately 34.74 times for the year ended 31 December 2014 to approximately 104.48 times for the year ended 31 December 2015. This was primarily due to the increase in profit before interest and tax of approximately 140.2% from the year ended 31 December 2014 to the year ended 31 December 2015. Interest coverage ratio increased from approximately 33.59 times for the year ended 31 December 2013 to approximately 34.74 times for the year ended 31 December 2014. This was primarily due to the increase in profit before interest and tax of approximately 5.8% from the year ended 31 December 2013 to the year ended 31 December 2014.

RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions during the Track Record Period carried out by our Group in the normal course of our business:

Related party transactions	Year ended 31 December 2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Continued transactions			
Rental expenses paid to a related party			
Shenzhen Changsheng	–	–	6,236
Discontinued transactions			
Interest payment paid to a Director			
Mr. Cui	170	163	156
Repair and maintenance service fees received from a related party			
Hong Kong Marine Construction Limited	54	–	–
Consultancy fees and maintenance service fees paid to a related party			
Shenzhen Changsheng	–	–	1,952

For analysis of related party transactions, please refer to the Accountant's Report as set out in note 27 "related party transactions" in Appendix I to this document in addition to the transactions detailed elsewhere in this document. Our Directors believe that such transactions were conducted on normal commercial terms and such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interests of our Shareholders as a whole.

DIVIDENDS AND DIVIDEND POLICY

Following completion of the [**REDACTED**], our Shareholders will be entitled to receive dividends only when declared by our Board. The payment and amount of dividends declared by our Board will depend upon our Group's (a) overall results of operation; (b) financial position; (c) capital requirements; (d) shareholders' interests; (e) future prospects; and (f) other factors which our Board deems relevant. In addition, the Controlling Shareholders (as defined in the Listing Rules), subject to the Articles of Association, may influence our dividend policy.

For each of the three years ended 31 December 2013, 2014 and 2015, the dividends declared by our Group amounted to nil, HK$20.0 million and HK$60.0 million, respectively. The HK$20.0 million and HK$60.0 million dividends declared in 2014 and 2015 were paid using the Group's internal resources during the period between January 2015 to February 2016

and January 2016 to June 2016, respectively. Regarding the settlement of the dividend of HK$20 million declared in 2014, HK$6.6 million was settled by cash and approximately HK$11.9 million was settled through a decrease in amounts due from related companies owned by the then shareholder. Both were settled during the year ended 31 December 2015. The remaining balance of approximately HK$1.5 million had not yet been settled as at 31 December 2015 and was included in dividend payable of approximately HK$61.5 million on the combined balance sheet as at 31 December 2015. The balance of the dividend payable of approximately HK$1.5 million was settled by cash after the Track Record Period. Regarding the settlement of the dividend of HK$60.0 million declared in 2015, the entire amount was settled by cash after the Track Record Period. All the declared dividends had been paid as at the Latest Practicable Date.

Prospective investors should note that historical dividend distributions are not indicative of our future dividend distribution policy and there is no guarantee that dividends will be paid in the future. After completion of the [**REDACTED**], our Directors' priority will be to retain earnings in order to facilitate capital growth and expansion of our Group. We expect to pay not less than 30% of our distributable net profit for the year ending 31 December 2016 as dividends. However, we cannot guarantee that we will be able to make any dividend distributions in the aforesaid proportion of net profit or at all in any future year beyond 2016.

DISTRIBUTABLE RESERVES

As at 31 December 2015, we did not have any distributable reserves available for distribution to our shareholders.

[**REDACTED**]

The total amount of [**REDACTED**] and commissions borne by us in connection with the [**REDACTED**] is estimated to be approximately HK$35.0 million.

We incurred approximately [**REDACTED**] in [**REDACTED**] during the Track Record Period, which was recorded under administrative expenses. We expect to incur additional [**REDACTED**] of approximately HK$[**REDACTED**] after the Track Record Period, of which approximately [**REDACTED**] is expected to be recognised as administrative expenses in the consolidated statement of comprehensive income for the year ending 31 December 2016 and the remaining amount is expected to be capitalised after [**REDACTED**].

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that since 31 December 2015 (being the date to which the latest audited combined financial information of our Group was made up) and up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or prospects of our Group.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

In the ordinary course of our business, we are exposed to various market risks, including interest rate risk, credit risk and liquidity risk. Our capital risk management strategy aims to safeguard our ability to continue as a going concern in order to provide returns for our Shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Interest rate risk

We incur interest expenses on our bank loans and our Group is exposed to interest rate risk as these borrowings are carried at variable rates. It is our Group's policy to maintain our borrowings subject to floating rates, and accordingly, our Group has not engaged in any interest rate swaps to hedge our exposure to interest rate risk.

As at 31 December 2013, 2014 and 2015, if the interest rates on borrowings had been 100 basis points higher or lower, assuming all other variables had been held constant, our profit after income tax for the respective year would have been lower or higher by approximately HK$0.2 million, HK$0.3 million and HK$0.2 million, respectively.

Credit risk

We are exposed to credit risk primarily from our cash and cash equivalents, trade and retention receivables, deposits, other receivables, amounts due from customers for contract work and amounts due from related companies. Our Group's exposure to credit risk is the carrying amounts of these financial assets.

For each of the three years ended 31 December 2013, 2014 and 2015, approximately 75.7%, 72.6% and 82.0%, respectively, of our revenue was generated from our top five customers. As at 31 December 2013, 2014 and 2015, the Group had concentration of credit risk as 86.5%, 91.9% and 88.3% of the total trade receivables due from four, one and four customers, respectively.

Top five customers mainly include subsidiaries of state-owned enterprises, local governments and other construction companies. To manage this risk, management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management regularly reviews the recoverable amount of each individual trade and retention receivable to ensure that adequate impairment provision is made for irrecoverable amounts.

The credit risk on deposits with banks and amounts due from related companies are limited because deposits are held in banks with sound credit ratings and good payment history and management does not expect any loss from non-performance by related companies.

Liquidity risk

We manage liquidity risk by monitoring and maintaining (i) a level of cash and cash equivalents deemed adequate by our management team to meet operational needs; and (ii) sufficient headroom on our undrawn committed borrowing facilities at all times so that our Group does not breach borrowing limits or covenants (where applicable) on any of our borrowing facilities.

Taking into account the expected cash inflow from operations of our Group and the undrawn banking facilities, our Directors believe that we have sufficient resources to meet our debt obligations with banks and working capital needs.

Foreign exchange risk

Our Group has transactional currency exposures. Such exposures arise from transactions in currencies other than the Group's functional currency. We did not enter into any hedging transactions in order to reduce our exposure to foreign currency risk. For details of our foreign currency risk, please refer to the paragraphs headed "Foreign exchange" in this section.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of our Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the [**REDACTED**] on the net tangible assets of our Group attributable to the equity holders of the Company as at 31 December 2015 as if the [**REDACTED**] had taken place on 31 December 2015 (assuming the [**REDACTED**] is not exercised).

This 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 combined net tangible assets of our Group as at 31 December 2015 or at any future dates following the [**REDACTED**]. It is prepared based on the audited combined net tangible assets of our Group as at 31 December 2015 as set out in the Accountant's Report, the text of which is set out in Appendix I to this document, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2015[(1)]	**Estimated net proceeds from the [REDACTED]**[(2)]	**Unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2015**	**Unaudited pro forma adjusted net tangible assets per Share**[(3)]
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Based on an [**REDACTED**] of [**REDACTED**] per Share	171,834	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of [**REDACTED**] per Share	171,834	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2015 is extracted from the Accountant's Report of the Company as set out in Appendix I to this document, which is based on the audited combined net assets of the Group attributable to the equity holders of the Company as at 31 December 2015 of HK$171,834,000.

(2) The estimated net proceeds from the [**REDACTED**] are based on the [**REDACTED**] of [**REDACTED**] and [**REDACTED**] per Share, respectively, after deduction of the [**REDACTED**] fees and other related expenses (excluding [**REDACTED**] expenses of approximately [**REDACTED**] which have been accounted for prior to 31 December 2015) payable by the Company and takes no account of any Shares which may be allotted and issued upon the exercise of the [**REDACTED**] and any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme and any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed "Share Capital" in this document.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in note 2 above and on the basis that 800,000,000 Shares were in issue assuming that the [**REDACTED**] and Capitalisation Issue had been completed on 31 December 2015 but takes no account of any Shares which may be allotted and issued upon the exercise of the [**REDACTED**] and any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme and any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed "Share Capital" in this document.

(4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2015.

DISCLOSURE REQUIREMENT UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had the Shares been [**REDACTED**] on the Stock Exchange.

FUTURE PLANS

To continue to grow our business, we aim to strengthen our market position in the marine construction industry in Hong Kong and continue to expand our business in the marine construction industry in Macao and Southeast Asia. To achieve our goals, we intend to utilise the following key business strategies:

- expand our capacity to capture attractive growth opportunities;
- capture further business opportunities from the OBOR and boost our international profile and reputation in the marine construction industry;
- continue to strengthen our market position in Hong Kong by taking up more projects to increase profit and market share;
- further develop our business in Macao and aim to take up projects as main contractor to increase profit and market share; and
- maintain our cost structure, operational efficiency and service quality.

Please refer to the paragraph headed "Our strategies" in the section headed "Business" in this document for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds from the [**REDACTED**], after deducting [**REDACTED**] commissions and estimated expenses paid and payable by our Company in connection thereto (assuming the [**REDACTED**] is not exercised), to be approximately HK$[**REDACTED**], assuming the [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the proposed [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per Share. We intend to apply such net proceeds in the following manner:

- Approximately HK$[**REDACTED**] or approximately [**REDACTED**] of the net proceeds for acquisition of vessels and equipment with respect to future projects, details of which are set out in the paragraph headed "Our Strategies" in the section headed "Business" in this document. We intend to acquire a total of nine types of vessels and equipment including split hopper barges, flat top barges, tug boats, cranes, excavators and other vessels, on or before 31 December 2018 with costs of each vessel and equipment ranging from approximately HK$[**REDACTED**] to approximately HK$[**REDACTED**]; and
- approximately HK$[**REDACTED**] or approximately [**REDACTED**] of the net proceeds will be used as general working capital of our Group such as payment of performance bonds to our customers if required under our future projects, purchase of raw materials and rental of vessels and equipment. Based on the contract of Kai

Tak Development – Stage 3 Infrastructure Works for Development at the Southern Part of the Former Runway recently awarded to us and taking into account the project regarding the third runway of the Hong Kong International Airport which our Group intends to bid for, we estimate that the total amount we would be required to pay for issuance of performance bonds (assuming we could secure the third runway project) would be approximately HK$9 million. In the event that the actual total amount of performance bonds we are required to pay for the aforementioned project exceeds HK$9 million, the excess will be financed through our internal resources.

If the [**REDACTED**] is set at the high-end or low-end of the proposed [**REDACTED**] range, the net proceeds of the [**REDACTED**] will increase or decrease by approximately HK$[**REDACTED**] (assuming the [**REDACTED**] is not exercised). We will adjust the allocation of the net proceeds for the abovementioned purposes on a pro rata basis.

In the event that the [**REDACTED**] is exercised in full, we estimate that we will receive additional net proceeds from the sale of these additional [**REDACTED**] of approximately HK$[**REDACTED**], after deducting the [**REDACTED**] commissions and other estimated offering expenses payable by us and assuming the same initial [**REDACTED**] as stated above. We intend to apply the additional net proceeds to the above uses on a pro rata basis to the abovesaid. To the extent that the net proceeds of the [**REDACTED**] are not immediately used for the purposes described above, they will be placed on deposit with banks or other financial institutions or held in other treasury instruments.

[**REDACTED**]

[**REDACTED**] ARRANGEMENTS AND EXPENSES

[**REDACTED**]

Grounds for termination

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

UNDERTAKINGS GIVEN TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

[**REDACTED**]

(ii) when he/she/it receives indications, either verbal or written, from the pledgee or chargee of any of our Shares or securities that any of the pledged or charged Shares or securities will be disposed of, immediately inform our Company of such indications.

We will also inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of announcement in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholders.

UNDERTAKINGS PURSUANT TO THE [REDACTED]

[REDACTED]

Undertaking by the Controlling Shareholders

[**REDACTED**]

[**REDACTED**]

EXPENSES

Total commission, fee and expenses

In connection with the [**REDACTED**], [**REDACTED**] and the other [**REDACTED**] will receive an [**REDACTED**] commission of [**REDACTED**] of the aggregate [**REDACTED**] of all the [**REDACTED**], out of which they will pay any [**REDACTED**] commissions and selling concessions.

In connection with the [**REDACTED**], the Sole Sponsor will receive a sponsorship and documentation fee.

Assuming the [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] range stated in this document), the total expenses in connection with the [**REDACTED**] and the [**REDACTED**] are estimated to be [**REDACTED**] (including [**REDACTED**] commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sponsorship and documentation fee, the [**REDACTED**] fee, legal and other professional fees, printing cost and other expenses relating to the [**REDACTED**]) which shall be borne by our Company.

Our Company has agreed to indemnify the [**REDACTED**], the Sole Sponsor and the [**REDACTED**] for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the [**REDACTED**], and any breach by our Company of the [**REDACTED**].

Independence of the Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules.

Sponsor's and [**REDACTED**] interests in our Company

The Sole Sponsor has been appointed as the compliance adviser of our Company with effect from the [**REDACTED**] until despatch of the audited consolidated financial results for the first full financial year after the [**REDACTED**], and our Company will pay to the Sole Sponsor an agreed fee for its provision of services with the scope required under the Listing Rules.

Save for their interests and obligations under the [**REDACTED**] and the advisory and documentation fee payable to the Sole Sponsor in respect of the [**REDACTED**], none of the Sole Sponsor, the [**REDACTED**] and the [**REDACTED**] is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

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[**REDACTED**]

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

[Letterhead of PricewaterhouseCoopers]

[Draft]

[**REDACTED**]

The Directors
Prosper Construction Holdings Limited

Investec Capital Asia Limited

Dear Sirs,

We report on the financial information of Prosper Construction Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the combined balance sheets as at 31 December 2013, 2014 and 2015, the balance sheet of the Company as at 31 December 2015, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 December 2013, 2014 and 2015 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the document of the Company dated [**REDACTED**] (the "Document") in connection with the initial [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 6 October 2015 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in note 1.2 of Section II headed "Reorganisation" below, which was completed on 22 January 2016, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries and joint ventures as set out in note 1.2 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as Hong Kong incorporated private companies.

