

Thelloy Development Group Limited 德萊建業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8122

Placing

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners & Joint Lead Managers



IMPORTANT

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

THELLOY DEVELOPMENT GROUP LIMITED

德萊建業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares : 200,000,000 Shares (comprising 170,000,000 New Shares and 30,000,000 Sale Shares, subject to adjustment and exercise of the Offer Size Adjustment Option)

Placing Price : Not more than HK\$0.40 per Placing Share and expected to be not less than HK\$0.30 per Placing Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)

Nominal value : HK\$0.01 per Share

Stock code : 8122

Sole Sponsor



Innovax Capital Limited

Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers



Innovax Capital Limited



South China Securities Limited

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

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

The Placing Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Joint Underwriters) and our Company (for ourselves and on behalf of our Selling Shareholder) on or before Tuesday, 6 October 2015 or such later date as may be agreed by the Joint Global Coordinators (for themselves and on behalf of the Joint Underwriters) and our Company (for ourselves and on behalf of our Selling Shareholder). The Placing Price will not be more than HK\$0.40 per Placing Share and is currently expected to be not less than HK\$0.30 per Placing Share unless otherwise announced. If our Company and the Joint Global Coordinators (for themselves and on behalf of the Joint Underwriters) are unable to reach an agreement on the Placing Price by that date or such later date as agreed by our Company and the Joint Global Coordinators (for themselves and on behalf of the Joint Underwriters), the Placing will not become unconditional and will not proceed.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk factors" of this prospectus.

Prospective investors of the Placing Shares should note that the Joint Global Coordinators (for themselves and on behalf of the Joint Underwriters) are entitled to terminate its obligations under the Underwriting Agreement by means of a notice in writing given by the Joint Global Coordinators (for themselves and on behalf of the Joint Underwriters) upon the occurrence of any of the events set out under section headed "Underwriting — Underwriting Arrangements and Expenses — Grounds of termination" in this prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Global Coordinators (for themselves and on behalf of the Joint Underwriters and the Sole Sponsor) terminate the Underwriting Agreement, the Placing will not proceed and will lapse.

30 September 2015

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to higher market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at www.hkexnews.hk in order to obtain up-to-date information on companies listed on GEM.

EXPECTED TIMETABLE

2015^(Note 1)

Expected Price Determination Date^(Note 2) on or before..... Tuesday, 6 October

Announcement of the determination of the Placing Price and
the level of indication of interest in the Placing to be published

(a) on the website of the Stock Exchange at www.hkexnews.hk; and

(b) on the website of our Company at www.thelloy.com^(Note 3)

on or before Thursday, 8 October

Allotment of the Placing Shares to placees

(or their designated person(s)) on or about..... Thursday, 8 October

Deposit of share certificates for the Placing Shares

into CCASS on or about^(Note 4 and 5) Thursday, 8 October

Dealings in the Shares on GEM expected to

commence at 9:00 a.m. on Friday, 9 October

Notes:

1. All times and dates refer to Hong Kong local times and dates.
2. The Price Determination Date is expected to be on or before Tuesday, 6 October 2015. If our Company and the Joint Global Coordinators (for themselves and on behalf of the Joint Underwriters) are unable to reach an agreement on the Placing Price by that date or such later date as agreed by our Company (for ourselves and on behalf of our Selling Shareholder) and the Joint Global Coordinators (for themselves and on behalf of the Joint Underwriters), the Placing will not become unconditional and will not proceed.
3. None of our Company's website or any information contained in our Company's website forms part of this prospectus.
4. The share certificates for the Placing Shares are expected to be issued in the name of HKSCC Nominees Limited or in the name of the placee(s) or their agent(s) as designated by the Joint Underwriters and/or the placing agents. The share certificates for the Placing Shares allotted and issued to the placees are expected to be deposited directly into CCASS on or about Thursday, 8 October 2015 for credit to the respective CCASS Participants' or the CCASS Investor Participants' stock accounts designated by the Joint Underwriters, the placing agents, the placees or their agents (as the case may be). No temporary documents or evidence of title will be issued by our Company.
5. All share certificates for the Placing Shares will only become valid certificates of title when the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. If the Placing does not become unconditional or the Underwriting Agreement is terminated in accordance with its terms, we will make an announcement on the Stock Exchange's website at www.hkexnews.hk and on our Company's website at www.thelloy.com as soon as possible.

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

If there is any change to the above expected timetable, we will make an appropriate announcement on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.thelloy.com to inform investors accordingly.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus to make your investment decision. We, the Sole Sponsor and the Joint Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Underwriters, any of their respective directors, officers, employees, agents or representatives, or any other person or party involved in the Placing.

	<i>Page</i>
CHARACTERISTICS OF GEM	i
EXPECTED TIMETABLE	ii
CONTENTS	iii
SUMMARY	1
DEFINITIONS	16
GLOSSARY	23
FORWARD-LOOKING STATEMENTS	29
RISK FACTORS	31
INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING	48
DIRECTORS AND PARTIES INVOLVED IN THE PLACING	52
CORPORATE INFORMATION	55
INDUSTRY OVERVIEW	57
REGULATORY OVERVIEW	70

CONTENTS

	<i>Page</i>
HISTORY AND DEVELOPMENT	91
BUSINESS	100
DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	177
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS	190
CONNECTED TRANSACTIONS	196
SUBSTANTIAL SHAREHOLDERS	198
SHARE CAPITAL	200
FINANCIAL INFORMATION	203
FUTURE PLANS AND USE OF PROCEEDS	249
UNDERWRITING	256
STRUCTURE AND CONDITIONS OF THE PLACING	264
APPENDIX I — ACCOUNTANTS' REPORT	I-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION .	II-1
APPENDIX III — SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE COMPANIES LAW	III-1
APPENDIX IV — STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION	V-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Placing Shares.

There are risks associated with any investment in companies listed on GEM. Some of the particular risks relating to investing in the Placing Shares are set out in the section headed “Risk factors”. You should read that particular section carefully before you decide to invest in the Placing Shares. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary” of this prospectus.

OVERVIEW

We are an established main contractor in Hong Kong focusing on providing (i) building construction services; and (ii) repair, maintenance, alteration and addition (“**RMAA**”) works services. During the Track Record Period, a majority of our revenue was derived from our building construction projects.

Our Group is listed as a Group C (confirmed) contractor under the Contractor List maintained by the WBDB in the “Building” category. Group C (confirmed) contractors are the highest ranking contractors in the Contractor List in terms of tender limit, and are eligible to tender for public works contracts of any values exceeding HK\$185.0 million.

In addition, we are one of the 29 contractors under the “Repair and Restoration of Historic Buildings” category of the Specialist List and is allowed to carry out works in relation to repair and restoration of Western-style historic buildings in Hong Kong. We acted as the main contractor and completed the project with a contract value of approximately HK\$354.1 million in relation to the conservation and revitalisation of the Former Police Married Quarters by transforming it into the currently-known PMQ, a creative landmark on Hollywood Road, Hong Kong (the “**PMQ Project**”). For the years ended 31 March 2014 and 2015, revenue derived from the PMQ Project accounted for approximately 83.4% and 20.9% of the total revenue respectively.

OUR BUSINESS MODEL

We act as the main contractor in all our projects during the Track Record Period and delegate works to our sub-contractors by trade on a back to back basis under supervision of and management by our project team. Upon the award of project by our customer, we generally classify the entire construction works to be performed into different categories depending on the trades concerned and level of expertise required, and engage suitable sub-contractors from our approved list of sub-contractors to perform each part of the classified construction works. Our role as a main contractor generally includes overall project management and supervision of works conducted by our sub-contractors to ensure their conformity to contractual specification and that projects are completed on time and within budget.

SUMMARY

We normally secure our projects through tendering. We usually identify Government projects through reviewing the tender invitations from various Government departments published on the Gazette. As for projects from non-Government customers, we are generally invited by the customers by way of invitation letters to submit a tender for a potential project. During the Track Record Period, all our projects were obtained through tendering. Nevertheless, we believe that, in the future, it is possible that our Group may be invited by customers to simply provide quotations without going through tendering process for projects which are less complex in terms of the sub-contractors involved and the time, scale and resources required, such as RMAA projects.

The following table sets out the number of projects we tendered, number of successful projects tendered and our success rate during the Track Record Period and up to the Latest Practicable Date:

	<u>For the year ended 31 March</u>		<u>From</u>
	<u>2014</u>	<u>2015</u>	<u>1 April 2015 up to the Latest Practicable Date</u>
Number of projects tendered	143	161	52
Number of successful projects tendered	19	13	5*
Success rate (%)	13.3%	8.1%	9.6%

* For the period from 1 April 2015 up to the Latest Practicable Date, our Group has tendered 52 projects, of which five tenders have been awarded and three tenders have been rejected by the relevant customers, while the results of the remaining 44 tenders were still pending.

Please refer to the section headed “Business — Operations — Operational Procedures — Preparation and submission of tender — Tenders submitted during the Track Record Period” in this prospectus for further information.

For the years ended 31 March 2014 and 2015, revenue derived from Government departments amounted to approximately 88.1% and 22.3% of our total revenue. Upon having awarded a project by our customer, we will form a project management team, engage various sub-contractors, obtain necessary permits and approvals, procure the requisite materials and machineries and take out necessary insurances.

Major license and qualifications

As at the Latest Practicable Date, our Group has obtained the registered general building contractor license and certain qualifications that are material to our business operations in Hong Kong. Such qualifications include (i) Group C (confirmed) Approved Contractor for Public Works — Buildings Category; (ii) Approved Suppliers of Materials and Specialist Contractors for Public Works — Repair and Restoration of Historic Building Category (for “Western Style Buildings only”); (iii) Housing Authority List of Building Contractor — Building (New Works) Category; and (iv) Housing Authority List of Building Contractors — Maintenance Works Category. For further details of our major licenses and qualifications, please refer to the section headed “Business — License and Qualifications” in this prospectus.

SUMMARY

CUSTOMERS AND SUB-CONTRACTORS

Customers

We provide building construction and RMAA works services to customers from both the public and private sectors in Hong Kong^(Note 1). During the Track Record Period, our business opportunities generally arose from reviewing the tender invitations from various Government published on the Gazette or receiving invitation for tender from customers in the private sector.

Our major customers include the Government, quasi-Government organisations, universities, schools, institutions and incorporated owners of private buildings. For the years ended 31 March 2014 and 2015, revenue derived from our Group's top five largest customers amounted to approximately HK\$165.7 million and HK\$199.0 million, representing approximately 96.2% and 96.1% of our total revenue. In addition, a significant portion of our revenue was derived from the Government and quasi-Government organisations*, which accounted for approximately 90.8% and 74.0% of our total revenue for the years ended 31 March 2014 and 2015 respectively. Despite such customer concentration, our Directors consider that we are not reliant on any single customer for reasons set out in the section headed "Business — Customers — Customer Concentration" in this prospectus.

The table below sets forth a breakdown of our revenue, gross profit and gross profit margin by business segment during the Track Record Period:

	For the year ended 31 March									
	2014					2015				
	Revenue		Gross profit		Gross profit margin	Revenue		Gross profit		Gross profit margin
	HK\$'000	%	HK\$'000	%	%	HK\$'000	%	HK\$'000	%	%
Building construction <i>(Note 2)</i>	143,540	83.3	24,171	99.7	16.8	134,281	64.9	16,197	53.8	12.1
RMAA works <i>(Note 2)</i>	28,681	16.7	80	0.3	0.3	72,750	35.1	13,881	46.2	19.1
Total	172,221	100.0	24,251	100.0	14.1	207,031	100.0	30,078	100.0	14.5

Note:

- The building construction works we normally deal with are structural and engineering works which include building, piling, demolition and site formation. The RMAA works we normally deal with include: changes in facilities configuration; fabrication, modification, removal or installation of hardware and equipment' erection, relocation or removal of doors, windows and partitions; changes in type of finishes and flooring materials; restoration, upgrade or otherwise improve the general condition of facilities; and general upkeep of existing facilities, facility components, grounds and utility systems.

* For the purpose of this prospectus, quasi-Government organisations include (i) a statutory body in Hong Kong with focus on managing all the public hospitals and institutes; (ii) a statutory body in Hong Kong with focus on housing development; and (iii) a statutory body in Hong Kong for promoting safety and health at work and sustaining the workforce.

SUMMARY

Note:

2. For each of the year ended 31 March 2014 and 2015, revenue was recognised from both building construction and RMAA parts of our PMQ Project. The relevant amount from each segment of works under the PMQ Project during the particular financial year was calculated separately in accordance with the classification in the table above.