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No statutory audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The statutory audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their places of incorporation. The details of the statutory auditors of these companies are set out in note 1.2 of Section II.

The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in note 1.3 of Section II below.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in note 1.3 of Section II below and in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in note 1.3 of Section II below, a true and fair view of the financial position of the Company as at 31 December 2015 and of the combined financial position of the Group as at 31 December 2013, 2014 and 2015 and of the Group's combined financial performance and cash flows for the Relevant Periods.

I. FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2013, 2014 and 2015 and for each of the years ended 31 December 2013, 2014 and 2015 (the "Financial Information"), presented on the basis set out in note 1.3 below.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December		
	Note	**2013**	**2014**	**2015**
		HK$'000	*HK$'000*	*HK$'000*
Revenue	*5*	396,168	272,760	572,928
Cost of sales	*7*	(346,354)	(219,838)	(457,987)
Gross profit		49,814	52,922	114,941
Other income and gain, net	*6*	(61)	(10)	(2,566)
Gain on disposal of investment in an associate	*17*	–	–	19,494
Professional fees incurred for [**REDACTED**]	*7*	–	–	(8,417)
Other administrative expenses	*7*	(5,708)	(6,324)	(11,548)
Operating profit		44,045	46,588	111,904
Finance costs, net	*8*	(1,311)	(1,341)	(1,071)
Share of losses of a joint venture	*18(a)*	(3)	(4)	(5)
Profit before income tax		42,731	45,243	110,828
Income tax expense	*9*	(8,824)	(8,183)	(14,830)
Profit for the year		33,907	37,060	95,998
Other comprehensive income		–	–	–
Profit and total comprehensive income attributable to equity holders of the Company		33,907	37,060	95,998
Basic and diluted earnings per share	*11*	N/A	N/A	N/A

COMBINED BALANCE SHEETS

		As at 31 December		
	Note	**2013**	**2014**	**2015**
		HK$'000	*HK$'000*	*HK$'000*
ASSETS				
Non-current assets				
Plant and equipment	*13*	80,624	74,618	97,581
Investment in an associate	*17*	–	–	–
Investment in a joint venture	*18(a)*	303	299	294
		80,927	74,917	97,875
Current assets				
Trade and retention receivables	*14*	83,880	61,334	102,464
Deposits and other receivables	*14*	845	1,498	4,533
Amounts due from customers for contract work	*15*	51,643	73,153	72,923
Amounts due from related companies	*27(d)*	29,078	13,821	–
Amount due from a director	*27(d)*	1,696	552	298
Income tax recoverable		–	–	2,949
Time deposits with maturity over 3 months	*16*	793	2,945	8,299
Pledged bank deposits	*16*	786	2,237	3,137
Cash and cash equivalents	*16*	8,571	23,412	82,834
		177,292	178,952	277,437
Total assets		258,219	253,869	375,312

		As at 31 December		
	Note	**2013**	**2014**	**2015**
		HK$'000	*HK$'000*	*HK$'000*
EQUITY				
Capital and reserves				
Combined share capital	*19*	23,104	23,104	23,104
Reserves	*19*	95,672	112,732	148,730
Total equity		118,776	135,836	171,834
LIABILITIES				
Non-current liabilities				
Borrowings	*23*	8,781	9,079	3,467
Deferred income tax liabilities	*20*	5,755	5,755	9,468
		14,536	14,834	12,935
Current liabilities				
Trade and retention payables	*21*	63,774	17,369	28,870
Accruals and other payables	*21*	19,768	19,312	20,244
Amounts due to customers for contract work	*15*	4,705	5,609	45,473
Amount due to a joint venture	*18(a), 27(d)*	300	295	500
Amounts due to the other partners of joint operations	*18(b)*	5,689	8,542	8,159
Amount due to a director	*27(d)*	–	–	2,000
Amounts due to related companies	*27(d)*	9,724	670	1,626
Dividend payable	*10*	–	20,000	61,477
Loan from a director	*22, 27(d)*	5,549	5,313	–
Borrowings	*23*	10,305	16,100	19,991
Income tax payable		5,093	9,989	2,203
		124,907	103,199	190,543
Total liabilities		139,443	118,033	203,478
Total equity and liabilities		258,219	253,869	375,312

BALANCE SHEET OF THE COMPANY

	As at 31 December 2015 *HK$'000*
ASSETS	
Amount due from a shareholder	–
Total assets	–
EQUITY	
Capital	
Share capital	–
Total equity	–

As at 31 December 2015, the Company had amount due from a shareholder of HK$0.01 and share capital of HK$0.01.

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Combined share capital	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2013	23,104	61,765	84,869
Comprehensive income			
Profit for the year	–	33,907	33,907
At 31 December 2013	23,104	95,672	118,776
At 1 January 2014	23,104	95,672	118,776
Comprehensive income			
Profit for the year	–	37,060	37,060
Contribution by and distribution to owner			
Dividends relating to the year ended 31 December 2014 declared to the then shareholders	–	(20,000)	(20,000)
At 31 December 2014	23,104	112,732	135,836
At 1 January 2015	23,104	112,732	135,836
Comprehensive income			
Profit for the year	–	95,998	95,998
Contribution by and distribution to owner			
Dividends relating to the year ended 31 December 2015 declared to the then shareholders	–	(60,000)	(60,000)
At 31 December 2015	23,104	148,730	171,834

COMBINED STATEMENTS OF CASH FLOWS

	Note	As at 31 December 2013	2014	2015
		HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities				
Net cash generated from operations	*26(a)*	21,165	19,216	116,637
Interest received		7	5	385
Interest paid		(1,318)	(1,346)	(1,456)
Income tax paid		(4,572)	(3,287)	(21,852)
Net cash generated from operating activities		15,282	14,588	93,714
Cash flows from investing activities				
Purchase of plant and equipment		(19,074)	(2,001)	(34,522)
Proceeds from disposal of plant and equipment	*26(b)*	–	–	624
Proceeds from disposal of interest in an associate		–	–	19,494
Increase in time deposits with maturity over 3 months		(793)	(2,152)	(5,354)
Increase in pledged bank deposits		(786)	(1,451)	(900)
Net cash used in investing activities		(20,653)	(5,604)	(20,658)
Cash flows from financing activities				
Proceeds from borrowings		18,087	19,000	13,894
Repayments of borrowings		(20,770)	(12,907)	(15,615)
Loan from a director		338	–	–
Repayment to a director		–	(236)	(5,313)
Dividend paid		–	–	(6,600)
Net cash (used in)/generated from financing activities		(2,345)	5,857	(13,634)
Net (decrease)/increase in cash and cash equivalents		(7,716)	14,841	59,422
Cash and cash equivalents at beginning of the year		16,287	8,571	23,412
Cash and cash equivalents at end of the year	*16*	8,571	23,412	82,834

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

The Company was incorporated in the Cayman Islands on 6 October 2015 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries provide marine construction services, lease and trade of vessels (the "[**REDACTED**] Business").

The Financial Information is presented in Hong Kong dollars ("HK$") unless otherwise stated.

1.2 Reorganisation

In preparing for the [**REDACTED**] of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the following reorganisation activities were carried out.

Prior to the incorporation of the Company and the completion of the reorganisation as described below (the "Reorganisation"), the [**REDACTED**] Business was carried out by companies now comprising the Group (collectively the "Operating Companies") throughout the Relevant Periods.

Pursuant to the Reorganisation, the [**REDACTED**] Business, mainly carried out by Hong Kong River Engineering Company Limited ("HKR") (with its subsidiaries) and Creator Pacific Limited ("CPL"), was transferred to the Company through the following steps:

(i) On 11 September 2015, Prosper Construction Group Ltd. ("Prosper BVI") was incorporated in the British Virgin Islands. On 15 January 2016, Mr. Cui Qi transferred the entire share capital of CPL to Prosper BVI in consideration of and in exchange for Prosper BVI allotting and issuing one share in Prosper BVI to Sky Hero Global Limited ("Sky Hero"), a company incorporated in the British Virgin Islands on 21 August 2015.

(ii) On 15 January 2016, Mr. Cui Qi and Mr. Yu Ming transferred 16,000,000 shares and 4,000,000 shares in the issued share capital of HKR, representing 100% of the issued share capital of HKR, to Prosper BVI in consideration of and in exchange for Prosper BVI allotting and issuing one share in Prosper BVI to Sky Hero.

(iii) The Company was incorporated in the Cayman Islands on 6 October 2015 with an authorised share capital of HK$390,000 divided into 39,000,000 shares with par value of HK$0.01 each, one share of which was allotted and issued nil-paid to Codan Trust Company (Cayman) Limited on 6 October 2015 which was transferred to Sky Hero on the same date.

(iv) On 22 January 2016, Sky Hero transferred the entire issued share capital in Prosper BVI to the Company, in exchange for which the Company issued and allotted shares to Sky Hero, credited as fully paid and credited as fully paid at par the one nil-paid share which was then registered in the name of Sky Hero.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct and indirect interests in the following subsidiaries:

Name	Place of incorporation	Date of incorporation	Issued and fully paid share capital	Equity interest held		Principal activities and place of operation	*Note*
				Directly	Indirectly		
Prosper Construction Group Ltd.	British Virgin Islands	11 September 2015	HK$2	100%	–	Investment holding	*(i)*
Hong Kong River Engineering Company Limited ("HKR")	Hong Kong	9 May 2001	HK$20,000,000	–	100%	Provision of engineering and construction works	*(ii), (iii)*
Creator Pacific Limited ("CPL")	Hong Kong	9 March 2001	HK$2	–	100%	Letting of vessels for rental income, trading of vessels and provision of repairing services to the vessels	*(ii), (iv)*
PT. Indonesia River Engineering ("PTIR")	Indonesia	12 September 2008	US$400,000	–	100%	Provision of engineering and construction works	*(i)*
Hong Kong River (Macao) Engineering Company Limited (香港瑞沃(澳門)工程有限公司) ("MCR")	Macao	13 January 2015	MOP100,000	–	100%	Provision of engineering and construction works	*(i), (v)*
PT. Hong Kong River Engineering Indonesia	Indonesia	15 December 2015	US$400,000	–	100%	Provision of engineering and construction works	*(i)*

Notes:

(i) No audited statutory financial statements were issued for these subsidiaries as they are not required to issue audited financial statements under the statutory requirements of their places of incorporation.

(ii) The statutory financial statements of these subsidiaries for the years ended 31 December 2013 and 2014 were audited by Alan Chan & Company Certified Public Accountants.

(iii) The statutory financial statements of this subsidiary for the year ended 31 December 2015 were audited by PricewaterhouseCoopers.

(iv) The statutory financial statements of this subsidiary for the year ended 31 December 2015 were yet to be issued as of the date of this report.

(v) The English name of the subsidiary represents the best effort by the management of the Company in translating its Chinese name as it does not have official English name.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the [**REDACTED**] Business has been conducted by the Operating Companies. Pursuant to the Reorganisation, the [**REDACTED**] Business were transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the [**REDACTED**] Business with no change in management of such business. Accordingly, in accordance with the principles of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA, the Financial Information of the companies now comprising the Group is presented using the carrying values of the [**REDACTED**] Business for all periods presented.

Inter-company transactions, balances and unrealised gains/losses on transactions between [**REDACTED**] group companies now comprising the Group are eliminated on combination.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied during the Relevant Periods, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Financial Information which are in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA are set out below. The Financial Information set out in this report has been prepared in accordance with HKFRSs under the historical cost convention.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4 below.

The following are standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 January 2016 or later periods, but have not been early adopted by the Group.

HKAS 1 (Amendment)	Disclosure Initiative[(1)]
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation[(1)]
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants[(1)]
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements[(1)]
HKFRS 9	Financial Instruments[(2)]
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture[(4)]
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception[(1)]
HKFRS 11 (Amendment)	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operation[(1)]
HKFRS 14	Regulatory Deferral Accounts[(1)]
HKFRS 15	Revenue from Contracts with Customers[(2)]
HKFRS 16	Leases[(3)]
HKFRSs (Amendment)	Annual improvements to HKFRSs 2012 – 2014 cycle[(1)]

(1) Effective for the Group for annual period beginning on 1 January 2016.

(2) Effective for the Group for annual period beginning on 1 January 2018.

(3) Effective for the Group for annual period beginning on 1 January 2019.

(4) Effective date to be determined.

Management is in the process of making an assessment on the impact of these new and revised standards, amendments or interpretations but is not yet in a position to determine whether they will have a significant impact on the Group's results of operations and financial position.

(a) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the year ended 31 December 2015, as a result, there are changes to presentation and disclosures of certain information in the Financial Information.

2.2 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the combined statements of comprehensive income.

2.3 Subsidiaries

Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated when necessary, amounts reported by subsidiaries have been adjusted to confirm with the Group's accounting policies.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

2.4 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. For the joint arrangements that specify that the parties to the joint arrangements have rights to the assets and obligations to the liabilities relating to the joint arrangements, they are classified as joint operations. For the remaining joint arrangements, they are classified as joint ventures.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. 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. Joint ventures are included on the equity basis of accounting.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise our Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 share of any assets held jointly;

– its liabilities, including its share of any liabilities incurred jointly;

– its revenue 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 assets that the Group has the rights to and the liabilities that the Group has the obligations for, in relation to the joint operations, are recognised in the combined balance sheets on an accrual basis and classified according to the nature of the item. The share of expenses that the Group incurs and its share of income that it earns from the joint operations are included in the combined statements of comprehensive income.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information are presented in HK$ which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined statements of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the combined statements of comprehensive income within 'finance income or expenses'. All other foreign exchange gains and losses are presented in the combined statements of comprehensive income within 'administrative expenses'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

– income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

– all resulting exchange differences are recognised as in other comprehensive income.

2.7 Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the combined statements of comprehensive income during the financial period in which they are incurred.

Depreciation of both owned and leased plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over the estimated useful lives, as follows:

Vessels	10-20 years
Machinery and equipment	3-10 years
Furniture and fixtures	5 years
Motor vehicles	5 years
Office equipment	3 years

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

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the combined statements of comprehensive income.

2.8 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets.

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs. They are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the combined balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the combined statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the combined statements of comprehensive income.