For the years ended 31 March 2014 and 2015, revenue attributable to the PMQ Project amounted to approximately HK\$143.6 million and HK\$43.3 million, representing approximately 83.4% and 20.9% of our total revenue respectively. The gross profits of the PMQ Project for the years ended 31 March 2014 and 2015 amounted to approximately HK\$23.6 million and HK\$10.5 million respectively, representing the gross profit margins of approximately 16.4% and 24.2%. Given its size and complexity and the scheduled completion date in December 2013, our Group had devoted more human and financial resources to the PMQ Project for the relevant construction period. The project management team of the PMQ Project comprised 27 employees of our Group. For such reason, coupled with our business strategy in developing our RMAA business as detailed below, we generally targeted to tender and complete projects of smaller size in the year ended 31 March 2014. The PMQ Project was a one-off project that was non-recurring in nature and had been substantially completed in December 2013. Revenue was recognised from the PMQ Project after its substantial completion mainly because, subsequent to the substantial completion, (i) the exact quantity of works finally executed under the contract was re-measured by the architect of the relevant customer to evaluate and adjust the final value of works completed; and (ii) the rates for the works under certain variation orders were determined between the parties, and values of such variation and/or additional works were certified according to the determined rates.

Our Directors are of the view that, during the Track Record Period, the total number of invitations to tender for Government and quasi-Government construction had decreased and that such decrease was caused by, among other thing, the filibuster in the Legislative Council of Hong Kong which affected the operations of various Government and quasi-Government organisations causing certain projects which could have been available for tender were put on hold. Since our building construction projects were primarily awarded by various Government and quasi-Government organisations, revenue from our building construction segment decreased from approximately HK\$143.5 million in the year ended 31 March 2014 to approximately HK\$134.3 million in the year ended 31 March 2015. Nonetheless, our overall revenue increased by approximately 20.2% during the same period as a result of our expansion in the RMAA segment, the customers of which were generally from the private sector. Our Directors believe that, in light of the discernible decline of the filibuster in the Legislative Council of Hong Kong, the number of invitations to tender for Government and quasi-Government construction projects may increase in the coming future. According to WBDB, it is estimated that there will be 14 invitations to tender to be issued Architectural Services Department projects during July 2015 to December 2015, of which eight of such invitations will only be provided to Group C (confirmed) contractors under the Contractor List. As a result of the aforementioned increased supply in Government construction projects, our Directors are confident that our Group will be able to secure sizeable building construction projects going forward, despite the short term impact of the filibuster incidents on the industry from the past.

SUMMARY

The table below sets forth a breakdown of our revenue, gross profit and gross profit margin by source of projects during the Track Record Period.

	For the year ended 31 March									
	2014					2015				
	Revenue		Gross profit		Gross profit margin	Revenue		Gross profit		Gross profit margin
	HK\$'000	%	HK\$'000	%	%	HK\$'000	%	HK\$'000	%	%
Government departments and quasi-Government organisations	161,185	93.6	25,219	104.0	15.6	154,052	74.4	24,539	81.6	15.9
Private customers (including but not limited to universities, schools, incorporated owners of private buildings and other private customers)	11,036	6.4	(968)	(4.0)	(8.8)	52,979	25.6	5,539	18.4	10.5
Total	172,221	100.0	24,251	100.0	14.1	207,031	100.0	30,078	100.0	14.5

We generally enjoy higher gross profit margin from our Government and quasi-Government projects as compared to our private projects. Gross profit margin of our Government and quasi-Government projects remained relatively stable at approximately 15.6% and 15.9% for the years ended 31 March 2014 and 2015 respectively, mainly because the decrease in gross profit of our Government and quasi-Government building projects were largely offset by the increase in gross profit of our Government and quasi-Government RMAA projects. We recorded gross loss margin of 8.8% and gross profit margin of 10.5% respectively for the same period for our private projects. The gross loss for the year ended 31 March 2014 for our private projects was primarily attributable to the loss of approximately HK\$1.0 million incurred by our Group in a private RMAA project that had practically completed before the Track Record Period. Loss in such contact occasioned since our Group was in dispute with one of our sub-contractors under the RMAA project regarding the works performed by such sub-contractor. The loss of approximately HK\$1.0 million for private projects in 2014 comprise damages of approximately HK\$367,000 being awarded against our Group and legal fees of approximately HK\$771,000 incurred by our Group in regards of the litigation involved. The gross profit for our private projects increased to approximately HK\$5.5 million and our gross profit margin for our private customers increased to approximately 10.5% for the year ended 31 March 2015. Since our RMAA projects constitute a large portion of our private projects, the increase in gross profit and gross profit margin in our private projects was in line with the increase in gross profit and gross profit margin in our RMAA projects.

SUMMARY

Sub-contractors

For the purpose of maximising our cost efficiency and utilising expertise of other specialist contractors, we generally sub-contract the works to our sub-contractors by trade on a back to back basis. During the Track Record Period, works that we delegated to our sub-contractors include demolition, hoarding, concreting, painting, redecoration and roofing. For the years ended 31 March 2014 and 2015, our Group engaged 33 and 40 sub-contractors respectively, all of whom were located in Hong Kong. During the years ended 31 March 2014 and 2015, total sub-contracting fees paid by our Group accounted for approximately HK\$99.3 million and HK\$123.8 million respectively, representing approximately 67.1% and 70.0% of our Group's total direct costs. For the two years ended 31 March 2014 and 2015, our Group's top five largest sub-contractors accounted for approximately 41.2% and 38.1% of our Group's total direct costs respectively.

ACCIDENT

For the years ended 31 March 2014 and 2015 and up to the Latest Practicable Date, our Group has recorded one, one and nil "reportable accidents" involving injuries to workers who were either employed by our Group or by our sub-contractors, representing an accident rate per 1,000 workers of 0.2, 0.4 and 0.0 accident respectively, which were lower than the industry average of 38.7 accident in the calendar year 2014 according to the Ipsos Report. Our Group's lost time injury frequency rate was approximately 0.12, 0.17 and 0.37 per million of working hours for the years ended 31 March 2014 and 2015 and from 1 April 2015 up to the Latest Practicable Date, respectively. Having considered the above and that none of the accidents has resulted in fatal injury, our Directors are of the view that our occupational health and safety management system is effective.

COMPETITIVE STRENGTHS

Our Directors believe our competitive strengths include (i) having a strong and reliable customer base comprising primarily Government departments (including the Architectural Services Department and the Housing Authority) and quasi-Government organisations; (ii) having solid track record in conserving and revitalising Hong Kong heritage, as proven by the completion of the PMQ Project; (iii) having extensive experience and diversified qualifications in the construction industry; (iv) our commitment in maintaining safety standard, quality control and environmental protection; and (v) having a management team that possesses extensive experience and qualifications. For further details of our competitive strengths, please refer to the section headed "Business — Competitive Strengths" in this prospectus.

SUMMARY

SUMMARY OF KEY FINANCIAL INFORMATION

The following is a summary of our consolidated financial information as at and for the years ended 31 March 2014 and 2015, as applicable.

	Year ended 31 March	
	2014	2015
	HK\$'000	HK\$'000
Revenue	172,221	207,031
Gross profit	24,251	30,078
Profit before taxation	14,849	21,312
Profit and total comprehensive income for the year attributable to the owners of the Company	12,346	17,796
	As at 31 March	
	2014	2015
	HK\$'000	HK\$'000
Non-current assets	1,137	1,604
Current assets	85,342	125,265
Current liabilities	42,412	71,112
Net current assets	42,930	54,153
Total assets less current liabilities	44,067	55,757
Non-current liabilities	281	375
Net assets	43,786	55,382
	Year ended 31 March	
	2014	2015
	HK\$'000	HK\$'000
Net cash from operating activities	14,677	28,441
Net cash (used in) from investing activities	(11,343)	231
Net cash used in financing activities	(23,086)	(7,996)
Net (decrease) increase in cash and cash equivalents	(19,752)	20,676
Cash and cash equivalents at beginning of the year	54,674	34,922
Cash and cash equivalents at the end of the year	34,922	55,598

For further details and analysis of our financial information, please refer to the section headed “Financial Information” in this prospectus.

SUMMARY

Selected key financial ratios

	For the year ended 31 March/ As at 31 March	
	2014	2015
Gross profit margin	14.1%	14.5%
Net profit margin	7.2%	8.6%
Gearing ratio	4.0%	1.7%
Current ratio	2.0x	1.8x
Return on equity	30.7%	35.9%
Return on assets	13.0%	16.7%

The increase in gross profit margin and net profit margin from 2014 to 2015 was primarily attributable to our strategic change in pricing policy for our RMAA business with a view of optimising our profit margin. The decrease in gearing ratio was attributable to the decrease in bank borrowings from approximately HK\$1.1 million as at 31 March 2014 to HK\$nil million as at 31 March 2015. The decrease in current ratio was mainly attributable to the increase in other payables and accrued charges by approximately HK\$39.8 million. The increase in return on equity and return on assets was mainly attributable to the increase in our net profit from approximately HK\$12.3 million for the year ended 31 March 2014 to approximately HK\$17.8 million for the year ended 31 March 2015.

NON-COMPLIANCE

We have been involved in a non-compliance matter in relation to non-compliance with certain conditions and terms of Government leases and occupation permits with respect to prescribed land use regarding our leased property in Lai Chi Kok, Hong Kong. Please refer to the section headed “Business — Legal Compliance — Non-compliance of our Group” in this prospectus for details of such non-compliance matter and the rectification measures taken.

LISTING EXPENSES

Our financial performance for the year ending 31 March 2016 will be affected by the non-recurring expenses incurred in relation to the Listing. The Listing expenses are estimated to be approximately HK\$17.1 million (assuming the Offer Size Adjustment Options are not exercised and assuming the Placing Price of HK\$0.35 per Placing Share, being the midpoint of the indicative Placing Price range of HK\$0.3 to HK\$0.4 per Placing Share), of which (i) approximately HK\$4.8 million is directly attributable to the issue of Placing Shares which is to be accounted for as a deduction from equity; (ii) approximately HK\$11.4 million is to be charged to profit or loss of our Group for the year ending 31 March 2016; and (iii) approximately HK\$0.9 million is to be borne by our Selling Shareholder. Such cost is a current estimate and for reference only. The final amount to be recognised to the profit or loss of our Group or to be capitalised is subject to adjustment based on audit and the changes in variables and assumptions. No listing expense was incurred during the Track Record Period as the preparation of Listing had not yet begun. Prospective investors should note that the financial performance of our Group for the year ending 31 March 2016 would be significantly affected by the estimated Listing expenses mentioned above.

SUMMARY

BACKLOG

As at 31 March 2014 and 2015, we had a total of 4 and 2 major projects (i.e. projects of contract value exceeding HK\$1.0 million) in our backlog (representing projects that had commenced but not completed at the respective dates) respectively, with revenue derived or estimated to be derived from such projects as follows:

	As at 31 March	
	2014	2015
Number of major projects in our backlog	4	2
Total revenue attributable to such projects	HK'000	HK'000
— recognised on or before the date indicated	147,987	135,645
— recognised or estimated to be recognised in the first financial year subsequent to the date indicated	53,011	30,398
— recognised or estimated to be recognised in the second financial year subsequent to the date indicated	7,368	—
— estimated to be recognised in the third financial year subsequent to the date indicated	—	—
	<u>208,366</u>	<u>166,043</u>

As at the Latest Practicable Date, we had 9 major projects (i.e. projects of contract value exceeding HK\$1.0 million) in our backlog. Revenue of approximately HK\$170.6 million, HK\$89.3 million and HK\$21.2 million is estimated to be recognised in each of the year ended 31 March 2016, 2017 and 2018 respectively.

The completion dates or expected completion dates of the major projects in our backlog are as follows:

	As at 31 March		As at the Latest Practicable Date
	2014	2015	
Number of major projects in our backlog which were completed or expected to be completed			
— up to the Latest Practicable Date*	4	1	—
— Latest Practicable Date to 31 March 2016 [^]	—	1	4
— on or after 1 April 2016 [^]	—	—	5
	<u>4</u>	<u>2</u>	<u>9</u>

* denotes actual completion dates

[^] denotes expected completion dates

SUMMARY

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to focus on our principal business of provision of building construction and RMAA services in Hong Kong, with one building construction project of contract value of approximately HK\$123.0 million and eight RMAA projects of aggregate contract value of approximately HK\$158.1 million in our backlog. The aggregate contract value of all such building construction and RMAA projects amounted to approximately HK\$281.1 million, of which approximately HK\$24.3 million, representing approximately 8.6% of the total contract value, has been recognised during the Track Record Period and up to 31 July 2015 (being the latest date to which our management account was made up). As at the Latest Practicable Date, out of the nine projects in progress, four projects were expected to be completed by 31 March 2016 and five projects were expected to be completed thereafter. As at the Latest Practicable Date, approximately 83.2% of the total contract value for contracts in progress was from private customers which, based on our operation history during the Track Record Period, were expected to have relatively lower gross profit margin as compared to Government and quasi-Government projects. Please refer to the section headed “Business — Business Model” for further details of our projects in progress as at the Latest Practicable Date.