2.12 Leased assets

The Group leases certain machinery and equipment. Leases of machinery and equipment where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased machinery and equipment and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the combined statements of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The machinery and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.13 Trade and other receivables

Trade receivables are amounts due from customers in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of a provision account, and the amount of the loss is recognised in the combined statements of comprehensive income within "administrative expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the combined statements of comprehensive income.

2.14 Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity 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 revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to work performed to date as a percentage of total contract value.

On the combined balance sheets, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case. Progress billings not yet paid by customers and retention receivables are included in current assets as the Group expects to realise these within its normal operating cycle.

2.15 Cash and cash equivalents

In the combined statements of cash flows, cash and cash equivalents include cash at bank and deposits held at call with banks with original maturity of three months or less.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined statements of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of reporting period.

2.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the combined statements of comprehensive income in the period in which they are incurred.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the combined statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statements of financial position date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, the deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statements of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on taxable temporary differences arising on investments in subsidiaries, an associate and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, an associate and joint arrangements, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leaves are not recognised until the time of leave.

(b) Retirement benefits

The Group operates defined contribution plans and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

2.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met. Revenue is shown net of sales tax, returns, rebates and discounts and after eliminating sales within the Group.

Revenue from construction contracts is recognised based on the stage of completion of the contracts as detailed in note 2.14 above.

Rental income from vessel chartering is recognised based on the straight-line basis over the lease terms.

Trading of vessels is recognised when the goods are delivered and the risks and rewards of ownership have been passed to the customers.

Sales commission of vessels is recognised when services are rendered which is generally the time when the transacting parties first come into an agreement.

2.24 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.25 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessors are charged to the combined statements of comprehensive income on a straight-line basis over the period of the lease.

2.26 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's and Company's Financial Information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.27 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the directors of the Company. The Directors provide principles for an overall risk management, as well as policies covering specific areas.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the Company's functional currency.

The Group's transactions are mainly denominated in HK$, USD, Indonesia Rupiah ("IDR"), Renminbi ("RMB") and Macao Pataca ("MOP"). The majority of assets and liabilities are denominated in HK$, IDR and MOP, and there are no significant assets and liabilities denominated in other currencies. Management considered that the foreign exchange risk for MOP is minimal since exchange rate fluctuation was minimal throughout the years ended 31 December 2013, 2014 and 2015.

(ii) Cash flow interest rate risk

The Group is exposed to interest rate risk as borrowings are carried at variable rates. It is the Group's policy to maintain its borrowings subject to floating rates, and accordingly, the Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 December 2013, 2014 and 2015, if the interest rates on borrowings had been 100 basis-points higher/lower with all other variables held constant, post-tax profit for the years would be HK$206,000, HK$255,000, and HK$196,000 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, trade and retention receivables, deposits and other receivables, and amounts due from related companies, amounts due from customers for contract work and amount due from a director. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

For the years ended 31 December 2013, 2014 and 2015, 75.7%, 72.6%, and 82.0%, respectively, of the Group's revenue was derived from its top five customers. As at 31 December 2013, 2014 and 2015, the Group had concentration of credit risk as 86.5%, 91.9% and 88.3% of the total trade receivables due from the Group's four, one and four customers, respectively.

Top five customers mainly include subsidiaries of state-owned enterprises, government authority and other construction companies. To manage this risk, management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual trade and retention receivable to ensure that adequate impairment provision is made for the irrecoverable amounts.

The credit risk on deposits with bank and amounts due from related companies are limited because deposits are in banks with sound credit ratings and good payment history. Management does not expect any loss from non-performance by related companies.

(c) Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

Cash flow forecasting is performed for each operating entity of the Group and aggregated by Management. Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year end dates during the Relevant Periods). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	On demand and less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2013				
Trade and retention payables	63,563	211	–	63,774
Accruals and other payables	16,496	–	–	16,496
Term loan subject to repayment on demand clause	1,706	–	–	1,706
Long-term bank loans and interest payments	9,292	5,848	3,363	18,503
Short-term bank loans and interest payments	87	–	–	87
Loan from a director	5,674	–	–	5,674
Amount due to a joint venture	300	–	–	300
Amount due to the other partner of a joint operation	5,689	–	–	5,689
Amounts due to related companies	9,724	–	–	9,724
As at 31 December 2014				
Trade and retention payables	17,097	272	–	17,369
Accruals and other payables	16,623	–	–	16,623
Term loan subject to repayment on demand clause	5,157	–	–	5,157
Long-term bank loans and interest payments	11,963	7,919	1,457	21,339
Loan from a director	5,433	–	–	5,433
Amount due to joint venture	295	–	–	295
Amount due to the other partner of a joint operation	8,542	–	–	8,542
Amounts due to related companies	670	–	–	670
As at 31 December 2015				
Trade and retention payables	28,022	848	–	28,870
Accruals and other payables	16,587	–	–	16,587
Term loan subject to repayment on demand clause	2,578	–	–	2,578
Long-term bank loans and interest payments	9,702	3,243	297	13,242
Short-term bank loans and interest payments	8,297	–	–	8,297
Amount due to a joint venture	500	–	–	500
Amounts due to the other partners of joint operations	8,159	–	–	8,159
Amounts due to related companies	1,626	–	–	1,626
Amount due to a director	2,000	–	–	2,000

The table below analyses the term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2013	1,706	–	–	1,706
31 December 2014	2,579	2,578	–	5,157
31 December 2015	2,578	–	–	2,578

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of equity, amount due to a director and borrowings. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce borrowings. The Group monitors capital on the basis of gearing ratio. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including loan from a director) less cash and cash equivalents, time deposits and pledged bank deposits. The gearing ratio decreases because of the Group's profit improves over the years. The gearing ratios as at 31 December 2013, 2014 and 2015 were as follows:

	As at 31 December		
	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Borrowings *(note 23)*	19,086	25,179	23,458
Loan from a director *(note 22)*	5,549	5,313	–
Less: cash and cash equivalents, time deposits with maturity over 3 months and pledged bank deposits *(note 16)*	(10,150)	(28,594)	(94,270)
Net debt	14,485	1,898	N/A
Total equity	118,776	135,836	171,834
Gearing ratio	12%	1%	N/A

3.3 Fair value estimation

The carrying amount of the Group's financial assets and liabilities, including cash and cash equivalents, pledged bank deposits, time deposits, trade and retention receivables, deposits and other receivables, amounts due from related companies, amount due from a director, trade and retention payables, other payables, amount due to a joint venture, amounts due to the other partners of joint operations, amount due to a director, amounts due to related parties, loan from a director and borrowings approximate their fair values, which either due to their short-term maturities, or that they are subject to floating rates.

3.4 Financial instruments by category

Assets as per combined balance sheets

	Loan and receivables As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Trade and retention receivables, deposits and other receivables	84,725	62,832	106,997
Amounts due from related companies	29,078	13,821	–
Amount due from a director	1,696	552	298
Time deposits with maturity over 3 months	793	2,945	8,299
Pledged bank deposits	786	2,237	3,137
Cash and cash equivalents	8,571	23,412	82,834
Total	125,649	105,799	201,565

Liabilities as per combined balance sheets

	Other financial liabilities at amortised cost As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Trade and retention payables, accruals and other payables	80,271	33,992	45,457
Amount due to a joint venture	300	295	500
Amounts due to the other partners of joint operations	5,689	8,542	8,159
Amount due to a director	–	–	2,000
Amounts due to related companies	9,724	670	1,626
Loan from a director	5,549	5,313	–
Borrowings	19,086	25,179	23,458
Total	120,619	73,991	81,200

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Construction contracts

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

The Group recognised its contract revenue according to the percentage of work performed to date of the individual contract of construction works as a percentage of total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revised the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract in progress. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue.

(b) Income taxes

The Group is subject to income taxes in Hong Kong, Macao and Indonesia. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and income tax expense in the periods in which such estimate is changed.

(c) Estimated impairment of plant and equipment

The Group's major operating assets represent machinery and equipment. Management performs review for impairment of the plant and equipment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable.

Management considered there was no impairment indicator of machinery and equipment during the Relevant Periods as these assets were used for profitable construction projects, and there is a strong demand of these plant and equipment in the second hand market.

(d) Impairment of trade and retention receivables

Management determines the provision for impairment of trade and retention receivables based on the credit history of customers and the current market condition by business segment. Significant judgment is exercised on the assessment of the collectability of receivables from each customer. In making the judgment, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The final outcome of the recoverability of these receivables will impact the amount of impairment required.

5 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Rendering of services			
– Marine construction works	368,188	257,806	553,130
– Leasing of vessels	877	10,222	2,048
– Sales commission of vessels	–	4,732	–
Sales of goods			
– Trading of vessels	27,103	–	17,750
	396,168	272,760	572,928

(b) Segment information

The chief operating decision-maker has been identified as the executive directors of the Company. The executive directors regard the Group's business as three operating segments of Marine construction works, Leasing of vessels and Trading of vessels. They review financial information accordingly.

Segment revenue is measured in a manner consistent with that in the combined statements of comprehensive income.

Segment assets mainly consist of current assets and non-current assets as disclosed in the combined balance sheets except for unallocated cash and bank balances, income tax recoverable, amount due from a director and certain amounts due from related parties.

Segment liabilities mainly consist of current liabilities and non-current liabilities as disclosed in the combined balance sheets except for income tax payable, deferred tax liabilities, borrowings, loan from a director, dividend payable and certain amounts due to related parties.

Profit or loss

	Marine construction works *HK$'000*	**Leasing of vessels** *HK$'000*	**Trading of vessels** *HK$'000*	**Total** *HK$'000*
For the year ended 31 December 2013				
Segment results	45,102	162	4,351	49,615
Unallocated expenses				(5,294)
Depreciation				(273)
Finance costs, net				(1,317)
Profit before income tax				42,731
Income tax expense				(8,824)
Profit for the year				33,907
Included in segment results are:				
Depreciation	(8,225)	–	–	(8,225)
Finance income, net	6	–	–	6
Share of losses of a joint venture	(3)	–	–	(3)

	Marine construction works	Leasing of vessels	Trading of vessels	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2014				
Segment results	45,710	10,222	4,732	60,664
Unallocated expenses				(13,820)
Depreciation				(255)
Finance costs, net				(1,346)
Profit before income tax				45,243
Income tax expense				(8,183)
Profit for the year				37,060
Included in segment results are:				
Depreciation	(7,752)	–	–	(7,752)
Finance income, net	5	–	–	5
Share of losses of a joint venture	(4)	–	–	(4)
For the year ended 31 December 2015				
Segment results	101,922	1,962	3,327	107,211
Unallocated expenses				(14,344)
Gain on disposal of investment in an associate				19,494
Depreciation				(210)
Finance costs, net				(1,323)
Profit before income tax				110,828
Income tax expense				(14,830)
Profit for the year				95,998
Included in segment results are:				
Depreciation	(8,761)	–	–	(8,761)
Finance income, net	252	–	–	252
Share of losses of a joint venture	(5)	–	–	(5)

Assets

	Marine construction works *HK$'000*	**Leasing of vessels** *HK$'000*	**Trading of vessels** *HK$'000*	**Total** *HK$'000*
At 31 December 2013				
Segment assets	245,042	–	–	245,042
Unallocated assets				13,177
Total assets				258,219
Investment in a joint venture	303	–	–	303
Additions to non-current assets	18,712	–	–	18,712
At 31 December 2014				
Segment assets	223,971	65	–	224,036
Unallocated assets				29,833
Total assets				253,869
Investment in a joint venture	299	–	–	299
Additions to non-current assets	1,966	–	–	1,966
At 31 December 2015				
Segment assets	272,402	2,823	–	275,225
Unallocated assets				100,087
Total assets				375,312
Investment in a joint venture	294	–	–	294
Additions to non-current assets	33,537	–	–	33,537

The information provided to chief operating decision maker with respect to total assets are measured in a manner consistent with that of the Financial Information. These assets are allocated based on the operations of the segment.

Liabilities

	Marine construction works	Leasing of vessels	Trading of vessels	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2013				
Segment liabilities	95,183	–	–	95,183
Borrowings				19,086
Loan from a director				5,549
Income tax payable				5,093
Deferred tax liabilities				5,755
Unallocated liabilities				8,777
Total liabilities				139,443
At 31 December 2014				
Segment liabilities	51,009	–	–	51,009
Dividend payable				20,000
Borrowings				25,179
Loan from a director				5,313
Income tax payable				9,989
Deferred tax liabilities				5,755
Unallocated liabilities				788
Total liabilities				118,033
At 31 December 2015				
Segment liabilities	103,780	–	–	103,780
Dividend payable				61,477
Borrowings				23,458
Income tax payable				2,203
Deferred tax liabilities				9,468
Unallocated liabilities				3,092
Total liabilities				203,478

The Group's revenue from external customers attributable to the countries which the Group derives revenue and information about its non-current assets excluding deferred income tax assets, located in the country of domicile are detailed below:

Revenue from external customers

	Year ended 31 December		
	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	243,876	163,918	100,280
Indonesia	110,928	90,695	321,727
Vietnam	41,364	18,147	–
Macao	–	–	150,921
	396,168	272,760	572,928

Non-current assets

(i) Based on countries of domicile of companies holding the assets:

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	80,927	74,917	94,222
Indonesia	–	–	357
Macao	–	–	3,296
	80,927	74,917	97,875

During the Relevant Periods, the machinery, equipment and vessels of the Group were owned by HKR, CPL, PTIR and MCR. The countries of domicile of the companies holding the assets are Hong Kong, Indonesia and Macao, respectively.

(ii) Based on physical location of the assets:

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	80,927	74,917	76,416
Indonesia	–	–	357
Macao	–	–	21,102
	80,927	74,917	97,875

(b) Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Marine Construction Works			
Customer A	109,805	21,662	8,179
Customer B	69,299	70,486	24,875
Customer C	41,629	20,208	8,083
Customer D	41,364	18,147	–
Customer E	37,815	28,249	8,170
Customer F	25,840	48,867	23,028
Customer G	16,077	28,781	23,636
Customer H	–	–	226,356
Customer I	–	–	150,921

No other revenue from transaction with a single external customer amounted to 10% or more of the Group's revenue during the Relevant Periods.