Our business model and cost structure remained unchanged since 31 March 2015. We believe that revenue contribution from the RMAA Segment have continued to increase since 31 March 2015. Our projects on hand continued to contribute revenue subsequent to the Track Record Period and our Directors do not note any material interruption of progress works, material delay or any other exceptional situation for such existing contracts. Based on our unaudited management accounts, in line with the increase in total number of projects in progress during the four months ended 31 July 2015 as compared to the four months ended 31 July 2014, we recorded an increase in our revenue and gross profit for the four months ended 31 July 2015 as compared to the four months ended 31 July 2014, mainly because most of the projects in progress during the four months ended 31 July 2014 were at their late stages with substantial portion of related works already completed before the four months ended 31 July 2014. Therefore less revenue was recognised from these projects. Contrary to the four months ended 31 July 2014, the projects in progress during the four months ended 31 July 2015 were generally at their earlier stages with larger portion of related work completed and certified during the same period, which led to higher amount of revenue recognised.

We have declared and settled special dividends of HK\$33.5 million in April 2015 and declared and paid HK\$1,480,000 in July 2015 respectively out of historical profits of our Company to Mr. Lam. Please refer to the section headed “Financial Information — Dividend Policy and Distributable Reserves” in this prospectus for further details of our dividend policy.

Save as the Listing expenses, our Group did not have any significant non-recurrent items in our consolidated statements of profit or loss and other comprehensive income subsequent to the Track Record Period. Our results of operation for the year ending 31 March 2016 are expected to be significantly affected by (i) the non-recurring Listing expenses as discussed in the paragraph headed “Listing Expenses” below in this section; and (ii) the non-recurring expenditure to be incurred in respect of the feasibility study for setting up the “Design and Build” section.

SUMMARY

The net current assets of our Group as at 31 July 2015 were approximately HK\$19.4 million. Subsequently, the outstanding balance of all amounts due from a related company was settled in full by setting off against the interim dividend of HK\$33.5 million declared by our Group in April 2015. As at the Latest Practicable Date, approximately 95.6% of the trade receivables as at 31 March 2015 had been subsequently settled, and all of the trade payables as at 31 March 2015 had been subsequently settled.

CONTROLLING SHAREHOLDERS

For the purpose of the GEM Listing Rules, Mr. Lam and Cheers Mate are our Controlling Shareholders. Cheers Mate is an investment holding company owned as to 100% by Mr. Lam, our chairman and executive Director, and, as at the Latest Practicable Date, it had not commenced any substantial business activities. In order to avoid any potential competition between the Company and the Controlling Shareholders, the Controlling Shareholders have entered into the Deed of Non-competition with the Company and have undertaken that neither they nor any of their associates would engage in any business that competes directly or indirectly or may compete with the core business activity of any member of our Group. For further details of our Controlling Shareholders and the Deed of Non-competition, please refer to the section headed “Relationship with Controlling Shareholders” in this prospectus.

Mr. Lam is interested in certain continuing connected transactions, particulars of which are set out in the paragraph headed “Connected Transactions — Exempt Continuing Connected Transactions” in this prospectus.

PLACING STATISTICS ^(Note 3)

Placing size:	25% of the enlarged issued share capital of the Company
Placing structure:	200,000,000 Placing Shares (comprising 170,000,000 New Shares to be offered by our Company for subscription and 30,000,000 Sale Shares to be offered by our Selling Shareholder for sale)
Offer Size Adjustment Option ^(Note 4) :	Up to 15% of the Placing Shares initially available under the Placing
Placing Price:	HK\$0.3 to HK\$0.4 per Placing Share

	<u>Based on a Placing Price of HK\$0.3 per Share</u>	<u>Based on a Placing Price of HK\$0.4 per Share</u>
Market capitalisation of our Shares ^(Note 5)	HK\$240 million	HK\$320 million
Unaudited pro forma adjusted net tangible asset value per Share ^(Note 6,7)	HK\$0.11	HK\$0.13

SUMMARY

Notes:

3. All statistics in this table are on the assumption that the Offer Size Adjustment Option is not exercised.
4. In connection with the Placing, our Company granted to the Joint Global Coordinators (for themselves and on behalf of the Joint Underwriters) the Offer Size Adjustment Option to cover over-allocations under the Placing (if any). Pursuant to the Offer Size Adjustment Option, our Company may be required to allot and issue, at the final Placing Price, up to an aggregate of 30,000,000 additional new Shares, representing 15% of the Placing Shares initially available under the Placing. Please refer to the section headed “Structure and Conditions of the Placing — Offer Size Adjustment Option” for further details.
5. The calculation of our market capitalisation is based on the assumption that 800,000,000 Shares will be issued immediately upon completion of the Placing and the Capitalisation Issue.
6. The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in “Unaudited Pro Forma Financial Information” in Appendix II of this prospectus and on the basis of a total of 800,000,000 Shares in issue immediately after the completion of the Capitalisation Issue and the Placing.
7. Assuming that the dividends of HK\$33.5 million declared and settled in April 2015 and approximately HK\$1.5 million declared and paid in July 2015 had been taken into account, the unaudited pro forma adjusted combined net tangible assets value per Share would have been HK\$0.07 and HK\$0.09 at the Placing Price of HK\$0.3 and Placing Price of HK\$0.4 respectively, which is calculated based on 800,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and Placing.

BUSINESS STRATEGY, FUTURE PLANS AND USE OF PROCEEDS

Our Group intends to strengthen our market position in Hong Kong by way of (i) continuing to strengthen our market position in the construction industry and expand our market share in Hong Kong; (ii) expanding our building construction service capacity to cover “design and build” projects; (iii) continuing to improve our operational efficiency and enhance our quality of service; (iv) further strengthening our manpower; and (v) continuing to adhere to prudent financial management to ensure sustainable growth and capital efficiency. For “design and build” projects, apart from the normal construction works that our Group is normally required to carry out under our building construction projects, we are required to prepare the construction design in accordance with the specifications set out in the tender documents or make appropriate adjustments to the design proposal provided by our customers. Our Directors believe that save for the additional staff to be employed such as designers and engineers with the relevant expertise in formulating construction designs, the introduction of “design and build” services will not materially affect our business model and operation procedures going forward. For further details of our business strategies, please refer to the section headed “Business — Business Strategies” in this prospectus.

Our Group has been actively expanding our RMAA business since 2013 in order to broaden our customer base and capture the increasing demand for RMAA services in Hong Kong. According to the Ipsos Report, the RMAA services contracting industry is fragmented, with the top five players contributing approximately 8.2% of the total revenue of the relevant market in Hong Kong in 2014. We adopted a competitive cost-plus pricing model in setting our tender price and generally tendered for less complex RMAA projects with smaller contract sum which led to the lower gross profit and gross profit margin from our RMAA business in the year ended 31 March 2014. Leveraging the award of our qualification in the “Repair and Restoration of Historic Buildings” category under the Specialist List in 2013 and our proven capability in providing quality RMAA

SUMMARY

services, we adjusted our pricing and tendering approach in the year ended 31 March 2015 by tendering for larger scale RMAA contracts and setting tender prices that allow us to attain a higher gross profit margin. The gross profit margin of our RMAA business rocketed from approximately 0.3% to 19.1% during the same period. In addition, the average revenue recognised per major RMAA contract increased from approximately HK\$2.8 million to approximately HK\$7.8 million during the Track Record Period. As a result of our expansion in the RMAA segment, there was a change in our project mix during the Track Record Period with the revenue contribution of our RMAA business increased from approximately 16.7% in the year ended 31 March 2014 to approximately 35.1% in the year ended 31 March 2015, while the revenue contribution of our building construction business decreased from approximately 83.3% to approximately 64.9% during the same period.

We intend to maintain our current business strategy for RMAA projects in the near future by targeting larger scale RMAA projects and setting tender prices that allow us to maintain higher gross profit margin. Nevertheless, we may also take up RMAA projects with lower gross profit margin in order to further strengthen our market position in the RMAA industry in Hong Kong.

In respect of our building construction services, it is not uncommon for a single project to have a relatively large contract value and long construction time, especially when our Group is a Group C (confirmed) contractor under the Contractor List of the WBDB and in general can only tender for public works contracts of contract values exceeding HK\$185.0 million but not any public works contracts of value below HK\$185.0 million. In order to better manage our projects in progress and cash-flow status, it is our strategy to maintain a small number of building construction projects that are simultaneously in progress. Going forward, our Group shall continue to keep track of the tenders in both business segments. The number of construction projects that can be executed by our Group simultaneously is dependent on the availability of our resources. In deciding whether or not to bid for a specific tender, our Group would take into consideration several principal factors, including but not limited to, the profitability of the project, complexity and technicality involved, our capacity during the contract period and availability of suitable sub-contractors and workers.

The net proceeds to be received by our Group from the Placing based on the Placing Price of HK\$0.35 per Placing Share (being the mid-point of the indicated Placing Price range), after deducting the underwriting fees and estimated expenses payable in relation to the Placing, are estimated to be approximately HK\$43.2 million (assuming the Offer Size Adjustment Option is not exercised and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). Our Directors presently intend to apply the net proceeds from the Placing as to (a) 70% of the net proceeds, or approximately HK\$30.3 million, for further developing our building construction and RMAA business; (b) 6% of the net proceeds, or approximately HK\$2.6 million, for further strengthening our manpower; (c) 7% of the net proceeds, or approximately HK\$3.0 million, for investing in BIM software and providing required staff training; (d) 7% of the net proceeds, or approximately

SUMMARY

HK\$3.0 million, for developing “design and build” services; and (e) 10% of the net proceeds, or approximately HK\$4.3 million, for general working capital purpose. For further details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

We estimate that the net proceeds to the Selling Shareholder from the Sale Shares (after deduction of proportional underwriting fees and estimated expenses payable by our Selling Shareholder in relation to the Placing, and assuming an offer price HK\$0.35 per Placing Share, being the mid-point of the indicative Placing Price range) will be approximately HK\$9.6 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

DIVIDEND POLICY

For the years ended 31 March 2014 and 2015, Techoy Construction declared and paid dividends of approximately HK\$5.0 million and HK\$9.0 million, respectively to Mr. Lam. Techoy Construction has also declared special dividend of HK\$33.5 million in April 2015, which was used to set off against the amounts due from a related company, and declared and paid special dividend of HK\$1,480,000 to Mr. Lam in July 2015.

After completion of the Placing, while we currently have no plans to pay dividends to our Shareholders in the foreseeable future, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders’ approval. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including but not limited to our results of operations, financial condition, working capital, capital requirements and other factors our Board may deem relevant. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

We will re-evaluate our dividend policy annually. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

MATERIAL ADVERSE CHANGE

Save as disclosed in the paragraph headed “Listing Expenses” and “Recent Development” in this section and the one-off special dividends of HK\$33.5 million declared and settled in April 2015 and of HK\$1,480,000 declared and paid in July 2015, our Directors confirmed that since 31 March 2015 and up to the prospectus date, (i) there had been no material adverse change in the market conditions or the industry and environment in which our Group operates that materially and adversely affect our financial and operating position; (ii) there was no material adverse change in the trading and financial position or prospect of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I in this prospectus.

SUMMARY

RISK FACTORS

There are certain risks relating to our operations which could also harm our business, financial condition and operating results. In particular, (i) the PMQ Project accounted for approximately 83.4% and 20.9% of our total revenue during the years ended 31 March 2014 and 2015 and there is no assurance that we will be able to enter into projects which generate similar level of revenue in the future; (ii) our cash flows may fluctuate due to the payment practice applied to our projects; (iii) our customers pay us by way of progress payment and require retention money, and there is no guarantee that progress payment is paid to us on time and in full, or that retention money would be fully released to us after the expiry of the maintenance period; (iv) we rely on a limited number of major customers; (v) our Group determines the tender price based on the estimated time and costs involved in a project which may deviate from the actual time and costs involved, and inaccurate estimation may adversely affect our financial results; and (vi) since our business is project-based, the fee collection and our profit margin would depend on the terms of the work contract and may not be regular. A detailed discussion of the risk factors is set forth in the section headed “Risk Factors” in this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are explained in the section headed “Glossary” in this prospectus.