6 OTHER INCOME AND GAIN, NET

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Freight income	43	–	–
Loss on disposal of plant and equipment	–	–	(1,964)
Foreign exchange loss	(104)	(10)	(602)
	(61)	(10)	(2,566)

7 EXPENSES BY NATURE

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Cost of sales			
Consultancy fee	784	632	15,215
Depreciation	8,225	7,752	8,761
Insurance	550	1,838	2,733
Materials	139,964	68,176	198,888
Subcontracting charges	54,557	32,790	29,050
Staff costs *(note)*	29,299	42,365	45,938
Rental expense for machineries and equipment	45,861	37,199	61,433
Repair and maintenances	4,895	6,136	4,681
Transportation	16,358	6,638	26,196
Site expenses	10,097	7,338	19,452
Customs duties	5,646	5,745	22,256
Other engineering cost	1,156	282	699
Cost of vessel sales	22,752	–	14,423
Others	6,210	2,947	8,262
	346,354	219,838	457,987
Professional fees incurred for [**REDACTED**]	–	–	8,417
Other administrative expenses			
Staff costs, including directors' emoluments *(note)*	2,966	3,465	4,557
Auditors' remuneration	37	160	533
Depreciation	273	255	210
Operating lease rental in respect of office and staff quarters	1,033	1,125	1,968
Others professional fees	77	179	1,277
Entertainment expenses	158	278	858
Travelling	613	379	577
Bank charges	178	152	95
Others	373	331	1,473
	5,708	6,324	11,548
Total cost of sales and administrative expenses	352,062	226,162	477,952

Note:

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Wages and salaries	35,609	48,584	45,242
Pension costs – defined contribution plans *(note a)*	1,196	2,208	1,145
Other employment benefits	(2)	7	356
	36,803	50,799	46,743
Less: amounts charged to cost of sales	(29,299)	(42,365)	(45,938)
Less: amounts charged to administrative expenses	(2,966)	(3,465)	(4,557)
Amounts capitalised in/(transferred out from) contracting work-in-progress	4,538	4,969	(3,752)

(a) The Group participates in a Mandatory Provident Fund scheme (the "MPF Scheme") in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. Under the rules of the MPF Scheme, the employer and its employees in Hong Kong are each required to contribute 5% of the employees' gross earnings with a ceiling of HK$1,250 per month commencing on 1 June 2012 until 31 May 2014 and HK$1,500 per month commencing on or after 1 June 2014 to the MPF Scheme.

The Group also participates in an employee social security plan (the "Social Security Plan") and contributes a fixed amount for each employee as required by the regulations in Macao.

The Group participates in an employee social security programme (the "Social Security Programme") in Indonesia, providing compensation in the event of working accidents, death, old age, and in case of sickness and hospitalisation. Under the Social Security Programme, the employer is required to contribute a fixed percentage of the employees' salaries every month.

The only obligation of the Group with respect to the MPF Scheme, the Social Security Plan and the Social Security Programme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future year.

8 FINANCE COSTS, NET

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Finance income			
– Interest income on bank balances	7	5	385
Finance costs			
– Interest expense on bank loans	(1,148)	(1,183)	(1,300)
– Interest expense on director's loan	(170)	(163)	(156)
Finance costs, net	(1,311)	(1,341)	(1,071)

9 INCOME TAX EXPENSE

The amount of income tax charged to the combined statements of comprehensive income represents:

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong profits tax			
Current income tax	3,257	4,896	81
Over-provision in prior year	(2)	–	–
Deferred income tax *(note 20)*	997	–	3,713
Vietnam income tax			
Withholding income tax	827	363	–
Indonesia income tax			
Withholding income tax	3,744	2,923	9,733
Interest income tax	1	1	6
Macao complementary income tax			
Current income tax	–	–	1,297
	8,824	8,183	14,830

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the years ended 31 December 2013, 2014 and 2015.

Vietnam income tax has been provided at the rate of 2% of the construction income for the years ended 31 December 2013 and 2014.

Indonesia income tax is charged through a system of withholding taxes. Companies are required to withhold final income tax for construction works performance and interest income from bank deposits. The income tax has been provided at the rate of 3% or 4% of the construction revenue and 20% of the interest income from bank deposits for the years ended 31 December 2013, 2014 and 2015.

In performing the works of a certain project in Indonesia, HKR was exposed to branch profits tax ("BPT") in Indonesia on the basis that HKR was a non-resident carrying out business through a permanent establishment in Indonesia. According to Article 5 of the double taxation agreement between Indonesia and Hong Kong ("DTA"), HKR was regarded as having a permanent establishment in Indonesia since the project involved provision of construction services in Indonesia by HKR exceeding 183 days. During the course of that project between 2011 and 2015, HKR failed to pay branch profits tax in accordance with the Income Tax Law in Indonesia and the DTA, and the aggregate amount of branch profits tax was approximately HK$1,200,000.

The Directors had sought for legal advice and the Indonesia legal advisor of the Group was of the opinion that the Indonesia regulation does not provide for and HKR is not in a position to rectify the violation to the Construction Licences Requirement by applying for the required registration retrospectively. Consequently, in the absence of business registration, a non-resident in Indonesia cannot proceed with the application of tax registration and will not have a tax identity to perform tax reporting. As such, HKR has not performed BPT reporting and is not in a position to perform BPT reporting retrospectively.

Notwithstanding that HKR cannot voluntarily perform business registration and tax registration retrospectively, the Directorate General of Taxes of Indonesia ("DGT") can send HKR an official assessment if the DGT has sufficient information to determine that the Indonesia BPT liability exists. The statutory time bar for DGT to issue a tax assessment is five years from the last date of the relevant tax year and the maximum tax penalties on late reporting is 48% of the original Indonesia BPT amount, therefore, the maximum amount of the Indonesia BPT including penalty payable by HKR will be approximately HK$1,700,000.

No provision has been made in the Financial Information. The directors are of the view that the risk that the DGT has sufficient information to issue an official assessment notice and levy maximum penalty thereon is minimal. Furthermore, the controlling shareholders have agreed to indemnify the Group for any liability arising from the official assessment and penalty notice issued by the DGT.

No provision for Macao complementary income tax has been made in the Financial Information for the years ended 31 December 2013 and 2014 as the Group had no estimated assessable profit arising in Macao during these years. Macao complementary income tax has been provided at the rate of 12% on the estimated assessable profit for year ended 31 December 2015.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Profit before income tax	42,731	45,243	110,828
Calculated at tax rate of 16.5%	7,051	7,465	18,287
Tax effects of:			
Withholding income tax	4,571	3,286	9,733
Effect of different tax rates in other countries	–	–	(599)
Income not subject to tax	(3,271)	(2,778)	(18,024)
Expenses not deductible for tax purposes	483	230	5,433
Tax concessions	(10)	(20)	–
Income tax expense	8,824	8,183	14,830

10 DIVIDENDS

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

Dividends of HK$20,000,000 and HK$60,000,000 were declared by the companies now comprising the Group to the then shareholders on 30 December 2014 and 30 September 2015, respectively. The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

11 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful due to the group reorganisation and the presentation of the results for the Relevant Periods on a combined basis as disclosed in note 1.3 above.

12 EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emoluments of individual director of the Company during the Relevant Periods which were included in the staff costs as disclosed in note 7 are set out below:

For the year ended 31 December 2013

	Salaries	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*
Executive directors			
Mr. Cui Qi	535	15	550
Mr. Yu Ming	420	15	435
Ms. Kui Ching Wah	384	15	399
	1,339	45	1,384

For the year ended 31 December 2014

	Salaries	Employer's contribution to pension scheme	Fees
	HK$'000	*HK$'000*	*HK$'000*
Executive directors			
Mr. Cui Qi	472	17	489
Mr. Yu Ming	422	17	439
Ms. Kui Ching Wah	414	17	431
	1,308	51	1,359

For the year ended 31 December 2015

	Salaries	Employer's contribution to pension scheme	Fees
	HK$'000	*HK$'000*	*HK$'000*
Executive directors			
Mr. Cui Qi	668	18	686
Mr. Yu Ming	465	18	483
Ms. Kui Ching Wah	447	18	465
	1,580	54	1,634

The emoluments of the directors fell within the following bands:

	Year ended 31 December		
	2013	2014	2015
Nil – HK$1,000,000	3	3	3

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the companies now comprising the Group during the Relevant Periods.

During the Relevant Periods, none of the directors of the Company (i) received or were paid any remuneration in respect of accepting office; (ii) received or were paid emoluments in respect of services in connection with the management of the affairs of the Company or its subsidiary undertaking; and (iii) waived or has agreed to waive any emolument.

During the Relevant Periods, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services.

During the Relevant Periods, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Relevant Periods or at any time during the Relevant Periods, other than those disclosed in note 27 of the Financial Information.

Mr. Tao Yang was appointed as the Company's executive director on 2 March 2016. During the Relevant Periods, Mr. Tao Yang had not been appointed and did not receive any remunerations.

Mr. Ge Zhenming, Ms. Leung Sau Fan Sylvia, and Mr. Leung Yee Tak were appointed as the Company's independent non-executive directors on 22 June 2016. During the Relevant Periods, the independent non-executive directors had not been appointed and did not receive any remunerations.

(b) Five highest paid individuals

For the years ended 31 December 2013, 2014 and 2015, the five individuals whose emoluments were the highest in the Group include 2, 2 and 1 directors, respectively, whose emoluments were reflected in the analysis presented above. The emoluments paid to the remaining 3, 3 and 4 individuals are as follows:

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, bonus and other allowances	1,363	1,676	2,138
Pension costs – defined contribution plans	45	51	72
	1,408	1,727	2,210

The emoluments of the remaining individuals fell within the following bands:

	Year ended 31 December		
	2013	**2014**	**2015**
Nil – HK$1,000,000	3	3	4

During the Relevant Periods, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for the loss of office.

13 PLANT AND EQUIPMENT

	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Machinery and equipment *HK$'000*	Vessels *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
At 1 January 2013							
Cost	268	165	28,882	79,672	438	–	109,425
Accumulated depreciation	(158)	(152)	(22,022)	(16,872)	(173)	–	(39,377)
Net book amount	110	13	6,860	62,800	265	–	70,048
Year ended 31 December 2013							
Opening net book amount	110	13	6,860	62,800	265	–	70,048
Additions	–	41	5,543	10,669	321	2,500	19,074
Depreciation	(27)	(18)	(1,922)	(6,303)	(228)	–	(8,498)
Closing net book amount	83	36	10,481	67,166	358	2,500	80,624
At 31 December 2013							
Cost	158	151	33,792	90,341	759	2,500	127,701
Accumulated depreciation	(75)	(115)	(23,311)	(23,175)	(401)	–	(47,077)
Net book amount	83	36	10,481	67,166	358	2,500	80,624
Year ended 31 December 2014							
Opening net book amount	83	36	10,481	67,166	358	2,500	80,624
Additions	–	5	–	–	30	1,966	2,001
Depreciation	(28)	(19)	(1,448)	(6,304)	(208)	–	(8,007)
Closing net book amount	55	22	9,033	60,862	180	4,466	74,618
At 31 December 2014							
Cost	158	156	33,792	90,341	789	4,466	129,702
Accumulated depreciation	(103)	(134)	(24,759)	(29,479)	(609)	–	(55,084)
Net book amount	55	22	9,033	60,862	180	4,466	74,618
Year ended 31 December 2015							
Opening net book amount	55	22	9,033	60,862	180	4,466	74,618
Additions	–	348	8,388	25,149	637	–	34,522
Disposals	–	(1)	–	(2,587)	–	–	(2,588)
Depreciation	(28)	(64)	(1,556)	(7,059)	(264)	–	(8,971)
Transfer from CIP	–	–	–	4,466	–	(4,466)	–
Closing net book amount	27	305	15,865	80,831	553	–	97,581
At 31 December 2015							
Cost	158	486	42,181	115,456	1,426	–	159,707
Accumulated depreciation	(131)	(181)	(26,316)	(34,625)	(873)	–	(62,126)
Net book amount	27	305	15,865	80,831	553	–	97,581

(a) As at 31 December 2013, a motor vehicle with carrying amount of HK$177,000 was secured for the Group's bank borrowings (note 23(f)(vi)).

(b) As at 31 December 2013, 2014 and 2015, vessels with carrying amounts of HK$9,918,000, HK$12,947,000 and HK$7,840,000 were secured for the Group's bank borrowings (note 23(f)(ii)).

(c) As at 31 December 2015, vessels with a carrying amount of HK$25,564,000 were pledged for a performance bond of 中國土木工程(澳門)有限公司 – 香港瑞沃工程有限公司合作經營, in relation to a construction contract.

14 TRADE AND RETENTION RECEIVABLES AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	48,523	17,836	61,088
Retention receivables	35,357	43,498	41,376
Trade and retention receivables	83,880	61,334	102,464
Deposits, prepayments and other receivables *(note)*	845	1,498	4,533

Note: The balance mainly represents receivables for leasing of machinery and equipment, rental deposit and other miscellaneous receivables.

The credit period granted to trade customers other than for retention receivables was within 30 days. The terms and conditions in relation to the release of retention vary from contract to contract, which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The Group does not hold any collateral as security.

As at 31 December 2013, 2014 and 2015, the ageing analysis of the trade receivables based on invoice date was as follows:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Current	27,971	4,501	41,630
1 to 30 days	18,597	514	14,686
31 to 60 days	1,639	1,841	1,290
61 to 90 days	316	10,130	2,838
91 to 180 days	–	850	–
181 to 365 days	–	–	–
More than 1 year	–	–	644
	48,523	17,836	61,088

In the combined balance sheets, retention receivables were classified as current assets. The ageing of the retention receivables based on invoice date was as follows:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year	25,786	11,767	4,548
Between 1 and 5 years	8,626	31,731	36,828
More than 5 years	945	–	–
	35,357	43,498	41,376

As at 31 December 2013, 2014 and 2015, trade and retention receivables of HK$1,955,000, HK$12,821,000 and HK$4,772,000 were past due but not impaired. The ageing analysis of these trade and retention receivables was as follows:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Past due by:			
1 to 30 days	1,639	1,841	1,290
31 to 60 days	316	10,130	2,838
61 to 90 days	–	850	–
91 to 180 days	–	–	–
181 to 365 days	–	–	–
More than 365 days	–	–	644
	1,955	12,821	4,772

As at 31 December 2013, 2014 and 2015, there was no impairment in trade and retention receivables.

The carrying amounts of trade and retention receivables approximated their fair values and were denominated in the following currencies:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
HK$	71,152	61,334	53,020
United States dollars ("US$")	12,728	–	46,846
MOP	–	–	2,598
	83,880	61,334	102,464

15 CONTRACTING WORK-IN-PROGRESS

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Contract costs incurred plus attributable profits less foreseeable losses to date	643,189	834,302	1,279,658
Progress billings to date	(596,251)	(766,758)	(1,252,208)
	46,938	67,544	27,450
Included in current assets/(liabilities) are the following:			
Due from customers for contract work	51,643	73,153	72,923
Due to customers for contract work	(4,705)	(5,609)	(45,473)
	46,938	67,544	27,450

16 CASH AND CASH EQUIVALENTS

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Cash at bank	10,150	28,594	94,270
Less: Pledged bank deposits	(786)	(2,237)	(3,137)
Less: Time deposits with maturity over 3 months	(793)	(2,945)	(8,299)
Cash and cash equivalents	8,571	23,412	82,834
Maximum exposure to credit risk	10,150	28,594	94,270

As at 31 December 2013, 2014 and 2015, the Group's bank deposits of HK$786,000, HK$2,237,000 and HK$3,137,000 were pledged to secure bank borrowings of the Group (note 23(f)(iii)).

The carrying amounts of cash and cash equivalents, time deposits and pledged bank deposits were denominated in the following currencies:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
HK$	7,392	13,120	27,754
Renminbi ("RMB")	793	1,746	7,133
US$	760	13,275	4,708
MOP	–	–	43,190
IDR	1,205	453	11,485
	10,150	28,594	94,270

17 INVESTMENT IN AN ASSOCIATE

The following is the associate of the Group as at 31 December 2013 and 2014:

Name	**Place of business/ country of incorporation**	**Principal activities**	**Percentage of ownership interest**	**Measurement method**
Hong Kong Marine Construction Limited ("HKMC ")	Hong Kong, limited liability company	Investments in vessels and provision of leasing services and civil engineering works	30%	Equity

The Group has equity accounted for the loss of the associate in prior years, resulting in a HK$ nil carrying amount as at 31 December 2013 and 2014. As at 1 January 2013, HKMC was in a net liability position. On 2 April 2015, the investment in the associate was disposed of to the other shareholder of the associate, resulting in a gain of HK$19,494,000.

There were no contingent liabilities relating to the Group's interest in the associate and no significant contingent liabilities of the associate itself as at 31 December 2013 and 2014.

18 JOINT ARRANGEMENT

(a) Joint Venture

(i) The following is the joint venture indirectly held by the Company as at 31 December 2013, 2014 and 2015:

Name	Place of establishment/ Incorporation and kind of legal entity	Principal activities	Percentage of ownership interest	Measurement method
HKR-ASL Joint Venture Ltd ("HKR-ASL")	Hong Kong, limited liability company	Provision of marine engineering projects	50%	Equity

(ii) Investment in a joint venture

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January	306	303	299
Share of loss	(3)	(4)	(5)
As at 31 December	303	299	294

(iii) Obligation in respect of a joint venture

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Amount due to a joint venture *(note)*	300	295	500

Note: The amount due to a joint venture was unsecured, interest free and repayable on demand.

There are no contingent liabilities relating to the Group's interest in the joint venture as at 31 December 2013, 2014 and 2015.

(b) Joint operations

(i) The following is the principal joint operations indirectly held by the Company as at 31 December 2013, 2014 and 2015:

Name	Place of establishment/ Incorporation and kind of legal entity	Principal activities	Percentage of ownership interest
Concentric-Hong Kong River Joint Venture ("CHKRJV")	Hong Kong, unincorporated joint venture	Provision of construction services	49%
中國土木工程(澳門)有限公司 – 香港瑞沃工程有限公司合作經營 ("MCRJV")	Macao, unincorporated joint venture	Provision of construction services	30%

(ii) Obligations in respect of the other partners of joint operations

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Amounts due to the other partners of joint operations *(note)*	5,689	8,542	8,159

Note: The amounts due to the other partners of joint operations mainly represent the difference between share of net assets of the joint operations and the net amount receivable from/payable to the joint operations.

19 COMBINED SHARE CAPITAL AND RESERVES

Group

	Combined share capital *HK$'000 (note a)*	**Retained earnings** *HK$'000*	**Total** *HK$'000*
At 1 January 2013	23,104	61,765	84,869
Profit for the year	–	33,907	33,907
At 31 December 2013	23,104	95,672	118,776
Profit for the year	–	37,060	37,060
Dividends relating to the year ended 31 December 2014 declared to the then shareholders	–	(20,000)	(20,000)
At 31 December 2014	23,104	112,732	135,836
Profit for the year	–	95,998	95,998
Dividends relating to the year ended 31 December 2015 declared to the then shareholders	–	(60,000)	(60,000)
At 31 December 2015	23,104	148,730	171,834

Note a: The Financial Information has been prepared as if the current group structure had been in existence throughout each of the years ended 31 December 2013, 2014 and 2015 or since the date when the combining companies first came under the control of the then shareholders, where there is a shorter period. The combined share capital as presented in the combined balance sheets as at 31 December 2013, 2014 and 2015 represented the aggregated share capital of the companies now comprising the Group.

Company

The Company was incorporated in the Cayman Islands on 6 October 2015 with an issued share capital of HK$0.01 divided into 1 share with par value of HK$0.01 each.

20 DEFERRED INCOME TAX LIABILITIES

Deferred tax liabilities are expected to be payable in the following periods:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Deferred income tax liabilities:			
Payable or to be settled more than 12 months	5,755	5,755	9,468

The movement on the deferred income tax liabilities was as follows:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
At beginning of the year	4,758	5,755	5,755
Recognised in the combined statements of comprehensive income *(note 9)*	997	–	3,713
At end of the year	5,755	5,755	9,468

The movements in deferred income tax liabilities/(assets) during the Relevant Periods are as follows:

	Accelerated tax depreciation	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January 2013	8,557	(3,799)	4,758
Recognised in the combined statements of comprehensive income	769	228	997
As at 31 December 2013	9,326	(3,571)	5,755
Recognised in the combined statements of comprehensive income	(876)	876	–
As at 31 December 2014	8,450	(2,695)	5,755
Recognised in the combined statements of comprehensive income	4,085	(372)	3,713
As at 31 December 2015	12,535	(3,067)	9,468

21 TRADE AND RETENTION PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	63,774	17,369	28,205
Retention payables	–	–	665
Accruals and other payables *(note)*	19,768	19,312	20,244
	83,542	36,681	49,114

Note: The amounts mainly represent accruals and other payables for wages, legal and professional fees and transportation costs.

The credit period granted from trade payables, accruals and other payables was within 30 to 90 days.

The ageing analysis of the trade payables based on invoice date was as follows:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Current	22,364	7,529	17,147
1 to 30 days	9,898	2,397	2,059
31 to 60 days	16,033	1,667	252
61 to 90 days	4,138	432	3,229
91 to 180 days	7,935	1,395	3,052
181 to 365 days	3,195	3,677	1,618
More than 365 days	211	272	848
	63,774	17,369	28,205

In the combined balance sheets, retention payables were classified as current liabilities. The ageing of the retention payables based on invoice date was as follows:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year	–	–	665

The carrying amounts of trade and retention payables approximated their fair value and were denominated in the following currencies:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
HK$	48,282	9,531	5,609
US$	5,314	5,742	202
RMB	6,661	15	3,105
Singapore dollars	2,064	530	3,115
MOP	–	–	15,112
IDR	1,453	1,551	1,727
	63,774	17,369	28,870

22 LOAN FROM A DIRECTOR

As at 31 December 2013 and 2014, loan from a director was unsecured, interest bearing at 2.25% per annum below Hong Kong Dollar Best Lending Rate of Industrial and Commercial Bank of China and repayable on demand.

There was no loan due from a director as at 31 December 2015.

23 BORROWINGS

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Non-current:			
Long-term bank loans	8,781	9,079	3,467
Current:			
Long-term bank loans due for repayment within one year	8,527	11,100	9,291
Long-term bank loans due for repayment within one year which contain a repayment on demand clause	1,692	2,463	2,537
Long-term bank loans due for repayment after one year which contain a repayment on demand clause	–	2,537	–
Short-term bank borrowings	86	–	8,163
	10,305	16,100	19,991
Total borrowings	19,086	25,179	23,458

(a) The maturity of borrowings is as follows:

In the combined balance sheets, bank loans due for repayment after one year which contain repayment on demand clause were classified as current liabilities.

Based on the scheduled repayment terms set out in the loan agreements and ignoring the effect of any repayment on demand clause, the maturity of bank loans would be as follows:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year	10,305	13,563	19,991
Between 1 and 2 years	5,518	10,174	3,171
Between 2 and 5 years	3,263	1,442	296
	19,086	25,179	23,458

(b) The weighted average interest rate during the Relevant Periods were as follows:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Short-term bank loans	2.8%	N/A	3.3%
Long-term bank loans	3.3%	3.1%	3.4%

(c) The carrying amounts of the Group's borrowings were denominated in Hong Kong dollar.

(d) The carrying amounts of the Group's borrowings approximated their fair value as the impact of discounting is not significant.

(e) The Group has the following undrawn borrowing facilities:

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Floating rate			
Expiring within 1 year	3,800	3,800	1,800

(f) The Group's loan facilities are subject to annual review and secured or guaranteed by:

(i) unlimited personal guarantees provided by directors as at 31 December 2013, 2014 and 2015;

(ii) vessels with carrying amounts of HK$9,918,000, HK$12,947,000 and HK$7,840,000 as at 31 December 2013, 2014 and 2015;

(iii) deposits of not less than HK$786,000, HK$2,237,000 and HK$3,137,000, respectively, as at 31 December 2013, 2014 and 2015;

(iv) government guarantees amounting to HK$540,000 as at 31 December 2013;

(v) guarantees from Hong Kong Mortgage Corporation Limited amounting HK$4,000,000 as at 31 December 2013, 2014 and 2015;

(vi) a motor vehicle with carrying amount of HK$177,000 as at 31 December 2013.

The above guarantees and securities given by directors (see (i) above) are to be released and replaced by guarantees of the Company before [**REDACTED**] of the Company.

24 COMMITMENTS

(a) Operating lease commitments – as lessee

The future aggregate minimum lease rental expenses in respect of hiring equipment, office and storage premises, and quarters for workers and directors under non-cancellable operating leases are payable during the Relevant Periods.

	As at 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
No later than 1 year	1,125	1,048	2,510
Later than 1 year and no later than 5 years	1,048	–	1,511
	2,173	1,048	4,021

(b) Operating lease commitments – as lessor

As at 31 December 2013, 2014 and 2015, the Group did not have any operating lease commitments as a lessor.

25 CONTINGENT LIABILITIES

As at 31 December 2013, 2014 and 2015, the joint operations held by the Group have given guarantees on performance bonds in respect of construction contracts in the ordinary course of business, and the amounts shared by the Group were HK$4,263,000, HK$5,483,000 and HK$127,666,000, respectively. The performance bonds as at 31 December 2015 are expected to be released in accordance with the terms of the respective construction contracts.

26 NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) Reconciliations of profit for the Relevant Periods to net cash generated from operations:

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Profit before income tax	42,731	45,243	110,828
Depreciation of plant and equipment	8,498	8,007	8,971
Share of loss of a joint venture	3	4	5
Gain on disposal of investment in an associate	–	–	(19,494)
Loss on disposal of plant and equipment	–	–	1,964
Finance income	(7)	(5)	(385)
Finance costs	1,318	1,346	1,456
Operating profit before working capital change	52,543	54,595	103,345
Changes in working capital:			
(Increase)/decrease in trade and retention receivables	(12,019)	22,546	(41,130)
Decrease/(increase) in deposits and other receivables	1,568	(653)	(3,035)
(Increase)/decrease in amounts due from customers for contract work	(37,228)	(21,510)	230
Decrease in amounts due from related companies	8,760	6,203	2,854
Decrease in amount due from a director	122	1,144	254
Increase/(decrease) in trade and retention payables	29,822	(46,405)	11,501
Increase/(decrease) in accruals and other payables	1,864	(456)	932
(Decrease)/increase in amounts due to customers for contract work	(23,249)	904	39,864
Increase in amount due to a director	–	–	2,000
(Decrease)/increase in amount due to a joint venture	–	(5)	205
(Decrease)/increase in amount due to the other partner of joint operations	(1,018)	2,853	(383)
Net cash generated from operations	21,165	19,216	116,637

(b) In the combined statements of cash flows, proceeds from disposal of plant and equipment comprise:

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Net book amount *(note 13)*	–	–	2,588
Loss on disposal of plant and equipment *(note 6)*	–	–	(1,964)
Proceeds from disposal of plant and equipment	–	–	624

(c) Non-cash transaction

During the year ended 31 December 2015, dividend of HK$11,923,000 declared by a subsidiary now comprising the Group had been settled through a decrease in amounts due from related companies owned by the then shareholder.

27 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

(a) The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the Relevant Periods:

Name of the related party	Relationship with the Group
Star Harvest Enterprise Limited	A related company wholly owned by Mr. Cui Qi
China Changsheng Group Limited	A related company wholly owned by certain directors of the Group
China Infrastructure Consultants Limited	A related company controlled by Mr. Cui Qi
HKR-ASL	A joint venture
CHKRJV	A joint operation
MCRJV	A joint operation
Shenzhen Changsheng Marine Engineering Limited	A related company with 92% equity interest owned by Mr. Cui Qi
China Equipment Technology Limited	A related company wholly owned by Mr. Cui Qi
Hong Kong Marine Engineering Limited	A related company with 50% equity interest owned by Mr. Cui Qi*

* Mr. Cui Qi's shares were disposed of during the year ended 31 December 2014.

(b) Transactions

Save as disclosed elsewhere in the Financial Information, during the Relevant Periods, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Continuing transactions			
Paid to a related party:			
Rental expenses to Shenzhen Changsheng Marine Engineering Limited *(note i)*	–	–	6,326
Discontinued transactions			
Paid to a director:			
Interest expense *(note 22)*	170	163	156
Paid to a related party:			
Consultancy and maintenance services to Shenzhen Changsheng Marine Engineering Limited *(note ii)*	–	–	1,952
Received from a related party:			
Repair and maintenance services to HKMC *(note iii)*	54	–	–

Note i: Rental expenses in relation to leasing of vessels are charged at cost.

Note ii: Consultancy and maintenance services in relation to leasing of vessels are charged at a monthly service fee of RMB200,000 from May 2015 to May 2017. However, the service had been terminated on 1 January 2016.