“Articles” or “Articles of Association”	the articles of association of our Company (as amended from time to time), a summary of which is set forth in Appendix III to this prospectus
“Board”	the board of Directors
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the allotment and issue of 629,999,900 Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company as further described in the paragraph headed “Written resolutions of the sole Shareholder passed on 22 September 2015” under the section headed “Further information about our Company” in Appendix IV in this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Cheers Mate”	Cheers Mate Holding Limited, a company incorporated under the laws of the BVI with limited liability on 28 May 2015, one of our Controlling Shareholders and a direct wholly-owned company of Mr. Lam

DEFINITIONS

“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
“Companies Law” or “Cayman Companies Law”	the Companies Law, Chapter 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
“Company”, “our Company”	Thelloy Development Group Limited (德萊建業集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 28 May 2015
“Compliance Adviser Agreement”	a compliance adviser agreement dated 22 September 2015 entered into between our Company and Anglo Chinese Corporate Finance, Limited pursuant to the requirement of Rule 6A.19 of the GEM Listing Rules, further details of which are set out in the section headed “Directors, senior management and employees” in this prospectus
“Controlling Shareholders”	has the meaning ascribed to it under the GEM Listing Rules and, in the case of our Company, means Mr. Lam and Cheers Mate
“Deed of Indemnity”	the deed of indemnity dated 22 September 2015 and executed by our Controlling Shareholders in favour of our Company, particulars of which are set out in the section headed “E. Other information — 1. Estate duty, tax and other indemnities” in Appendix IV in this prospectus
“Deed of Non-competition”	the deed of non-competition dated 22 September 2015 and executed by our Controlling Shareholders in favour of our Company, particulars of which are set out in the section headed “Relationship with Controlling Shareholders — Non-competition undertaking” in this prospectus
“Director(s)” or “our Directors”	the director(s) of our Company
“GEM”	Growth Enterprise Market of the Stock Exchange

DEFINITIONS

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries at the relevant time or, where the context refers to any time prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries and the business carried on by such subsidiaries or (as the case may be) our predecessors, and “we”, “our” or “us” shall be construed accordingly
“HK\$” or “Hong Kong dollars”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected with (within the meaning of the GEM Listing Rules) any Directors, chief executive or substantial shareholders (within the meaning of the GEM Listing Rules), of our Company, our subsidiaries or any of their respective associates
“Internal Control Consultant”	internal control consultant of our Company
“Ipsos”	Ipsos Limited, the independent market research agency engaged by our Company to prepare the Ipsos Report
“Ipsos Report”	the market research report prepared by Ipsos
“Joint Global Coordinators”, “Joint Bookrunners”, “Joint Lead Managers” and “Joint Underwriters”	the Sole Sponsor together with South China Securities Limited, a corporation licensed to carry out type 1 (dealing in securities) regulated activity under the SFO, being the joint global coordinators, the joint bookrunners, the joint lead managers and the joint underwriters to the Placing

DEFINITIONS

“Latest Practicable Date”	20 September 2015, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Legal Counsels”	Mr. John Griffiths, SC, CMG, QC and Mr. Michael Lok, barristers-at-law in Hong Kong
“Listing”	listing of the Shares on GEM
“Listing Date”	the date on which dealings of our Shares on GEM first commence, which is expected to be Friday, 9 October 2015
“Listing Division”	the Listing Division of the Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM and which, for avoidance of doubt, excludes GEM
“Memorandum of Association”	the memorandum of association of our Company (as amended from time to time), a summary of which is set forth in Appendix III to this prospectus
“Mr. Lam”	Mr. Lam Kin Wing Eddie (林健榮), an executive Director and one of our Controlling Shareholders
“New Shares”	170,000,000 new Shares being offered by our Group for subscription under the Placing
“Offer Size Adjustment Option”	the option to be granted by our Company to the Joint Global Coordinators (for themselves and on behalf of the Joint Underwriters) under the Underwriting Agreement to require our Company to issue up to an aggregate of 30,000,000 new Shares, representing 15% of the Placing Shares initially available, at the Placing Price, details of which are described in the section headed “Structure and Conditions of the Placing — Offer Size Adjustment Option” in this prospectus
“Placing”	the conditional placing of the Placing Shares by the Joint Underwriters on behalf of our Company and the Selling Shareholder at the Placing Price as further described in the section headed “Structure and Conditions of the Placing — Placing” in this prospectus

DEFINITIONS

“Placing Price”	the final placing price per Placing Shares in Hong Kong dollars (exclusive of any brokerage fee, SFC transaction levy and Stock Exchange trading fee) of being not more than HK\$0.40 and expected to be not less than HK\$0.30, at which the Placing Shares are to be subscribed for and issued, or purchased and sold, and which is to be determined by agreement between our Company and the Joint Global Coordinators on or before the Price determination Date, as described in the section headed “Structure and Conditions of the Placing — Placing Price” in this prospectus
“Placing Shares”	200,000,000 Shares comprising 170,000,000 New Shares being offered by our Company for subscription and 30,000,000 Sale Shares being offered by the Selling Shareholder for purchase at the Placing Price pursuant to the Placing, subject to the Offer Size Adjustment Option as mentioned in the section headed “Structure and Conditions of the Placing — Offer Size Adjustment Option” in this prospectus
“PMQ Project”	a project in relation to conservation and revitalisation of the Former Police Married Quarters by transforming it into the currently-known PMQ, a creative industry landmark on Hollywood Road, Hong Kong
“Popstate”	Popstate Limited (本林有限公司), a company incorporated under the laws of Hong Kong with limited liability on 3 January 1990 which is not a member of the Group and is wholly owned by Mr. Lam and accordingly a connected person of our Company
“PRC” or “China”	the People’s Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau Special Administrative Region and Taiwan
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement to be entered into by the Joint Global Coordinators (for themselves and on behalf of the Joint Underwriters) and our Company (for ourselves and on behalf of our Selling Shareholder) on the Price Determination Date to record and fix the Placing Price
“Price Determination Date”	the date on which the Placing Price is expected to be fixed, which is expected to be on Tuesday, 6 October 2015

DEFINITIONS

“Principal Share Register and Transfer Office”	Maples Fund Services (Cayman) Limited, PO Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands
“Reorganisation”	the corporate reorganisation of our Group prior to the issue of this prospectus, details of which are set out in the section headed “History and Development” in this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Sale Shares”	30,000,000 Shares being offered for sale by Cheers Mate, the Selling Shareholder, at the Placing Price under the Placing
“Selling Shareholder”	Cheers Mate, particulars of which are set out in the section headed “Statutory and General Information — E. Other information — 11. Particulars of the Selling Shareholder” in Appendix IV in this prospectus
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 22 September 2015, the principal terms of which are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV in this prospectus
“Sole Sponsor”	Innovax Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Techoy Construction”	Techoy Construction Company Limited (德材建築工程有限公司), a company incorporated under the laws of Hong Kong with limited liability on 2 July 1982 and an indirect wholly-owned subsidiary of our Company
“Techoy Holding”	Techoy Holding Limited, a company incorporated under the laws of the BVI with limited liability on 28 May 2015 and a direct wholly-owned subsidiary of our Company
“Track Record Period”	the period comprising the two years ended 31 March 2014 and 2015
“Underwriting Agreement”	the conditional underwriting agreement dated 29 September 2015 entered into between our Company, our executive Directors, our Controlling Shareholders, the Selling Shareholder, the Sole Sponsor, South China Securities Limited and the Joint Underwriters relating to the placing of the Placing Shares, further details of which are set out in the section headed “Underwriting” in this prospectus
“sq.m.” or “m ² ”	square metres
“%”	per cent.

In this prospectus, the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction” and “substantial shareholder” shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.

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

GLOSSARY

This glossary contains explanation of certain terms used in this prospectus in connection with our Company and our business. The terminologies and their given meanings may not correspond to the standard meanings or usage of such terms adopted in the industry.

“Airport Core Programme”	a series of infrastructure projects centred on the new Hong Kong International Airport during the 1990s with total capital cost exceeding HK\$160 billion
“Air Pollution Control Ordinance”	Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Architectural Services Department”	Architectural Services Department of the Government
“BEAM Professionals”	green building professionals accredited by the HKGBC in various aspects of the entire green building life cycle
“bill of quantity”	a document that is generally prepared by quantity surveyors or estimator and used in tendering in the construction industry in which the description, quantity and cost of each of the components or items required for the construction project are itemised
“BIM”	building information modelling, a process which involves the generation and management of digital representations of physical and functional characteristics of buildings and structures to be built
“Building (Administration) Regulation”	Building (Administration) Regulation (Chapter 123A of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Buildings Department”	the Buildings Department of the Government
“Buildings Ordinance”	Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Census and Statistics Department”	Census and Statistics Department of the Government

GLOSSARY

“Competition Ordinance”	Competition Ordinance (Chapter 619 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Contractor List”	the List of Approved Contractors for Public Works (認可公共工程承建商名冊), which comprises contractors who are approved by the Development Bureau for carrying out works in one or more of the five major categories of building and civil engineering works, i.e. “Buildings”, “Port Works”, “Roads & Drainage”, “Site Formation” and “Waterworks”
“Construction Workers Registration Ordinance”	Construction Workers Registration Ordinance (Chapter 583) of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Development Bureau”	Development Bureau of the Government
“Dumping at Sea Ordinance”	Dumping at Sea Ordinance (Chapter 466 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Employees’ Compensation Ordinance”	Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Employment Ordinance”	Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Environmental Impact Assessment Ordinance”	Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Environmental Protection Department”	Environmental Protection Department of the Government
“estimator”	an individual that quantifies the labour, material, equipment and machinery required to complete a construction project
“ETWB”	Environment, Transport and Works Bureau of the Government (環境運輸及工務局), formerly a policy bureau of the Government, certain duties of which are now taken over by Environment Bureau, Transport and Housing Bureau and Development Bureau following the reorganisation of the Policy Bureaux and Government Secretariat

GLOSSARY

“ETWB Handbook”	Contractor Management Handbook (Revision B) May 2014 (承 建商管理手冊 — 修訂版B) issued by ETWB
“Factories and Industrial Undertakings Ordinance”	Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Gazette”	the official publication of the Government for, among other things, statutory notices for public tenders
“GDP”	gross domestic product
“General Building Contractor”	the inclusion in the register of general building contractors allowed by the directors of Buildings Department pursuant to the Buildings Ordinance
“Government”	the government of Hong Kong
“Group A”	Group A of the relevant works category in the Contractor List with tender limit for contracts of value up to HK\$75.0 million. A Group A contractor means an approved contractor satisfying Group A’s qualification
“Group B”	Group B of the relevant works category in the Contractor List with tender limit for contracts of value up to HK\$185.0 million. A Group B contractor means an approved contractor satisfying Group B’s qualification
“Group C”	Group C of the relevant works category in the Contractor List with tender limit for contracts of any values exceeding HK\$185.0 million. A Group C contractor means an approved contractor satisfying Group C’s qualification
“HKGBC”	The Hong Kong Green Building Council Limited
“hoarding”	erecting fences or scaffolds on the ground and/or overhead structures to form a barrier between construction sites and adjoining area of the construction sites
“Housing Authority”	Hong Kong Housing Authority of the Government
“Housing Society”	Hong Kong Housing Society

GLOSSARY

“IMS”	integrated management system, a management system that combines all related components of a business, including quality, environmental, health and safety, into one system, enabling an organisation to work as a single unit with unified objectives
“Inland Revenue Ordinance”	Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“ISO”	the International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the management system of business organisations
“ISO 9000”	a family of standards set by ISO for quality management systems when an organisation needs to demonstrate its ability to provide products that fulfil customers and applicable regulatory requirements and aim to enhance customer satisfaction. ISO 9001 is a member of that family and ISO 9001:2008 is the current version of ISO 9001
“ISO 14000”	a family of environmental management standards set by ISO for assisting a company to continually improve its ability to efficiently identify, minimize, prevent and manage environmental impacts. ISO 14001 is a member of that family and ISO 14001:2004 is the current version of ISO 14001
“ISO 50000”	a family of standards set by ISO for energy management systems to enable a company to follow a systematic approach in achieving continual improvement of energy performance, including energy efficiency, energy use and consumption. ISO 50001 is a member of that family and ISO 50001:2011 is the current version of ISO 50001
“main contractor” or “principal contractor”	a contractor who enters into a contract directly with the employer of a project, and assumes full responsibility for the satisfactory completion of the construction work. A main contractor or a principal contractor operating at construction sites must be registered under the Buildings Ordinance for the capability and responsibility of undertaking new construction work, and in case of Government works, approved by the WBDB

GLOSSARY

“Mandatory Provident Fund Schemes Ordinance”	Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Minimum Wage Ordinance”	Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“new works”	development or re-development works, including building, demolition, site formation and civil engineering works
“Noise Control Ordinance”	Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Occupational Safety and Health Ordinance”	Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Occupiers Liability Ordinance”	Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“OHSAS 18001”	an internationally recognised specification for occupational health and safety management systems to enable a company to develop and implement a policy and objectives which take into account legal requirements and information about occupational risks and to improve their occupational safety and health performance
“RMAA”	repair, maintenance and addition and alteration works
“schedule of rates”	a set of general regulations and special conditions governing the execution of work and payment for works performed
“SGS”	SGS United Kingdom Limited, an inspection, verification, testing and certification company
“Specialist List”	the List of Approved Suppliers of Materials and Specialist Contractors for Public Works (認可公共工程物料供應商及專門承造商名冊), which comprise contractors who are approved by the Development Bureau for carrying out one or more of the 50 categories of specialist work

GLOSSARY

“WBDB”

Works Branch Development Bureau (發展局工務科) of the Government, or where the context refers to any time prior to its establishment, the relevant predecessor government secretaries or department which undertook such public function

FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS MAY NOT MATERIALISE

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “project”, “will”, “may”, “plan”, “consider”, “anticipate”, “seek”, “should”, “would” or similar expressions or the negative thereof, are forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, *inter alia*, the following:

- future development, trends and conditions in the industry and markets in which we operate
- expansion, consolidation or other trends in the industry in which we operate
- regulations and restrictions
- general political and economic conditions in Hong Kong and internationally
- macroeconomic measures taken by the Hong Kong and/or the PRC governments to manage economic growth
- our business prospects
- the competition for our business activities and the actions and development of our competitors
- financial condition and performance of our Group
- our dividend policy
- changes to our use of capital expenditures
- realisation of the benefits of our business plan and strategies

FORWARD-LOOKING STATEMENTS

We believe that the sources of information and assumptions contained in such forward-looking statements are appropriate sources for such statements and have taken reasonable care in extracting and reproducing such information and assumptions. We have no reason to believe that information and assumptions contained in such forward-looking statements are fake or misleading or that any fact has been omitted that would render such forward-looking statements inaccurate or misleading in any material respect. Additional factors that could cause actual performance or achievements of our Group to differ materially include, but are not limited to those discussed under the section headed “Risk factors” and elsewhere in this prospectus.