Note iii: Repair and maintenance services are charged at cost.

(c) Transactions with key management personnel

Key management includes directors (executive and non-executive) and senior management. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December		
	2013	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, bonus and other allowances	1,339	1,308	1,580
Pension costs – defined contribution plans	45	51	54
	1,384	1,359	1,634

(d) Balances

	As at 31 December			
	2013	**2014**	**2015**	**Nature**
	HK$'000	*HK$'000*	*HK$'000*	
Amount due from related parties				
– China Changsheng Group Limited	10	16	–	Non-trade
– China Infrastructure Consultants Limited	36	203	–	Non-trade
– Shenzhen Changsheng Marine Engineering Limited	28,616	13,602	–	Non-trade
– China Equipment Technology Limited	416	–	–	Non-trade
	29,078	13,821	–	
Amount due from a director				
– Mr. Cui Qi	1,696	552	298	Non-trade

The amounts due from related parties and a director are unsecured, interest free, and repayable on demand.

	As at 31 December			
	2013	**2014**	**2015**	**Nature**
	HK$'000	*HK$'000*	*HK$'000*	
Amount due to related parties				
– China Equipment Technology Limited	8,168	670	–	Non-trade
– Shenzhen Changsheng Marine Engineering Limited	–	–	1,626	Trade
– Hong Kong Marine Engineering Limited	1,556	–	–	Cash advance
	9,724	670	1,626	
Amount due to a joint venture				
– HKR – ASL	300	295	500	Non-trade
Amount due to a director				
– Mr. Yu Ming	–	–	2,000	Non-trade
Loan from a director				
– Mr. Cui Qi *(note 22)*	5,549	5,313	–	Non-trade

The amounts due to related parties and a director were unsecured, interest free and repayable on demand.

The non-trade balances with related parties and a director, except for the amount due to a joint venture, will be settled before [**REDACTED**].

28 ULTIMATE HOLDING COMPANY

Management consider that Solid Jewel Investments Limited as the ultimate holding company of the Group, which is a company incorporated in the British Virgin Islands and owned by Mr. Cui Qi.

29 SUBSEQUENT EVENTS

Save as disclosed in the report, the following significant events took place subsequent to 31 December 2015:

(i) The Reorganisation was completed on 22 January 2016 and the details are summarised in note 1.2.

(ii) On 5 February 2016, CITICC International Investment Limited (the "[**REDACTED**]"), a [**REDACTED**], entered into a sale and purchase agreement with Sky Hero, pursuant to which Sky Hero transferred 750 shares of the Company to the [**REDACTED**], at a consideration of HK$[**REDACTED**]. In addition, the [**REDACTED**] also subscribed for 750 shares of the Company at a subscription price of HK$[**REDACTED**].

(iii) By a shareholders' resolution dated 22 June 2016, the Company conditionally adopted a share option scheme under which the board of directors may grant options to the employees, directors or other selected participants of the Group to acquire shares of the Company. No options have been granted up to the date of this report.

(iv) By a shareholder's resolution dated 22 June 2016 and conditional on the share premium account of the Company being credited as a result of issue of new shares pursuant to the proposed [**REDACTED**] of the Company's shares, the Company will issue additional 599,990,000 shares, credited as fully paid, to the existing shareholder of the Company.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2015 and up to the date of this report. No dividend or distribution has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2015.

Yours faithfully,

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this document and the Accountant's Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the [**REDACTED**] on the net tangible assets of the Group attributable to the equity holders of the Company as of 31 December 2015 as if the [**REDACTED**] had taken place on 31 December 2015.

The unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 31 December 2015 or at any future dates following the [**REDACTED**]. The unaudited pro forma statement of adjusted net tangible assets of the Group is based on the audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2015 as set out in the Accountant's Report of the Company, the text of which is set out in Appendix I to this document, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2015[(1)] *HK$'000*	**Estimated net proceeds from the [REDACTED][(2)]** *HK$'000*	**Unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2015** *HK$'000*	**Unaudited pro forma adjusted net tangible assets per Share[(3)]** *HK$'000*
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2015 is extracted from the Accountant's Report of the Company as set out in Appendix I to this document, which is based on the audited combined net assets of the Group attributable to the equity holders of the Company as at 31 December 2015 of HK$171,834,000.

(2) The estimated net proceeds from the [**REDACTED**] are based on the [**REDACTED**] of [**REDACTED**] and [**REDACTED**] per Share, respectively, after deduction of the [**REDACTED**] fees and other related expenses (excluding [**REDACTED**] expenses of approximately [**REDACTED**] million which have been accounted for prior to 31 December 2015) payable by the Company and takes no account of any Shares which may be allotted and issued upon the exercise of the [**REDACTED**] and any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme and any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed "Share Capital" in this document.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in note 2 above and on the basis that 800,000,000 Shares were in issue assuming that the [**REDACTED**] and Capitalisation Issue had been completed on 31 December 2015 but takes no account of any Shares which may be allotted and issued upon the exercise of the [**REDACTED**] and any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme and any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed "Share Capital" in this document.

(4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2015.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

Set out below is a summary of certain provisions of the Memorandum and the Articles and of certain aspects of Cayman Islands company law.

1. MEMORANDUM OF ASSOCIATION

The Memorandum provides that the Company's objects are unrestricted. The objects of the Company are set out in Clause 3 of the Memorandum which is available for inspection at the address and during the period specified in the paragraph headed "Documents available for inspection" specified in Appendix V to this document. As an exempted company, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 22 June 2016. The following is a summary of certain provisions of the Articles.

(a) Directors

(i) Power to allot and issue shares

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time 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 Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or at the option of the holder. The Directors may issue warrants to subscribe for any class of shares or securities of the Company on such terms as they may from time to time determine.

All unissued shares in the Company shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries although the Directors may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or relevant statutes of the Cayman Islands 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 the giving of security for loans to Directors

Where the shares of the Company remain [**REDACTED**] on the Stock Exchange or on a stock exchange in such other territory as the Directors may from time to time decide, the Company may not make, without the approval of, or ratification by, the Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred for any business of the Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80 per cent. of the fair market value of such residence nor 5 per cent. of the consolidated net asset value of the Company as shown in its latest audited accounts; provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which the Company has an equity interest, and the amount of such loan, or the liability assumed by the Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

(v) Financial assistance to purchase shares of the Company or its holdings company

There are no provisions in the Articles relating to the giving by the Company of financial assistance for the purchase, subscription or other acquisition of shares of the Company or of its holding company. The law on this area is summarised in paragraph 4(b) below.

(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 an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, 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, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors 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 they think 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. A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Articles, no Director or proposed or intended 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 will any contract with regard thereto 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. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of the Directors after he knows that he or his associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his close associate(s) (as defined in the Articles) is to his knowledge materially interested, and if he does so his vote will not be counted, but this prohibition will not apply to any of the following matters, namely:

(aa) any contract or arrangement for the giving to the Director or his close associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of the Company;

(bb) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any company in which the Company has an interest for which the Director or his close associate(s) has himself/themselves guaranteed or secured in whole or in part;

(cc) any contract or arrangement by a Director or his close associate(s) to subscribe for shares or debentures or other securities of the Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his close associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;

(dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by the Company 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 [**REDACTED**] or [**REDACTED**] of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of the Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;

(ff) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his close associate(s) and employees of the Company or of any of its subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, close associate(s) of Directors and employees of the Company or any of its subsidiaries and does not give the Director or his close associate(s) any privilege not accorded to the relevant class of officers of which the Director is a member and to whom such scheme or fund relates;

(gg) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his close associate(s) may benefit; and

(hh) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his close associate(s), officer or employee pursuant to the Articles.

(vii) Remuneration

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (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 they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of the Company may be fixed from time to time by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(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 three or 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 election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be fewer than one. 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 breach of any contract of service between him and the Company). Subject to the statutes and the provisions of the Articles, the Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

The Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of the Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they 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 so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

(ix) ***Borrowing powers***

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or

repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or 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: The provisions summarised above, in common with the Articles in general, may be varied with the sanction of a special resolution of the Company.

(x) Qualification shares

Directors of the Company are not required under the Articles to hold any qualification shares.

(xi) Indemnity to Directors

The Articles contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

(b) Alterations to constitutive documents

The memorandum of association of the Company may be altered by the Company in general meeting. The Articles may also be amended by the Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles and to change the name of the Company.

(c) Alterations of capital

The Company may from time to time by ordinary resolution:

(i) increase its share capital;

(ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for

that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;

(iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;

(v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject nevertheless to the Companies Law, and so that the resolution whereby any shares are sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;

(vi) change the currency of denomination of its share capital; and

(vii) make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law. The Company may apply its share premium account in any manner permitted by law.

(d) Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

(e) Special resolutions – majority required

For so long as any part of the issued capital of the Company remains [**REDACTED**] on the Stock Exchange, 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 respective duly authorised representatives, or by proxy, at a general meeting of which notice has been duly given in accordance with the Articles 2(i) below for further details).

(f) Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing purposes as paid on the share). So long as the shares are [**REDACTED**] on the Stock Exchange, where any member is, under the [**REDACTED**] Rules (as defined in the Articles), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may 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 authorised 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.

Where a shareholder is a clearing house (as defined in the Articles) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominees) 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.

(g) Requirements for annual general meetings

For so long as any part of the issued capital of the Company remains [**REDACTED**] on the Stock Exchange, an annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of the Company are [**REDACTED**] with the permission of the Company.

(h) Accounts and audit

The Directors 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 receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by law or are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of the Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Directors or by the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

The Directors shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in the Company are [**REDACTED**] on the Stock Exchange, the accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of the Company shall be signed on behalf of the Directors by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Law or of the Articles. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from the Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) [**REDACTED**] or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Articles. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Directors.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall 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 an extraordinary general meeting) must be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days. The notice shall specify the place, the day and the hour of meeting and particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of that business.

(j) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in the Company are [**REDACTED**] on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to 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 Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must 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 transfer office for that register.

The Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Directors may also refuse to register a

transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

The Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they 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, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time 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 30 days in any year.

(k) Power for the Company to purchase its own shares

The Articles provide that the power of the Company to purchase or otherwise acquire its shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law.

(l) Power of any subsidiary to own securities in the Company

There are no provisions in the Articles relating to ownership of securities in the Company by a subsidiary.

(m) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. The Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

The Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to the Company and, in the case where any of the same are securities in the Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in 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 to vote on his behalf at a general meeting of the Company or at a class meeting. At any general meeting, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of the Company.

A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member.

(o) Corporate representatives

A corporate member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint any person or persons as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

(p) Calls on shares and forfeiture of shares

The Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent. per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent. per annum as the Directors may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors 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 moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent. per annum as the Board may prescribe.

(q) Inspection of register of members

For so long as any part of the share capital is [**REDACTED**] on the Stock Exchange, any member may inspect the principal or branch register of the Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if the Company were incorporated under and is subject to the Companies Ordinance (Cap. 622) of the laws of Hong Kong.

(r) Inspection of register of Directors

There are no provisions in the Articles relating to the inspection of the register of Directors and Officers of the Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

(s) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (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 convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

(t) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands company law as summarised in paragraph 4(e) below.

(u) Procedures on liquidation

A resolution for a court or voluntary winding up of the Company must be passed by way of a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, 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 is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property 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 sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(v) Untraceable members

The Company may sell the shares of any member if: (i) dividends or other distributions have been declared by the Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) the Company has published an advertisement of its intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of the Company is [**REDACTED**] and a period of three months has elapsed since the date of the first publication of such notice; (iii) the Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) the Company has notified the stock exchange on which the ordinary share capital of the Company is [**REDACTED**] of its intention to sell such shares. The net proceeds of any such sale will belong to the Company and upon the receipt of such net proceeds by the Company, the Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

(w) Stock

The Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of the Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles as are applicable to paid up shares shall apply to stock, and the words "share" and "shareholder" and "member" therein shall include "stock" and "stockholder".

(x) Other provisions

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which the Company may issue after the date of this document shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Subject to the rights of the Company set out in paragraph 2(c) above to amend its capital by ordinary resolution, the memorandum of association of the Company may be altered by the Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the Articles 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 notice of not less than 21 clear days and not less than ten (10) clear business days 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 not less than 21 clear days' notice and not less than ten (10) clear business 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 representing not less than 95 per cent. of the total voting rights at the meeting of all the members.

4. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands 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 Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

(i) in paying distributions or dividends to members;

(ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

(iii) in redeeming or purchasing its shares as provided in the Companies Law; or

(iv) 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.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(b) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(c) Redemption and Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its articles of associations issue redeemable shares and, purchase its own shares, including any redeemable shares and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. Purchases and redemptions may only be effected out of the profits of the company or the share premium account of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall

due in the ordinary course of business. Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands 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 for cancellation if it is authorised to do so in its articles of association.

(d) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

(e) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

(f) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, 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.

(g) Accounting and auditing requirements

The Companies Law 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. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(h) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(i) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, the Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (2011 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, the Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Caymans Islands or elsewhere and that dividends of the Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(j) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(k) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

(l) Winding up

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands 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 or articles of association expires, or the event occurs on the occurrence of which the memorandum or articles of association 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 a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes 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 called by Public Notice in the Cayman Islands or otherwise as the Registrar of Companies may direct.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 6 October 2015 with an authorised share capital of HK$390,000 divided into 39,000,000 Shares of HK$0.01 each. On 6 October 2015, our Company allotted and issued one nil-paid Share to an initial subscriber who is an Independent Third Party, which was transferred to Sky Hero on the same date.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant laws and regulations of the Cayman Islands and our constitution which comprises the Memorandum and the Articles. A summary of the relevant laws and regulations of the Cayman Islands and of our constitution is set out in Appendix III to this document.

2. Changes in share capital of our Company

At the date of incorporation of our Company, the authorised share capital of our Company was HK$390,000 divided into 39,000,000 Shares of HK$0.01 each.

(a) Increase in authorised share capital

The authorised share capital of our Company was increased from HK$390,000 to HK$40,000,000 by the creation of 3,961,000,000 new Shares pursuant to a resolution passed by our Shareholders referred to in paragraphs headed "3. Resolutions in writing of our Shareholders passed on 22 June 2016" of this appendix and subject to the conditions contained therein.

Immediately following completion of the [**REDACTED**] and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the [**REDACTED**]), our authorised share capital will be HK$40,000,000 divided into 4,000,000,000 Shares, of which 800,000,000 Shares will be issued fully paid or credited as fully paid, and 3,200,000,000 Shares will remain unissued. Other than pursuant to the exercise of the options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this paragraph and in the paragraphs headed "1. Incorporation of our Company", "3. Resolutions in writing of our Shareholders passed on 22 June 2016" and "4. Group reorganisation" of this appendix, there has been no alteration in the share capital of our Company since its incorporation.

(b) Founder shares

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of our Shareholders passed on 22 June 2016

By resolutions in writing of our Shareholders passed on 22 June 2016:

(a) we approved and adopted the Articles;

(b) the authorised share capital of our Company was increased from HK$390,000 to HK$40,000,000 by the creation of 3,961,000,000 new Shares;

(c) conditional on (aa) the [**REDACTED**] granting the [**REDACTED**] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document; (bb) the [**REDACTED**] having been determined; (cc) the execution and delivery of the [**REDACTED**] on or before the date as mentioned in this document; and (dd) the obligations of the [**REDACTED**] under the [**REDACTED**] becoming unconditional and not being terminated in accordance with the terms of the [**REDACTED**] or otherwise, in each case on or before the day falling 30 days after the date of this document:

(i) the [**REDACTED**] was approved and our Directors were authorised to (aa) allot and issue the [**REDACTED**] pursuant to the [**REDACTED**]; (bb) implement the [**REDACTED**] and the [**REDACTED**] of Shares on the Main Board of the Stock Exchange; and (cc) do all things and execute all documents in connection with or incidental to the [**REDACTED**] and the [**REDACTED**] with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;

(ii) the rules of the Share Option Scheme, a summary of the principal terms of which is set out in the paragraphs headed "Other information – 14. Share Option Scheme" of this appendix, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and 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 which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;

(iii) conditional on the share premium account of our Company being credited as a result of the [**REDACTED**], our Directors were authorised to capitalise HK$[**REDACTED**] standing to the credit of the share premium account of our Company by applying that sum in paying up in full at par 599,990,000 Shares for allotment and issue to the holder of Shares whose name appear on the register of members of our Company at the close of business on 22 June 2016 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to its then existing shareholding in our Company and so that the Shares be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;

(iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles, or upon the exercise of any options which may be granted under the Share Option Scheme or under the [**REDACTED**] or the Capitalisation Issue, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate number of issued shares of our Company immediately following completion of the [**REDACTED**] and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or any options which may be granted under the Share Option Scheme; and (bb) the number of issued shares of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

(v) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be [**REDACTED**] and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding 10% of the number of issued shares of our Company immediately following completion of the [**REDACTED**] and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or any options which may be granted under the Share Option Scheme; until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to our Directors, whichever occurs first; and

(vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (iv) above to include the number of Shares which may be purchased or repurchased pursuant to paragraph (v) above.

(d) the form and substance of each of the service agreements made between our executive Directors and our Company and the form and substance of each of the appointment letters made between each of our Independent Non-Executive Directors with our Company were approved and ratified.

4. Group reorganisation

The companies comprising our Group underwent a Reorganisation to rationalise our Group's structure in preparation for the [**REDACTED**] of the Shares on the Stock Exchange, and steps of our Reorganisation are set out in the section headed "History and development" in this document.

5. Changes in share capital of our subsidiaries

Our subsidiaries are [**REDACTED**] in the Accountant's Report set out in Appendix I to this document.

Save for the alterations described in the paragraph below and the section headed "History and development" in this document, there is no alteration in the share capital of our subsidiaries which took place within the two years immediately preceding the date of this document.

6. Joint venture company in the process of deregistration

HKR-ASL

On 19 July 2005, HKR-ASL was incorporated in Hong Kong as a joint venture company with an authorised share capital of HK$1 million divided into 1,000,000 shares of HK$1 each, of which 500,000 shares were issued at par to HKR and 500,000 shares were issued at par to ASL Project Services PTE Limited, an Independent Third Party, respectively, upon incorporation. HKR-ASL was originally incorporated with the intention to engage in a certain marine construction project. As the relevant project had been finished, HKR-ASL's business operations were subsequently being wound down.

As HKR-ASL has not been in operation for over three years, the parties agreed to deregister HKR-ASL. HKR-ASL was in the process of deregistration as at the Latest Practicable Date.

7. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this document concerning the repurchase by us of our own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company [**REDACTED**] on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholder, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolution in writing passed by all Shareholders on 22 June 2016, the Repurchase Mandate was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be [**REDACTED**] and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the [**REDACTED**] and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**] and the exercise of any options which may be granted under the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles and the Companies Laws. A [**REDACTED**] 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. Under Cayman Islands law, any repurchases by us may be made out of our profits or from sums standing to the credit of our share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles and subject to the Companies Laws, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of our profits or from sums standing to the credit of our share premium account or, if authorised by the Articles and subject to the Companies Laws, out of capital.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles, the [**REDACTED**] and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this document and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the [**REDACTED**] Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, 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 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. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the [**REDACTED**]).

No core connected person of our Company has notified us that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

8. Registration under Part 16 of the Companies Ordinance

Our Company has established our head office and a principal place of business in Hong Kong for the purpose of registration under Part 16 of the Companies Ordinance at Unit Nos. 04-05 on the 5th Floor, K. Wah Centre, 191 Java Road, North Point, Hong Kong. Our Company has been registered as an overseas company under Part 16 of the Companies Ordinance. Mr. Cui, has been appointed as agent of our Company for the acceptance of service of process in Hong Kong.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

9. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years preceding the date of this document and are or may be material:

(a) loan agreement dated 5 October 2015 and entered into between HKR and Johannes Wargo, pursuant to which HKR agreed to provide a loan in sum of IDR1,211,496,000 to Johannes Wargo to acquire 1,320 shares in PTIR (as supplemented by an amendment and restatement of loan agreement entered into by the same parties dated 5 May 2016);

(b) pledge of shares agreement dated 5 October 2015 and entered in to between HKR and Johannes Wargo, pursuant to which Johannes Wargo pledged his entire shareholding interest of 1,320 shares in PTIR in favour of HKR (as supplemented by an amendment and restatement of pledge of shares agreement entered into by the same parties dated 5 May 2016);

(c) power of attorney to sell dated 5 October 2015 and executed by Johannes Wargo and HKR, pursuant to which Johannes Wargo appointed HKR as his attorney to, among other things, sell, assign, transfer and otherwise deal with the shares of PTIR held by Johannes Wargo;

(d) power of attorney to vote dated 5 October 2015 and executed by Johannes Wargo and HKR, pursuant to which Johannes Wargo appointed HKR as his attorney to, among other things, attend and vote in the shareholders meetings of PTIR (as cancelled by a cancellation of power of attorney to vote entered into by the same parties on 5 May 2016);

(e) power of attorney to vote dated 5 May 2016 and executed by Johannes Wargo and HKR, pursuant to which Johannes Wargo appointed HKR as his attorney to, among other things, attend and vote in the shareholders meetings of PTIR;

(f) assignment of rights to dividends agreement dated 5 October 2015 entered into between HKR and Johannes Wargo, pursuant to which Johannes Wargo assigned and transferred all his rights and interests in all the dividends or other income paid or payable by PTIR in respect of his shares in PTIR to HKR (as supplemented by an amendment and restatement of assignment of rights to dividends agreement entered into by the same parties dated 5 May 2016);

(g) statement letter dated 5 October 2015 and executed by Johannes Wargo confirming, among others, that he did not have any legal spouse;

(h) loan agreement dated 16 November 2015 and entered into between HKR and Harris, pursuant to which HKR agreed to provide a loan in sum of IDR1,584,000,000 to Harris to acquire 132,000 shares in PTHKRE (as supplemented by an amendment and restatement of loan agreement entered into by the same parties dated 5 May 2016);

(i) pledge of shares agreement dated 16 November 2015 and entered in to between HKR and Harris, pursuant to which Harris pledged his entire shareholding interest of 132,000 shares in PTHKRE in favour of HKR (as supplemented by an amendment and restatement of pledge of shares agreement entered into by the same parties dated 5 May 2016);

(j) power of attorney to sell dated 16 November 2015 and executed by Harris and HKR, pursuant to which Harris appointed HKR as his attorney to, among other things, sell, assign, transfer and otherwise deal with the shares of PTHKRE held by Harris;

(k) power of attorney to vote dated 16 November 2015 and executed by Harris and HKR, pursuant to which Harris appointed HKR as his attorney to, among other things, attend and vote in the shareholders meetings of PTHKIR (as cancelled by a cancellation of power of attorney to vote entered into by the same parties on 5 May 2016);

(l) power of attorney to vote dated 5 May 2016 and executed by Harris and HKR, pursuant to which Harris appointed HKR as his attorney to, among other things, attend and vote in the shareholders meetings of PTHKIR;

(m) assignment of rights to dividends agreement dated 16 November 2015 entered into between HKR and Harris, pursuant to which Harris assigned and transferred all of his rights and interests in all the dividends or other income paid or payable by PTHKRE in respect of his shares in PTHKRE to HKR (as supplemented by an amendment and restatement of assignment of rights to dividends agreement entered into by the same parties dated 5 May 2016);

(n) irrecovable undertaking dated 16 November 2015 and executed by Mrs. Christina, pursuant to which she undertook that, among other things, she agreed to waive any rights to claim the shares of PTHKRE held by Harris;

(o) irrecovable undertaking dated 5 May 2016 and executed by Mrs. Christina, pursuant to which she undertook that, among other things, she agreed to waive any rights to claim the shares of PTHKRE held by Harris;

(p) share purchase agreement dated 22 January 2016 and entered into among Sky Hero as vendor, our Company as purchaser, and Sky Hero, Solid Jewel and Mr. Cui as warrantors, pursuant to which Sky Hero transferred the entire issued share capital in Prosper BVI to our Company in exchange of which (i) our Company allotted and issued 9,249 Shares to Sky Hero, credited as fully paid; and (ii) the one nil-paid Share held by Sky Hero was credited as fully paid;

(q) CITICC [**REDACTED**] Investment Agreement dated 5 February 2016 and entered into between our Company, Sky Hero, Mr. Cui and CITICC International Investment Limited, pursuant to which CITICC conditionally agreed to subscribe for 750 Shares and purchase 750 Shares from Sky Hero for an aggregate cash consideration of HK$72,000,000;

(r) a deed of indemnity dated 22 June 2016 executed by Sky Hero, Solid Jewel and Mr. Cui in favour of our Company (for itself and as trustee for our subsidiaries) containing the indemnities more particularly referred to in the paragraph headed "Estate duty, tax and other indemnities" of this appendix;

(s) Non-Competition Undertaking dated 22 June 2016 given by our Controlling Shareholders in favour of our Company (for itself and as trustee for our subsidiaries from time to time) as more particularly set out in the section headed "Relationship with Controlling Shareholders" in this document; and

(t) [**REDACTED**] dated 29 June 2016 and entered into by our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor and the [**REDACTED**], as further described in the paragraphs headed "[**REDACTED**]" in the section headed "[**REDACTED**]" in this document.

10. Intellectual property rights of our Group

Trademarks

As at the Latest Practicable Date, our Group is the registered proprietor and beneficial owner of the following trademarks in Hong Kong:

No.	Trademark	Registered owner	Place of registration	Class(es)	Registration number	Duration of validity
1.		HKR	Hong Kong	37,39 *(note)*	303486042	28 July 2015 – 27 July 2025
2.		HKR	Hong Kong	37,39 *(note)*	303486051	28 July 2015 – 27 July 2025

Note:

The specific services under class 37 in respect of which these trademarks were applied for registration are providing marine engineering (construction); building construction; pier construction; marine foundation construction; dredging and reclamation; road and bridge construction; civil engineering and construction advisory services; shipbuilding and ship maintenance.

The specific services under class 39 in respect of which these trademarks were applied for registration are marine transportation; chartering of ships, shipping agency services and management thereof.

Domain name

As at the Latest Practicable Date, our Group had registered the following domain name:

No.	Domain name	Registrant	Date of registration	Expiry date
1.	prosperch.com	HKR	9 July 2015	9 July 2016

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

11. Directors

(a) Disclosure of interests of Directors

(i) Mr. Cui and Mr. Yu are interested in our Reorganisation.

(ii) Save as disclosed in this document, none of our Directors or their associates was engaged in any dealings with our Group during the two years preceding the date of this document.

(b) Particulars of Directors' service contracts

Executive Directors

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from 22 June 2016. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term and on the expiry of every successive period of one year thereafter, unless either party has given at least three months' written notice of non-renewal before the expiry of the then existing term.

Each of our executive Directors is entitled to a basic salary as set out below, and is entitled to a fixed bonus of one month's salary every January. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him. The current basic annual salaries of our executive Directors are as follows:

Name	**Annual Salary** *(HK$)*
Mr. Cui	1,560,000
Mr. Yu	1,170,000
Ms. Kui	1,170,000
Mr. Tao Yang	650,000

Independent Non-Executive Directors

(i) Each of our Independent Non-Executive Directors has been appointed for an initial term of two years commencing from 22 June 2016 and renewable automatically for successive term of one year each commencing from the next day after the expiry of the then current term of appointment, unless terminated by not less than three months' notice in writing served by either our Independent Non-Executive Director or our Company expiring at the end of the initial term or at any time thereafter. Each of our Independent Non-Executive Directors is entitled to a director's fee of HK$216,000 per annum.

Save for directors' fees, none of our Independent Non-Executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive director.

Save as disclosed aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) Remuneration of Directors

(i) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of the three financial years ended 31 December 2013, 2014 and 2015 were approximately HK$1.4 million, HK$1.4 million and HK$1.6 million respectively.

(ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our Independent Non-Executive Directors) for the year ending 31 December 2016, are expected to be approximately HK$3.5 million.

(iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 December 2013, 2014 and 2015 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2013, 2014 and 2015.