These forward-looking statements are based on current plans and estimates, and apply only as of the date they are made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement.

RISK FACTORS

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Placing Shares. You should pay particular attention to the fact that the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. The business, financial condition or results of operations of our Group could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.

RISK RELATING TO THE PMQ PROJECT SPECIFICALLY

The PMQ Project accounted for approximately 83.4% and 20.9% of our total revenue during the Track Record Period and there is no assurance that we will be able to enter into projects which generate similar level of revenue in the future

During the Track Record Period, we completed the PMQ Project in Hong Kong which was commenced in January 2012 and was substantially completed in December 2013. For the years ended 31 March 2014 and 2015, revenue derived from the PMQ Project amounted to approximately HK\$143.6 million and HK\$43.3 million, respectively, representing approximately 83.4% and 20.9% of our total revenue respectively. Since, the PMQ Project is a one-off project and is not recurrent in nature, there is no assurance that we will be able to enter into projects with similar scale and contract sum that generate similar level of revenue in the future.

RISKS RELATING TO THE BUSINESS OF OUR GROUP

Our cash flows may fluctuate due to the payment practice applied to our projects

As at 31 March 2014, 2015 and as at 31 July 2015, our cash and cash equivalents were approximately HK\$34.9 million, HK\$55.6 million and HK\$52.8 million respectively. As a main contractor, we normally incur net cash outflows at the early stage of carrying out our works when we are required to pay the setting up expenditures in advance of payments from our customers. Our customers will pay progress payments after our works commence and such works and payments are certified by the architects of our customers. Accordingly, the cash flows of a particular project will turn from net outflows at the early stage into accumulative net inflows gradually as the works progress.

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

RISK FACTORS

Our customers pay us by way of progress payment and require retention money, and there is no guarantee that progress payment is paid to us on time and in full, or that retention money is fully released to us after the expiry of the defect liability period

We normally receive progress payment from our customers on a monthly basis, with reference to the value of the works completed in the preceding month. Generally, the value of the works completed is assessed by the architects of our customers who will issue an interim certificate certifying the work progress in the preceding month.

In line with industry practice, there is generally a contract term for our customer to secure our Group's due performance by holding up retention money from the progress payment. As for contracts with the Government and quasi-Government organisations, the certified value retained at each stage is generally 1% of the progress payment, subject to a limit of retention fund of not more than 1% of the total contract sum. As for contracts with private sector customers, the certified value retained at each stage is generally 5–10%, subject to a limit of retention fund of not more than 5% of the total contract sum. In general, the retention money will be released to us after expiry of the defect liability period subject to the confirmation from the architect of our customers regarding satisfaction with our works.

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

We rely on a limited number of major customers

The Government and quasi-Government organisations were the major customers of our Group for the years ended 31 March 2014 and 2015, accounting for approximately 90.8% and 74.0% of our total revenue respectively. During the Track Record Period, revenue derived from our five largest customers amounted to approximately 96.2% and 96.1% of our total revenue in the years ended 31 March 2014 and 2015 respectively. Our five largest customers during the Track Record Period have maintained business relationship with us for a period ranging from one year to 20 years.

We expect that the Government and quasi-Government organisations will continue to be our major customers. Therefore, any decrease or delay in the Government's or quasi-Government organisations' spending in the construction industry could have an adverse effect on our operations and profits. In addition, there is no assurance that we can diversify the composition of our customer base.

RISK FACTORS

Our Group's success significantly depends on the key management and our ability to attract and retain additional technical and management staff

Our Group's success and growth depends on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Our Directors and members of our senior management, especially our executive Directors, are important to us. If any of our executive Directors cease to be involved in the management of our Group in the future and our Group cannot find suitable replacements in a timely manner, there could be an adverse effect on the business, results of operation and profitability of our Group.

Detailed qualifications of our executive Directors are set out in the section headed "Directors and Senior Management" in this prospectus. Our executive Directors are responsible for our business strategies and major business decisions, general management and day-to-day operation. In addition, they have established relationships with our Group's customers, sub-contractors and suppliers.

Mr. Lam, our Chairman and an executive Director, has over 37 years of experience in the construction industry of Hong Kong. His experience, coupled with his extensive knowledge of the building construction industry in Hong Kong, enables him to understand market dynamism and industry practice for the building construction industry. In addition, as at the Latest Practicable Date, Mr. Lam was the only technical director in respect of the registered general building contractor license of Techoy Construction. In the event that Mr. Lam ceases to act as a technical director for Techoy Construction and no acceptable replacement could be appointed by our Group within a reasonable period of time, our Group must suspend all our building works immediately. The Buildings Department does not provide any definition on "reasonable period of time". To the best knowledge and belief of our Directors, a period of around three to six months is generally allowed by the Buildings Department for appointing acceptable replacement.

Mr. Shut, our executive Director, has over 28 years of experience in the construction industry of Hong Kong. We believe that our executive team of management has the ability to develop and manage efficient operations and enables us to formulate and execute sound business strategies. There is no assurance that our Group can retain the continuous services of our executive Directors and other members of our senior management. If we fail to retain their continuous services in the management of our Group and we are unable to find suitable replacements in a timely manner, there could be an adverse and material impact on the business, results of operation and profitability of our Group.

Further, our Group retained a lean organisation structure with only 48 full time employees as at the Latest Practicable Date. Our key business decisions are made directly by our senior management team. Therefore, the number of projects that can be executed by our Group simultaneously at any given time is also limited by the capacity of our management team. In the event that we cannot retain our key employees or if there is unanticipated departure of our

RISK FACTORS

executive Directors and key management personnel without appropriate replacement, it may temporarily reduce our capacity and in turn affect our ability to carry out services for our customers which could adversely affect our business operations and profitability.

Our financial performance and results of operations will be affected by Listing expenses and other non-recurring expenses

The Listing expenses to be borne by our Group are estimated to be approximately HK\$17.1 million (assuming the Offer Size Adjustment Options are not exercised and assuming the Placing Price of HK\$0.35 per Placing Share, being the midpoint of the indicative Placing Price range of HK\$0.3 to HK\$0.4 per Placing Share), of which (i) approximately HK\$4.8 million is directly attributable to the issue of Placing Shares which is to be accounted for as a deduction from equity; (ii) approximately HK\$11.4 million is to be charged to profit or loss of our Group for the year ending 31 March 2016 and (iii) approximately HK\$0.9 million is borne by our Selling Shareholder. Expenses in relation to the Listing are non-recurring in nature but we expect that it will significantly affect the financial performance of our Group for the year ending 31 March 2016.

Our financial performance and results of operations for the year ending 31 March 2016 will also be affected by other non-recurring expenses, namely expenses in relation to the feasibility study of setting up the “design and build” department. As disclosed in the section headed ‘Business - Business Strategies — Expand our building construction service capacity to cover “design and build” projects’, we plan to further widen our spectrum of building construction services by setting up a “design and build” department to pursue business opportunities in relation to “design and build” contracts. Therefore, we intend to conduct a feasibility study of setting up the “design and build” department and the expenses incurred thereof will have an adverse effect on the financial results of our Group.

In view of the above, potential investors should note that the financial results of our Group for the year ending 31 March 2016 will be significantly affected by the Listing expenses and other non-recurring expenses, and our Group’s net profit for the year ending 31 March 2016 is expected to show a significant decline as compared to that for the prior financial year. Please refer to the paragraphs headed “Summary — Recent Development” and “Financial Information — Material Adverse Change” in this prospectus for further details.

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

Our Group’s business is project-based. Fee collection and profit margin significantly depend on several factors, such as the terms of the work contracts, the length of the contract period, the efficiency of implementation of the contract works and the general market conditions. Therefore, the income flow of the business of our Group is irregular and is subject to various factors beyond the control of our Group. As such, there is no assurance that the profitability of a project can be maintained or estimated at any particular level. In addition, the fee collection by the Group, the profit margin and time for profit recognition depend on the terms of the work contracts and may also be irregular.

RISK FACTORS

Our Group determines the tender price based on the estimated time and costs involved in a project which may deviate from the actual time and costs involved. Inaccurate estimation may adversely affect our financial results

Construction contracts are normally awarded through tendering. We have to estimate the time and costs involved in a project in order to determine the tender price. There is no assurance that the actual time and costs of the project would not exceed our estimation.

The time taken and the cost actually involved in completing a project undertaken by us may be adversely affected by many factors, such as shortage and cost escalation of labour and materials, adverse weather conditions, additional variations to the construction plans requested by our customers or because of technical construction needs, dispute with sub-contractors, accidents, changes in the Government's level of spending and unforeseen problems and circumstances. Any one of the above factors may lead to delays in completion of construction or other works or cost overruns. During the Track Record Period, our Directors do not note any material delay or cost overrun.

Our failure to obtain permits or approvals from Government agencies or authorities in carrying out any particular construction or other work project in a timely manner can increase the cost or delay the progress of a project as well. Failure to complete construction in accordance with specifications and quality standards on a timely basis may result in disputes, contract termination, liabilities and/or lower returns than anticipated on the project concerned. Such delays or failures to complete may cause our revenue or profitability to be lower than what we have expected.

We have records of non-compliance with certain Hong Kong regulatory requirements

We have previously been involved in a non-compliance matter in relation to non-compliance with certain conditions and terms of Government leases and occupation permits with respect to prescribed land use. Please refer to the section headed "Business — Legal Compliance — Non-compliance of our Group" in this prospectus for further details of the non-compliance matter.

There is no assurance that the relevant authorities would not take any enforcement action against our Group and our Directors in relation to the non-compliance matter. In the event that such enforcement action is taken, our reputation, cash flow and results of operations may be adversely affected.

We are exposed to dispute or litigation

As main contractor, we are principally responsible for the implementation of building construction and RMAA works and we may receive claims in respect of various matters from customers, sub-contractors, workers and other parties concerned with the projects from time to time. Such claims include claims for liquidated damages for late completion of works and delivery of substantial works, and claims in respect of personal injuries and labour compensation in relation to works.

RISK FACTORS

Please refer to the section headed “Business — Litigation and Potential Claims” in this prospectus for details of the outstanding and potential claims against our Group.

Such claim may fall outside the scope and/or limit of our insurance coverage. There is also no assurance that the insurance company will not counterclaim us for breach of the terms and conditions of the relevant policy. In either case, our financial position may be adversely affected.

We also need to divert management resources and incur extra costs to handle the aforementioned outstanding and potential claims, which could affect our corporate image and reputation in the construction industry if they were published by the press. If the aforementioned claims were successfully made against our Group, it would result in the incurring of legal costs, which in turn could adversely affect our revenue, results of operation and financial position.

We may have contingent liabilities involving uncertainty as to possible loss to our Group

As a security for our due and faithful performance under the relevant contract, our non-Government customers generally require our Group to provide surety bonds in an amount not exceeding 10% of the contract sum issued by a bank or insurance company upon the project being awarded to our Group. As at the Latest Practicable Date, approximately HK\$0.6 million of surety bond was given by an insurance company in favour of one of our customers. In the event that we failed to provide satisfactory performance to our customers to whom the surety bonds have been given or fail to observe the terms, conditions and specifications under the contract with our customers, such customers are entitled to seek compensation from the banks or insurance companies for financial losses incurred not exceeding the bond amount, and, depending on the terms of the surety bonds and the amount of premium and/or arrangement fee payable to the banks or insurance companies, our Group may be required to reimburse the banks or insurance companies for any claims paid.