***(d) Interests and short positions of our Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations following the* [REDACTED]**

Immediately following completion of the [**REDACTED**] and the Capitalisation Issue without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or the exercise of options which may be granted under the Share Option Scheme, the interests or short positions of our Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations (within the meaning of Part XV 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 (including interests and short positions which they are 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 recorded in the register referred to therein or which will be required to notify our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of [**REDACTED**] contained in the [**REDACTED**], will be as follows:

Name of Director	Name of Group member/ associated corporation	Capacity/ nature of interest	Number and class of securities[Note 1]	Approximate percentage of shareholding
Mr. Cui	Our Company	Interest of a controlled corporation[*Note 2*]	[**REDACTED**]	[**REDACTED**]%
	Sky Hero	Interest of a controlled corporation[*Note 2*]	[**REDACTED**]	[**REDACTED**]%
	Solid Jewel	Beneficial owner	[**REDACTED**]	[**REDACTED**]%
Mr. Yu	Solid Jewel	Beneficial owner	[**REDACTED**]	[**REDACTED**]%

Notes:

1. The letter "L" denotes our Directors' long position in the shares of our Company or the relevant associated corporation.

2. These Shares of our Company were held by Sky Hero, which was wholly-owned by Solid Jewel, which was owned as to 87% by Mr. Cui and 13% by Mr. Yu respectively.

12. Interest discloseable under the SFO and substantial shareholders

So far as our Directors are aware, immediately following completion of the [**REDACTED**] and the Capitalisation Issue (but without taking into account of any Shares which may be taken up under the [**REDACTED**] and any Shares which may be allotted and issued upon the exercise of the [**REDACTED**]), other than a Director or chief executive of our

Company whose interests are disclosed under the sub-paragraph headed "Interests and short positions of our Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations following the [**REDACTED**]" above, the following persons will 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 the SFO and who will be expected, directly or indirectly, to be interested in 10% or more of our Shares:

Name of Shareholders	**Capacity/ nature of interest**	**Number and class of securities(Note 1)**	**Approximate percentage of shareholding**
Sky Hero	Beneficial owner	[**REDACTED**]	[**REDACTED**]%
Solid Jewel	Interest of a controlled corporation(*Note 2*)	[**REDACTED**]	[**REDACTED**]%
Ms. Mu(*Note 3*)	Interest of spouse	[**REDACTED**]	[**REDACTED**]%
CITICC	Beneficial owner	[**REDACTED**]	[**REDACTED**]%

Notes:

1. The letter "L" denotes a long position in the Shares.

2. These Shares were held by Sky Hero, which was in turn wholly-owned by Solid Jewel, which was owned as to 87% by Mr. Cui and 13% by Mr. Yu respectively.

3. Ms. Mu is the spouse of Mr. Cui. She is deemed or taken to be interested in the Shares of which Mr. Cui is interested in under the SFO.

13. Disclaimers

Save as disclosed in this document:

(a) and without taking into account any Shares which may be taken up or acquired under the [**REDACTED**] or upon the exercise of the [**REDACTED**] or any options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the [**REDACTED**] and the Capitalisation Issue, have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the issued voting shares of our Company or any other member of us;

(b) none of our Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV 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 (including interests and short positions which any of them is 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 to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of [**REDACTED**] Issuers, in each case once the Shares are [**REDACTED**];

(c) none of our Directors nor any of the parties [**REDACTED**] in the paragraphs headed "Qualifications of experts" under the section headed "Other information" in this appendix has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any other member of us nor will any Director apply for the [**REDACTED**] either in his/her own name or in the name of a nominee;

(d) none of our Directors nor any of the parties [**REDACTED**] in paragraphs headed "Qualifications of experts" under the section headed "Other information" in this appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to business of our Group; and

(e) save in connection with the [**REDACTED**], none of the parties [**REDACTED**] in the paragraphs headed "Qualifications of experts" under the section headed "Other information" in this appendix:

(i) is interested legally or beneficially in any securities of any member of us; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of us.

OTHER INFORMATION

14. Share option scheme

(a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by our Shareholders on 22 June 2016:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. Our Directors consider the Share Option Scheme, with its broadened basis of

participation, will enable us to reward the employees, our Directors and other selected participants for their contributions to us. Given that our Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the [**REDACTED**] or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to our development so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) Who may join

Our Directors (which expression shall, for the purpose of this paragraph, include a duly authorised committee thereof) may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

(aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity (the "**Invested Entity**") in which any member of our Group holds an equity interest ("**Designated Employee**");

(bb) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;

(cc) any supplier of goods or services to any member of our Group or any Invested Entity;

(dd) any customer of any member of our Group or any Invested Entity;

(ee) any person or entity that provides research, development or other technological support to our Group or any member of any Invested Entity;

(ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

(gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and

(hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For avoidance of doubt, the grant of any options by our

Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of participants shall not, by itself, unless our Directors otherwise determined, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his contribution to the development and growth of our Group.

(iii) Maximum number of Shares

(aa) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Group must not in aggregate exceed 30% of the issued share capital of our Company from time to time.

(bb) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue at the time dealings in the Shares first commence on the Main Board (the "**General Scheme Limit**").

(cc) Subject to (aa) above but without prejudice to (dd) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for the purpose of calculating the refreshed limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to the Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the [**REDACTED**] and the disclaimer required under Rule 17.02(4) of the [**REDACTED**].

(dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (cc) above to participants specifically identified by our Company before such approval is sought,

and, for the purpose of seeking the approval of our Shareholders under (cc) and (dd) above, our Company must send a circular to the Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the [**REDACTED**] and the disclaimer required under Rule 17.02(4) of the [**REDACTED**].

(iv) Maximum entitlement of each participant

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 scheme of our Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (the "**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of our Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the [**REDACTED**].

(v) Grant of options to connected persons

(aa) Any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of our Company or any of their respective associates (as defined under the [**REDACTED**]) must be approved by the independent non-executive Directors of our Company (excluding any independent non-executive Director who or whose associates is/are the grantee(s) of the options).

(bb) Where any grant of options to a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million,

such further grant of options must be approved by the Shareholders in general meeting. For the purpose of seeking such approval, our Company must send a circular to the Shareholders. All connected persons of our Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless our Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for Shares and consideration for the option

The subscription price for Shares under the Share Option Scheme will be a price determined by our Directors, but shall not be less than the higher of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a Business Day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(ix) Ranking of Shares

(aa) Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles and will rank pari passu in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of our Company as the holder thereof.

(bb) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or reduction of the share capital of our Company from time to time.

(x) Restrictions on the time of grant of options

No offer for grant of options shall be made after inside information has come to the knowledge of our Company until we have announced the information in accordance with the requirements of the [**REDACTED**]. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the meeting of our Directors for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the [**REDACTED**]); and (bb) the last date on which our Company must publish its an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the [**REDACTED**]), and ending on the date of the announcement of the results, no option may be granted.

Our Directors may not grant any option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of [**REDACTED**] prescribed by the [**REDACTED**] or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is a Designated Employee and ceases to be a Designated Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for one or more grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not.

Designated Employee means any employee (whether full time or part time employee, including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is a Designated Employee and ceases to be a Designated Employee by reason that he has been guilty of serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be a Designated Employee.

(xv) Rights on breach of contract

If our Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than a Designated Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and any member of our Group or any Invested Entity on

the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option scheme shall lapse as a result of (1), (2) or (3) above.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of takeover offer, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes or the relevant record date for entitlements under the scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one Business Day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

(i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and

(ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the option so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (ii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; and (iii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the [**REDACTED**].

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of our Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant to sub-paragraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(aa) the expiry of the period referred to in paragraph (vi); and

(bb) the expiry of the periods or dates referred to in paragraphs (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii).

(xxiv) Others

(aa) The Share Option Scheme is conditional upon the [**REDACTED**] granting the [**REDACTED**] of and permission to deal in, such number of Shares representing General Scheme Limit to be allotted and issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme.

(bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the [**REDACTED**] shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.

(cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the [**REDACTED**].

(ee) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders in general meeting.

(b) Present status of the Share Option Scheme

(i) Approval of the [**REDACTED**] *required*

The Share Option Scheme is conditional on the [**REDACTED**] granting the [**REDACTED**] of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the [**REDACTED**] for the [**REDACTED**] of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As at the date of this document, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

15. Estate duty, tax and other indemnities

Our Controlling Shareholders (together, the "**Indemnifiers**") have entered into a Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of our present subsidiaries) (being one of the material contracts referred to in paragraph 9 above) to provide indemnities on a joint and several basis in respect of, among other matters:

(a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before the [**REDACTED**];

(b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the [**REDACTED**], whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation; and

(c) all claims, payments, losses or any other liabilities incurred or suffered by any member of our Group as a result of or arising from any litigation or proceedings against any member of our Group in respect of any matter or act or otherwise of any member of the Group on or before the [**REDACTED**], including without limitation, the non-compliances as set out in the paragraphs headed "Non-compliance" in the section headed "Business" in this document.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

(a) to the extent that provision has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 31 December 2015;

(b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 January 2016 and ending on the [**REDACTED**], where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:

    (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 1 January 2016; or

    (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 31 December 2015 or pursuant to any statement of intention made in the document; or

(c) to the extent that such taxation liabilities or claim arises or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority (whether in Hong Kong or any other part of the world) coming into force after the date of the deed of indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect; or

(d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 December 2015 and which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, each of the Indemnifiers has also undertaken to us that he/it will indemnify and at all times keeps us fully indemnified, on a joint and several basis, from (i) any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation; and (ii) any damages, losses, liabilities, claims, expenses and costs arising from any eviction or restraint from use or early termination of any lease prior to expiry of its terms in respect of any property owned or leased by any member of our Group, including all costs for relocation of any member of our Group and its assets from any property owned, leased, occupied or used by any member of our Group in case of it being subject to any eviction or restraint from use of such property in connection with any property owned, leased, occupied or used by any member of our Group as a result of the implementation of the Reorganisation or failure to obtain mortgagee's consent in respect of the lease of such properties.

16. Litigation

Save as disclosed in the paragraphs headed "Non-compliance" and "Legal proceedings" in the section headed "Business" in this document, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on our results of operations or financial condition.

17. Preliminary expenses

The preliminary expenses payable by our Company are estimated to be approximately HK$89,388.

18. Promoter

(a) Our Company does not have any promoter.

(b) Within the two years preceding the date of this document, no amount or benefit has been paid or given to any promoters of our Company in connection with the [**REDACTED**] or the related transactions described in this document.

19. Agency fees or commissions received

In connection with the [**REDACTED**], the [**REDACTED**] and the other [**REDACTED**] will receive an [**REDACTED**] commission of [**REDACTED**]% of the aggregate [**REDACTED**] of all the [**REDACTED**], out of which they will pay any [**REDACTED**] commissions and selling concessions.

In connection with the [**REDACTED**], the Sole Sponsor will receive a sponsorship and documentation fee.

Assuming the [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] range stated in this document), the total expenses in connection with the [**REDACTED**] and the [**REDACTED**] are estimated to be [**REDACTED**] (including [**REDACTED**] commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sponsorship and documentation fee, the [**REDACTED**] fee, legal and other professional fees, printing cost and other expenses relating to the [**REDACTED**]) which shall be borne by our Company.

20. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the [**REDACTED**] Committee for [**REDACTED**] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document and any Shares which may be issued upon the exercise of the [**REDACTED**] and any option which may be granted under the Share Option Scheme, being 10% of the Shares in issue on the [**REDACTED**], on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the [**REDACTED**] Rules.

The Sponsor's sponsorship and documentation fees payable by us in respect of the Sponsor's services as sole sponsor for the [**REDACTED**] is [**REDACTED**].

21. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this document:

Name	Qualification
Investec Capital Asia Limited	A corporation licenced under the SFO and permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities (as defined in the SFO)
PricewaterhouseCoopers	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Vietnam International Law Firm (VILAF)	Vietnam attorneys-at-law
Hutabarat, Halim & Rekan	Indonesia attorneys-at-law
Li & Partners (Shenzhen)	Qualified PRC lawyers
Rato, Ling, Lei & Cortés – Advogados	Macao attorneys-at-law
Russell Bedford Hong Kong	Tax adviser
Euromonitor International Limited	Industry expert
Mr. Leung Wai-Keung, Richard	Barrister-at-law in Hong Kong

The statements of the experts as mentioned in this paragraph above were dated the date of this document and were made by the experts for incorporation in this document.

22. Consents of experts

Each of the experts as set out in the paragraphs headed "21. Qualifications of experts" of this appendix has given and has not withdrawn their respective written consent to the issue of this document with the inclusion of their report and/or letter and/or opinion (as the case may be) and the references to their names or summaries of opinions included herein in the form and context in which they respectively appear.

23. Binding effect

This document shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

24. Taxation of holders of Shares

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or [**REDACTED**]. It is emphasised that none of our Company, our Directors or the other parties involved in the [**REDACTED**] 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 [**REDACTED**].

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

25. Miscellaneous

(a) Save as disclosed in this document:

(i) within two years preceding the date of this document:

(aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries; and

(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;

(b) Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2015 (being the date to which the latest audited combined financial statements of our Group were made up); and

(c) Our Directors confirm that 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 document.

26. Bilingual document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided under Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses for Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW**, **GREEN** and [**REDACTED**], the written consents referred to in the paragraph headed "22. Consents of experts" of the section headed "Statutory and general information" in Appendix IV to this document, and copies of the material contracts referred to in the paragraphs headed "9. Summary of material contracts" of the section headed "Statutory and general information" in Appendix IV to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Chiu & Partners, 40th Floor, Jardine House, 1 Connaught Place, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document:

(a) the Memorandum of Association and the Articles of our Company;

(b) the Accountant's Report of our Group from PricewaterhouseCoopers, the text of which is set out in the section headed "Accountant's Report" in Appendix I to this document;

(c) the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the text of which is set out in the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this document;

(d) the audited combined financial statements of our Group for the three financial years ended 31 December 2015;

(e) the rules of the Share Option Scheme;

(f) the letters of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law;

(g) the Cayman Islands Companies Law;

(h) the legal opinion issued by our PRC Legal Adviser;

(i) the legal opinion issued by our Hong Kong Legal Counsel;

(j) the legal opinion issued by our Vietnam Legal Adviser;

(k) the legal opinion issued by our Macao Legal Adviser;

(l) the legal opinion issued by our Indonesia Legal Adviser;

(m) the industry report prepared by Euromonitor International Limited;

(n) the tax report prepared by the Tax Adviser;

(o) the service contracts referred to in the paragraphs headed "11. Directors" in the section headed "Statutory and general information" in Appendix IV to this document;

(p) the material contracts referred to in the paragraphs headed "9. Summary of material contracts" in the section headed "Statutory and general information" in Appendix IV to this document; and

(q) the written consents referred to in the paragraph headed "22. Consents of experts" in the section headed "Statutory and general information" in Appendix IV to this document.