We are exposed to certain types of liabilities that are generally not insured against

During the Track Record Period, our Group maintained insurance coverage against, among others, (i) employees’ compensation insurance; (ii) contractor’s all risks insurance; and (iii) office protection insurance. Please refer to the section headed “Business — Insurance” for further details. Certain types of risks, such as the risk in relation to the collectability of our trade and retention receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. If an uninsured liability arises, we may suffer losses which may adversely affect our financial position. There can be no assurance that all potential losses and claims, regardless of the cause, would be sufficiently covered and/or recoverable from the insurers.

RISK FACTORS

We depend on our sub-contractors to complete our projects and we may be responsible for any sub-standard performance or non-performance of our sub-contractors

During our operations, we engage sub-contractors to provide certain services or manpower. We have established a system with respect to the selection and control of sub-contractors, including maintaining a regularly updated list of approved sub-contractors, conducting regular and ad hoc meetings with the sub-contractors, conducting routine checking by the site supervision staff and reviewing the quality of services provided by the sub-contractors with our project team members. Nevertheless, there is no assurance that we are able to monitor the performance of these sub-contractors as directly and efficiently as with our own staff.

Suitable sub-contractors may not always be readily available when we need to outsource the works of our project. If we cannot hire suitable sub-contractors, our ability to complete projects could be impaired. If the amounts we are required to pay to the sub-contractors exceed what we have estimated, especially in contracts where no contract price fluctuation mechanism is available, we may suffer losses on these contracts. If a sub-contractor fails to provide services as required under a contract, we may need to source these services on a delayed basis or at a higher cost than anticipated, which could impact our profitability. If the sub-contractor's performance fails to meet our standards, the quality of the whole project may be adversely affected, which could harm our reputation and potentially expose us to litigation and damages claims. During the Track Record Period, our Group did not receive any material claim or complaints from our customers in relation to the works performed by our sub-contractors.

In addition, if our sub-contractors violate any laws, rules or regulations in relation to health, safety and environmental matters, we may expose ourselves as an obligor to prosecutions by relevant authorities, and may become liable to claims for losses and damages if such violations lead to any personal injuries/death or damage to properties. If there is any violation, whether substantial or minor in nature of any laws, rules or regulations, occurred at sites for which we are responsible, our operations and hence our financial position will be adversely affected.

Our Group is relying on certain principal sub-contractors to implement the contracts

During the years ended 31 March 2014 and 2015, our Group's largest sub-contractor accounted for approximately 13.6% and 14.2% of the Group's total direct cost and our Group's five largest sub-contractors accounted for approximately 41.2% and 38.1% of our Group's direct cost respectively. There is no assurance that those major sub-contractors will be able to continue to provide services to our Group at fees acceptable to our Group or our Group can maintain its relationship with them in the future. Changes in sub-contracting fees may be caused by changes in cost of labour and materials, technical specifications or customers' requirements in connection with the projects. In some instances, additional labour costs and material costs derived from delay in completion of projects caused by adverse weather condition and other unforeseen problems and circumstances may increase the sub-contracting fees. If any of our major sub-contractors cannot provide the required services to our Group or the costs for them to provide those required services

RISK FACTORS

increase substantially, changes in sub-contracting fees may adversely affect our financial performance and our Group's business, results of operations, profitability and liquidity may be adversely affected.

Failure to implement safety measures on construction sites may lead to occurrence of personal injuries, property damages or fatal accident

During our operations, we require our sub-contractors to follow and adopt all the safety measures and procedures as stipulated in the section headed "Business — Occupational Health and Safety" in this prospectus. There is no assurance that there will not be any violations of rules, laws or regulations by our sub-contractors. If our sub-contractors fail to implement safety measures on our construction sites, there may be higher number of occurrence and more seriousness of personal injuries, property damage or fatal accidents, which may adversely affect the financial position of our Group to the extent not covered by our insurance policy and may cause our relevant licences being suspended or not renewed.

Furthermore, there is no assurance that the Government will not introduce new ordinances or regulations in the future and that our Group will be able to comply with such new ordinances or regulations. Any failure to comply with such new laws or regulations may have an adverse effect on the operations of our Group.

The works of our projects are labour intensive and we rely on a stable supply of labour to carry out our projects

The works of our projects are essentially labour intensive works. According to the Ipsos Report, due to aging of the existing workforce and the reluctance of youngsters to join the construction industry, the problem of labour shortage will prevail for a long period of time.

During the Track Record Period, we have not encountered any material difficulties in recruiting labour to work for our projects in Hong Kong. There is no guarantee that the supply of labour will be stable. In the event that we or our sub-contractors fail to retain our existing labour and/or recruit sufficient labour in a timely manner to cope with the demand of our existing or future projects and/or there is a significant increase in the costs of labour, we may not be able to complete our projects on schedule and within budget and our operations and profitability may be adversely affected.

We engage labour of different trades who may launch industrial action or strikes to demand higher wages and shorter working hours

Construction works are usually split into various different trades. Each trade cannot be easily substituted by labour of another trade as it requires highly specialised labour of its own. Consequently, industrial action of any one trade can disrupt our construction progress. During the Track Record Period, the construction industry in Hong Kong encountered strike actions by lifting workers, nail plate workers, concrete workers, steel benders and fixers and handymen.

RISK FACTORS

There is no assurance that trade unions will not launch industrial actions or strikes to demand higher wages and/or shorter working hours. If we meet their demand, we will incur additional labour costs, and if not, we will be exposed to the risk of further delay in completion of the projects and our customers may claim against us for breach of contract. In either case, these industrial actions or strikes may adversely affect our profitability and results of operations.

Our revenue is mainly derived from projects which are non-recurring in nature

The projects undertaken by our Group are mostly on a case by case basis. As such, our revenue derived from such projects is not recurring in nature and we cannot guarantee that our customers will provide us with new business after completion of the current projects. Further, our Group has to go through the tendering process to secure new project work. In the event that we are unable to maintain business relationship with existing customers or unable to secure new contracts, our business and hence our revenue will be adversely affected.

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

For the years ended 31 March 2014 and 2015, our revenue amounted to approximately HK\$172.2 million and HK\$207.0 million, respectively, representing a year-on-year growth rate of approximately 20.2%. For the years ended 31 March 2014 and 2015, our profit and total comprehensive income attributable to the shareholders amounted to approximately HK\$12.3 million and HK\$17.8 million, respectively, representing a year-on-year growth rate of approximately 44.1%.

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

There is no assurance that we can maintain our eligibility to tender public works of the Government

Contractors qualified with the WBDB are subject to a regulatory regime which is put in place to ensure that standards of financial capability, expertise, management and safety are kept by contractors carrying out Government works.

Under the regime, a qualified contractor could be prohibited from tendering for public works of relevant category during a suspension period if a serious construction accident occurs at a construction site for which the contractor is responsible for or the safety performance of the contractor is not satisfactory. There is no assurance that serious accident will not happen on constructions sites for which we are responsible as main contractor, or that we will not be subject to regulatory actions in the future which may have a negative effect on our overall operations or on our eligibility to tender for Government works.

RISK FACTORS

Our participation in Government projects may draw public attention. Such publicity may or may not be adverse and there is no assurance that such publicity, whether adverse to the Group or not, will not be overstated.

Our Group's operations are subject to due compliance with the Minimum Wage Ordinance

The Minimum Wage Ordinance came into effect on 1 May 2011 and the current statutory wage level is fixed at HK\$32.5 per hour. According to the 2014 Report on Annual Earnings and Hours Survey by the Census and Statistics Department of the Government, the median hourly rate of employees in the construction industry is HK\$76.2. As confirmed by our Directors, the rate currently paid by our Company is well above the current minimum statutory wage level.

There is no assurance that the minimum wage requirement would not be raised to a much higher level. In the event that the Government decides to substantially increase the minimum wage level, our Group may have to incur substantially additional costs for the labour costs. If our Group fails to pass on the increased cost burden to our customer, the profitability of our Group could be adversely affected.

Furthermore, as statutory minimum wage is part of wages, in accordance with section 43C(2) of the Employment Ordinance, we as principal contractor are obliged to bear the liability of the first two months' unpaid wage if our sub-contractors fail to pay statutory minimum wage in accordance with the Minimum Wage Ordinance.

Failure to meet schedule requirements of contracts may result in liquidated damages imposed on our Group

Substantially all of our Group's contracts are subject to specific completion schedule requirements with liquidated damages charged to our Group if our Group fails to meet the schedules. Liquidated damages are typically levied at a rate provided in the relevant contract for each day of delay. Any failure to meet the schedule requirements of the contracts could cause our Group to pay significant liquidated damages, which would adversely affect our liquidity and cash flows and have a material adverse effect on our business, financial condition, results of operations, reputation and prospects.

Our Group's projects with the private sectors in Hong Kong is subject to higher inflation risk

During the Track Record Period, our projects were secured through tendering. For each tendering, we are generally required to submit a fixed tender price.

Unlike the Government and quasi-Government contracts, which usually have a contract price adjustment mechanism allowing adjustment of contract price as a result of change in materials and labour costs, private sector projects in general do not have such adjustment mechanism. As such, once the tender price is fixed, the contractor is obliged to complete the private sector contract at

RISK FACTORS

such fixed price and have to bear any possible cost increase due to inflation. Our Directors consider that the inflation risk associated with private sector projects is higher than that with the Government.

Defect Liability Claims

It is the common practice in the industry that a defect liability period is required by our customers, during which we are responsible to rectify all works defects identified by the architects of our customers. The defect liability period is generally 12 months from the date of practical completion certificate. If there is any significant claim raised by our customers or other parties against us for defect liability or any default or failure in relation to our works, we may incur significant amount in rectifying such defects or in settling such claims and in such event our profitability would be adversely affected.

Our Group's operations could be affected by adverse weather conditions and are subject to other construction risks

Most of our projects are carried out outdoor. Hence, the operations of our Group may be interrupted or otherwise affected by adverse weather conditions such as rainstorms, tropical cyclones and continuous rain which may cause problems to our Group in completing our project on schedule.

Although the Government and quasi-Government contracts usually provide a mechanism allowing the extension of time for completion of the projects in case of adverse weather condition, such mechanism does not cater for the carry-over effect of the adverse weather. In addition, such mechanism may not always be available in private sector projects. If there is delay in the work of our private sector projects due to adverse weather conditions, we have to accelerate our work progress in order to catch up and complete the work on schedule. Any delay in completion of the projects will make us subject to penalty and will adversely affect the operating results of our Group. Further, the acceleration of work will inevitably incur additional costs.

We are also subject to other construction risks such as fire, suspension of water and electricity supplies which may not only affect our work progress but also pose risks on our properties kept at the construction site.

Our Group may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees or other third parties

There is no assurance that instances of fraud or other misconduct committed by our employees or other third parties will not take place in the future. We may be unable to detect, deter and prevent all such instances. Any of such fraud or other misconducts committed at the expense of our Group's interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our Group's business operations, results and financial conditions.

RISK FACTORS

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

We face keen competition

Our Group holds a license and various construction related qualifications granted by the respective Government departments and quasi-Government organisations that enable us to bid for and carry out Government and quasi-Government organisations contracts. Our Group is (i) a “Group C” contractor under the “Buildings” category on the Contractor List maintained by the WBDB; (ii) registered under the “Repair and Restoration of Historic Buildings” category of the Specialist List maintained by the WBDB; and (iii) a “Group NW1 (confirmed)” contractor under the Building (New Works) category and a “Group M1 (confirmed)” contractor under the Building (Maintenance) category on the Housing Authority’s List of Building Contractors.

There are a large number of qualified building construction service providers and RMAA service providers in Hong Kong. In Hong Kong, building construction service providers and RMAA service providers must be licensed to be registered general building contractors under the Buildings Ordinance and must have obtained other requisite licences, depending on the skills and technical capabilities required for relevant projects. New participants may be admitted to compete with us provided that they attain the required technical and management capabilities and skills and are granted the required licences.

According to the Ipsos Report, there were around 922 approved main contractors in the building construction works contracting industry in Hong Kong and around 340 approved main contractors in the RMAA service industry in Hong Kong in 2014. Due to the large number of competitors, we may face significant downward pricing pressure which would reduce our profit margins.

Thus, if we fail to compete effectively or maintain our competitiveness in the market, our business, financial condition and results of operations will be adversely affected.

Our Group’s business relies on a number of approvals and qualifications

A contractor has to be included in the Contractor List under one or more of the work categories maintained by the WBDB so as to be eligible to tender for public work projects. To become listed as an approved contractor, the contractor has to apply for inclusion in the list of the particular work categories and/or group. In spite of the admission of a contractor to the list, if the contractor’s performance or tendering record is found to be unsatisfactory or the contractor is unable to meet the relevant financial, technical or management criteria for retention on the list, the Government reserves the right to remove the contractor from the list or take other regulatory actions against the contractor such as suspension, downgrading in status or demotion to a lower level group, in respect of all or any of the work categories.

Please refer to the section headed “Regulatory Overview” in this prospectus for details of the major qualifications held by our Group.

RISK FACTORS

In addition, if our Group is convicted of a series of safety or environmental offences within a short period of time, or if a fatal or serious construction accident occurs at a construction site for which we are responsible, depending on the seriousness of the incident, regulatory actions may be taken against our Group such as removal of our Group from the Contractor List, downgrading of our qualification to a lower status or class, suspension or restriction on us from tendering for projects.

In the event of withdrawal, revocation, suspension or downgrading of any of the Group's qualifications in any work category, the business, the prospects and operation of the Group could be adversely affected.

Our Group's operations are subject to due compliance with a number of environmental protection laws, regulations and requirements

Our Group is required to comply with numerous environmental protection laws, regulations and requirements in Hong Kong. Please refer to the section headed "Business — Environmental matters" in this prospectus for further details in relation to our measures and work procedures that are required to be followed by our operations staff and workers in respect of environmental protection compliance. If our Group's operations fail to meet the applicable environmental protection laws, regulations and requirements, our Group may be subject to fines or required to make remedial measures which may in turn adversely affect our operations and financial condition. Furthermore, should there be any change to the environmental protection laws, regulations and requirements, we may incur additional cost in order to comply with the new law(s), regulation(s) and requirement(s), which in turn may adversely affect the profitability of our Group.

Our Group's business could be adversely affected by the Government's level of spending on public works

During the years ended 31 March 2014 and 2015, approximately 88.1% and 22.3% of our Group's revenue was generated from provision of services to the Government. As some public works projects are non-recurring in nature, the level of Government's spending budget may vary from year to year. Consequently, any change or significant delay in the level of spending on public works by the Government may affect the business and operation results of our Group. Should the Government reduces its level of spending on public works and our Group fails to secure business from other sectors, the business and profitability of our Group could be adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN HONG KONG

Hong Kong is our principal market and our business is susceptible to any material deterioration in the economic and regulatory environment in Hong Kong

Our business is currently located in Hong Kong and all of our customers were based in Hong Kong during the Track Record Period. We expect that Hong Kong will continue to be our principal market and place of operation. Accordingly, if Hong Kong experiences any material adverse economic or regulatory conditions due to events beyond our control, such as local economic

RISK FACTORS

downturn, natural disasters, contagious disease outbreaks, terrorist attacks, or if the government adopts regulations that place restrictions or burdens on us or on our industry in general, our business, results of operations and prospects would be materially and adversely affected.

In addition, we do not have business presence in overseas jurisdictions, and may have difficulty in relocating our entire business operation to other geographic markets if there is any material deterioration in the economic and regulatory environment in Hong Kong.

Risk of taxation changes in Hong Kong

Under the prevailing Hong Kong laws and regulations, our profit is subject to taxation in Hong Kong. There is no assurance that the prevailing tax laws and regulations will not be revised or amended in the future. Any revision or amendment in tax laws and regulations may have an adverse impact on our business operations and financial results.

RISKS RELATING TO THE PLACING

There has been no prior public market for Shares in the Company

Prior to the Placing, there has been no public market for our Shares. The Placing Price may not be indicative of the price at which the Shares will be traded on the Stock Exchange following completion of the Placing. In addition, there can be no guarantee that an active trading market for the Shares will develop or, if it does develop, that it will be sustained following completion of the Placing or that the market price of the Shares will not fall below the Placing Price.

Liquidity and market price of the Shares are subject to various factors that are out of our control

The market price and trading volume of the Shares may be highly volatile. Factors such as variations in our Group's revenues, earnings or cash flows, and/or announcements of new investments, strategic alliances and/or acquisitions and fluctuations in prices for the major components could cause the market price of the Shares to change substantially. Any such developments may result in large and sudden changes in the volume and market price at which the Shares will be traded. There is no assurance that these developments will not occur in the future. It is possible that the Shares will be subject to changes in market price that may not be directly related to our Group's financial or business performance.

The trading price of the Shares can also be subject to significant volatility in response to, among other things, the following factors:

- (1) investors' perception of our Group and our future business plan;
- (2) variation in the operating results and financial position of our Group;
- (3) changes to our Group's senior management;

RISK FACTORS

- (4) unanticipated business interruptions caused by outbreaks of diseases, natural disasters or accidents;
- (5) potential litigation or regulatory investigations against our Group, if any;
- (6) the depth and liquidity of the market for the Shares; and
- (7) general economic and other material factors affecting our Group.

Future sale of the Shares or major divestment of Shares by any of our major Shareholders could adversely affect the market prices of the Shares

The sale of a significant number of the Shares in the public market after the Placing or the perception that these sales may occur, could adversely affect the market price of the Shares. Except as provided under the GEM Listing Rules or otherwise described in the sections headed “History and Development” and “Underwriting” in this prospectus, there is no restriction imposed on Controlling Shareholders and corporate investors to dispose of their shareholdings in our Company. Any major disposal of Shares by any of our major Shareholders may cause the market price of our Shares to fall. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price our Directors deem appropriate, thereby limiting our ability to raise capital.

Dilution effect and impact of exercise of options granted under the Share Option Scheme

Our Group may need to raise additional funds in the future to finance expansion or new developments relating to its operations or new acquisitions. If additional funds are raised through the issue of new equity or equity-linked securities of our Company other than on a pro rata basis to existing Shareholders, the percentage ownership of the Shareholders in the Company may be reduced and the Shareholders may experience dilution in their percentage shareholdings in our Company. In addition, any such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

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

RISK FACTORS

Investors should not rely on any information contained in the press articles or other media regarding us and the Placing

Prior to the publication of this prospectus, there might have been press articles and media coverage regarding us and the Placing which might include certain financial information, financial projections, and other information about us which do not appear in this prospectus. We do not accept any responsibility for, and we cannot guarantee and make no representation as to, the appropriateness, accuracy, completeness or reliability of such information. Potential investors are therefore cautioned to make their investment decisions based solely on the information contained in this prospectus.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

We cannot guarantee the accuracy of the statistics and facts with respect to the construction industry and the economy of Hong Kong in this prospectus

This prospectus contains information and statistics relating to the economy and construction industry derived from various official government publications, research reports and organisations which we believe are reliable. While we believe that such information and statistics are appropriate sources for such information, and our Directors have taken reasonable care in the reproduction of the information and have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading, such information has not been prepared or independently verified by us, the Sole Sponsor or any of our or their respective affiliates or advisers. Therefore, we make no representation as to the accuracy of such information and statistics, which may not be consistent with other information compiled within or outside Hong Kong or available from other sources. Due to possibly flawed or ineffective research methods or discrepancies between the published research result and actual market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Accordingly, potential investors should give careful consideration as to how much weight or importance should be attached or placed on such statistics, projected industry data and other information relating to the economy and the industry.

RISK FACTORS

There is a possibility that forward-looking statements contained in this prospectus may not materialise

Included in this prospectus are various forward-looking statements which can be identified by the use of forward-looking terminology such as “aims”, “believes”, “expects”, “will”, “should”, “could”, “seeks”, “anticipates”, “plans” or “intends” or by the negative of any of these terms or comparable terminology, or by discussions of strategy or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our Group’s actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on assumptions regarding our Group’s present and expected future business strategies and the environment in which our Group will operate in the future. Important factors that could cause our Group’s actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the loss of our Group’s key personnel and changes relating to Hong Kong, the PRC and global economic and business conditions.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

UNDERWRITING

This prospectus sets out the terms and conditions of the Placing.

This prospectus is published solely in connection with the Placing, which is sponsored by the Sole Sponsor and managed by the Joint Lead Managers and is fully underwritten by the Joint Underwriter (subject to the terms and conditions of the Underwriting Agreement). Further information about the Joint Underwriters and the underwriting arrangements is contained in the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON SALE OF THE PLACING SHARES

Each person acquiring the Placing Shares will be required to confirm, and by his/her acquisition of the Placing Shares he/she will be deemed to have confirmed that he/she is aware of the restrictions on offers and sales of the Placing Shares described in this prospectus.

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

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

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

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

SELLING SHAREHOLDER

The Placing consists of 200,000,000 Placing Shares, of which 30,000,000 Sale Shares are being sold by Cheers Mate, the Selling Shareholder. We estimate that the net proceeds to the Selling Shareholder from the sale of the Sale Shares (after deduction of proportional underwriting commission and estimated expenses and fees payable by our Selling Shareholder in relation to the Placing) will be approximately HK\$0.9 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

Details of the Selling Shareholder are set out in the section headed “Statutory and General Information — E. Other Information — 11. Particulars of the Selling Shareholder” in Appendix IV to this prospectus.

APPLICATION FOR LISTING ON GEM

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Placing and as otherwise described herein. Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. A total of 200,000,000 Placing Shares representing approximately 25% of the enlarged issued share capital of our Company will be in the hands of the public immediately following completion of the Capitalisation Issue and the Placing (assuming the Offer Size Adjustment Option is not exercised and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), and upon Listing.

No part of our Company’s share or loan capital is listed or dealt in on any other stock exchange. As at the Latest Practicable Date, our Company was not seeking or proposing to seek a listing of, or permission to deal in, any part of our share or loan capital on any other stock exchange other than the Stock Exchange.

The Shares are freely transferable. Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment or transfer made in respect of any placing of the Placing Shares will be void if permission for the listing of, and dealing in, the Shares on GEM has been refused before the expiration of three weeks from the date of closing of the Placing or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

All the Placing Shares will be registered on the Hong Kong branch register of members of our Company in Hong Kong by the Hong Kong Branch Share Registrar. Dealings in the Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. Dealings in the Shares registered on the principal register of members of our Company maintained on the Cayman Islands will not be subject to the Cayman Islands stamp duty.

Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on any other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

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

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors for the Placing Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in our Shares or exercising their rights thereunder. It is emphasised that none of our Group, our Directors, the Selling Shareholder, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Underwriters and their respective directors or employees or any other persons involved in the Placing accepts responsibility for any tax effects on, or liability of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in our Shares.

LANGUAGE

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

STRUCTURE AND CONDITIONS OF THE PLACING

Details of the structure and conditions of the Placing are set out in the section headed "Structure and Conditions of the Placing" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

ROUNDING

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in our Shares on GEM are expected to commence on or about Friday, 9 October 2015. Shares will be traded in board lots of 8,000 Shares each.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. Lam Kin Wing Eddie (林健榮) (Chairman)	Flat D, 40/F, Tower 6 The Waterfront 1 Austin Road West Tsim Sha Tsui Kowloon Hong Kong	Chinese
Mr. Shut Yu Hang (薛汝衡)	Flat E, 30/F Tower 1 Residence Oasis 15 Pui Shing Road Tseung Kwan O Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Tang Chi Wang (鄧智宏)	Flat H, 31/F Hoi Sing Court Tower 1 South Horizons Apleichau Aberdeen Hong Kong	Chinese
Mr. Wong Kwong On (黃廣安)	House 35 10th Street Hong Lok Yuen Tai Po Hong Kong	Chinese
Mr. Tse Ting Kwan (謝庭均)	Flat C, 23/F, Block 2 Ocean Shores 88 O King Road Tiu Keng Leng Hong Kong	Chinese

For further details, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

PARTIES INVOLVED IN THE PLACING

Sole Sponsor

Innovax Capital Limited
A licensed corporation under the SFO to carry out type 1 (dealings in securities) and type 6 (advising on corporate finance) regulated activities
Office 1, 1st Floor
Lucky Building
39 Wellington Street
Hong Kong

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

Innovax Capital Limited
A licensed corporation under the SFO to carry out type 1 (dealings in securities) and type 6 (advising on corporate finance) regulated activities
Office 1, 1st Floor
Lucky Building
39 Wellington Street
Hong Kong

South China Securities Limited
A licensed corporation under the SFO to carry out type 1 (dealings in securities) regulated activity
28th Floor
Bank of China Tower
1 Garden Road
Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law
P. C. Woo & Co.
Solicitors, Hong Kong
12th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

As to Cayman Islands law
Maples and Calder
Cayman Islands attorneys-at-law
53rd Floor, The Center
99 Queen's Road
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Legal advisers to the Sole Sponsor and the Joint Underwriters	<i>As to Hong Kong law</i> Locke Lord <i>Solicitors, Hong Kong</i> 21st Floor, Bank of China Tower 1 Garden Road Central Hong Kong
Reporting Accountants	Deloitte Touche Tohmatsu <i>Certified Public Accountant</i> 35th Floor One Pacific Place 88 Queensway Hong Kong
Compliance Adviser	Anglo Chinese Corporate Finance, Limited <i>A licensed corporation under the SFO to carry out type 1 (dealings in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities</i> 40th Floor, Two Exchange Square Connaught Place Central Hong Kong

CORPORATE INFORMATION

Registered office	PO Box 309 Ugland House Grand Cayman Cayman Islands, KY1-1104
Headquarters and principal place of business in Hong Kong	2/F, Centre 600 82 King Lam Street Lai Chi Kok Kowloon, Hong Kong
Company's website address	<u>www.thelloy.com</u> <i>(information contained in this website does not form part of this prospectus)</i>
Company secretary	Ms. Ngan Chui Wan Judy <i>Associate member, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries</i> Room F, 13/F Block 2, Academic Terrace 101 Pokfulam Road Hong Kong
Authorised representatives	Mr. Lam Kin Wing Eddie (林健榮) Flat D, 40/F Block 6, The Waterfront 1 Austin Road West Tsim Sha Tsui Hong Kong Mr. Shut Yu Hang (薛汝衡) Flat E, 30/F, Tower 1 Residence Oasis 15 Pui Shing Road Tseung Kwan O Hong Kong
Compliance officer	Mr. Shut Yu Hang (薛汝衡) Flat E, 30/F, Tower 1 Residence Oasis 15 Pui Shing Road Tseung Kwan O Hong Kong

CORPORATE INFORMATION

Audit committee	Mr. Tse Ting Kwan (謝庭均) (Chairman) Mr. Tang Chi Wang (鄧智宏) Mr. Wong Kwong On (黃廣安)
Remuneration committee	Mr. Wong Kwong On (黃廣安) (Chairman) Mr. Tse Ting Kwan (謝庭均) Mr. Law Kin Wing Eddie (林健榮)
Nomination committee	Mr. Tang Chi Wang (鄧智宏) (Chairman) Mr. Shut Yu Hang (薛汝衡) Mr. Tse Ting Kwan (謝庭均)
Principal share registrar and transfer office	Maples Fund Services (Cayman) Limited PO Box 1093, Boundary Hall Cricket Square, Grand Cayman KY1-1102 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Dah Sing Bank, Limited 35/F, Dah Sing Financial Centre 108 Gloucester Road Hong Kong Bank of China (Hong Kong) Limited 9/F, BOC Mongkok Commercial Centre 589 Nathan Road, Mongkok Hong Kong

INDUSTRY OVERVIEW

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

The information extracted from the Ipsos Report reflects estimates of market conditions based on sampling, and is prepared primarily as a market research tool. References to Ipsos should not be considered as the opinion of Ipsos as to the potential investment of our Shares or in our Group. Our Directors believe that the sources of information extracted from the Ipsos Report are appropriate sources for such information. We 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. Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report.

RELIABILITY OF INFORMATION IN THE IPSOS REPORT

Our Directors, after due and reasonable consideration, are of the view that there has been no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact in the information therein.

SOURCES OF INFORMATION

We have commissioned Ipsos, an independent market research company, to conduct an analysis of, and to report on, the construction industry (including building construction services and RMAA contracting services) in Hong Kong for the period from 2010 to 2019. The information and analysis contained in the Ipsos Report was assessed independently by Ipsos, including all its subsidiaries, divisions and units (collectively refer to “Ipsos Group”), is not connected to our Group in any way. Ipsos Limited charged us a total fee of approximately HK\$360,000 for the preparation and the use of the Ipsos Report, which our Directors consider to reflect market rates.

INDUSTRY OVERVIEW

Ipsos has conducted research and data gathering based on (i) desk research; and (ii) primary research, including face-to-face and phone interviews with key stakeholders and industry experts in Hong Kong, such as government officials, developers, main contractors, subcontractors, architectures, quantity surveyors, industry experts, and associations in Hong Kong. In addition, intelligence gathered was analysed, assessed and validated using Ipsos' in-house analysis models and techniques.

Ipsos Limited, being one of the worldwide offices of the Ipsos Group, which employs approximately 16,000 personnel worldwide across 87 countries, is specialised in conducting researches across various industrial sectors including tourism, financial services, cosmetics, regional luxury and high net worth research. Ipsos is independent of our Company and none of our Directors or their associates has any interest in Ipsos.

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

ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

The following assumption is adopted in the preparation of the Ipsos Report:

- It is assumed that there is no external shock such as financial crisis or natural disasters to affect the demand and supply of construction industry during the forecast period.

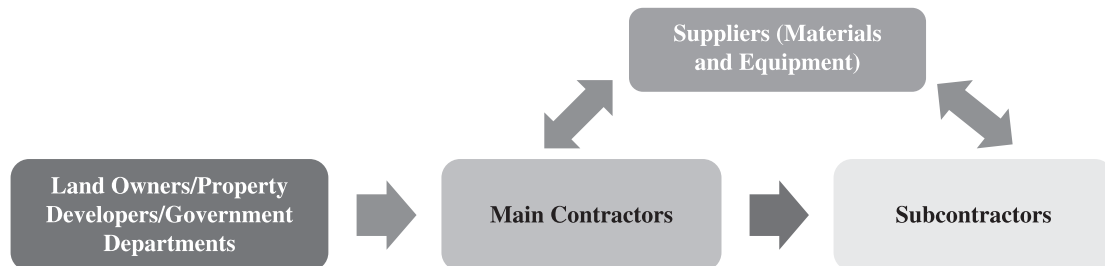
The following parameters have been taken into account in the preparation of the Ipsos Report:

- GDP value and GDP growth rate of Hong Kong from 2010 to 2014
- Accident rates in the construction industry in Hong Kong from 2010 to 2014
- Gross output value of building construction works performed by main contractors at construction sites in Hong Kong from 2010 to 2014
- Total number of public rental housing units produced by the Housing Authority in Hong Kong from 2010 to 2014
- Total number of private residential housing units in new completions in Hong Kong from 2010 to 2014
- Revenue of building construction services contracting industry in Hong Kong from 2010 to 2014
- Number of workers in the RMAA services contracting industry in Hong Kong from 2010 to 2014
- Average wholesale price trend of concrete blocks in Hong Kong from 2010 to 2014
- Average price trend of imported structural steel in Hong Kong from 2010 to 2014
- Price trend of average wages for workers in the building construction services and RMAA services contracting industry in Hong Kong from 2010 to 2014

INDUSTRY OVERVIEW

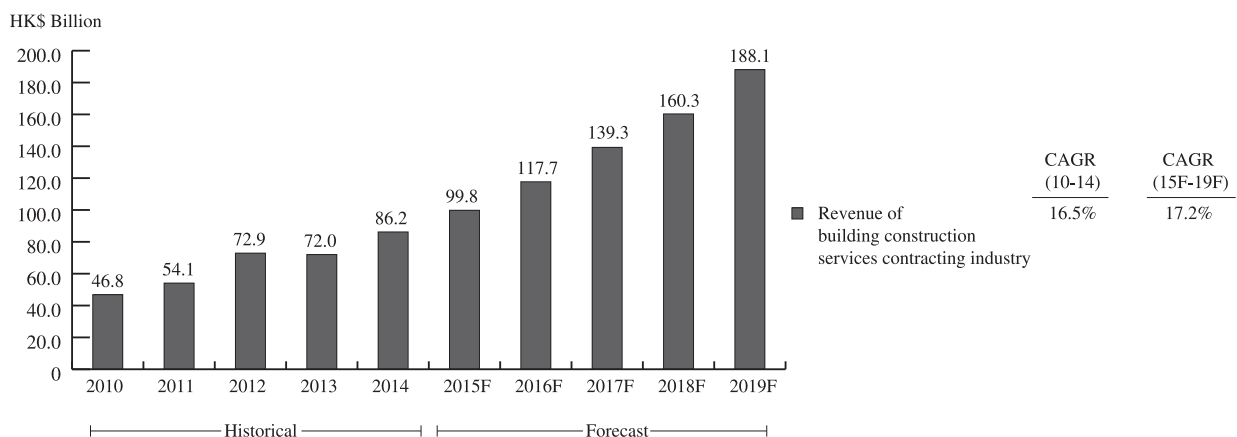
MARKET OVERVIEW OF THE BUILDING CONSTRUCTION SERVICES CONTRACTING INDUSTRY IN HONG KONG

Four major stakeholders are usually involved in the supply chain of the construction industry in Hong Kong.



Construction projects are managed by the main contractors once the projects have been issued by the land owner, property developer, or the Government. Main contractors are the lead coordinators for the entire duration of the construction project and may decide to subcontract certain tasks according to their areas of expertise and professional knowledge. Main contractors often hire subcontractors to reduce their project costs and enhance efficiency. As size of project increases, it is more likely for main contractors to decide to subcontract more tasks to subcontractors.

Revenue of Building Construction Services Contracting Industry in Hong Kong from 2010 to 2019



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

Source: Census and Statistics Department, HKSAR; Ipsos Report

According to Ipsos Report, the revenue of the building construction services contracting industry in Hong Kong increased from about HK\$46.8 billion in 2010 to about HK\$86.2 billion in 2014, at a CAGR of about 16.5%. Such an increase was mainly due to the robust demand from large scale and complex multi-disciplinary building construction works projects, which include shopping malls and office buildings in Hong Kong in the past 5 years.

INDUSTRY OVERVIEW

Demand for building construction works contracting services in Hong Kong

Residential buildings

The growing demand for real estate properties has caused the residential property price index (1999=100) to increase from about 150.9 in 2010 to about 256.9 in 2014. With a view to address housing needs for Hong Kong residents, a government statement was made in 2011 Policy Address to stabilise the property market by increasing housing supply. A plan to supply land for approximately 20,000 residential flats every year and a total of about 470,000 housing units for the next ten years was devised in 2014. In addition, 2015 Policy Address estimates that around 210,000 residential units, of which 70% was designated for public housing, will be ready by 2019.

The Land Sale Programme of 2015 to 2016 is expected to provide around 29 residential sites for approximately 16,000 flats. The aggregate government sites sold in the fiscal year of 2014 and 2015 will also supplement residential development space to produce around 20,300 flats, over the expected target of 18,800 flats.

Office buildings

The number of newly registered companies reached around 167,280 in 2014 from around 139,530 in 2010, at an increasing CAGR of around 4.6%. This drives the demand for office space, fueling both public and private investment in commercial developments in Hong Kong.

Industrial buildings

In 2014 Policy Address, the Government announced its initiative to convert GIC (i.e. Government, institution or community) sites for commercial and industrial uses. Approximately 105 applications were approved for lease modification and special waiver for industrial buildings in December 2014.

MARKET OVERVIEW OF RMAA SERVICES CONTRACTING INDUSTRY IN HONG KONG

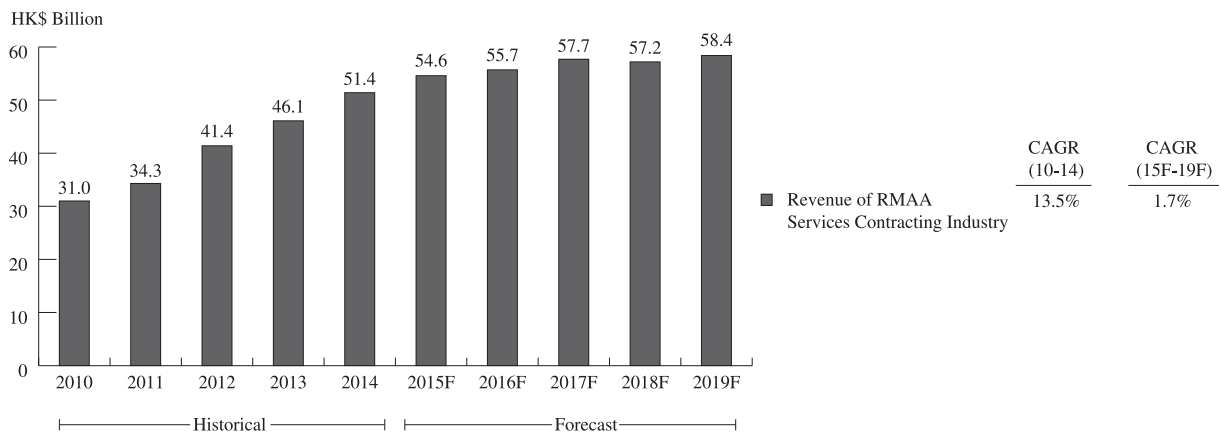
RMAA contracting service providers offer various works and services, including re-roofing, external wall refurbishment, internal wall refurbishment, internal floor refurbishment, internal ceiling refurbishment, spalling repair, doors and windows, plumbing and drainage and electrical works.

INDUSTRY OVERVIEW

Although there are specific requirements for each building's maintenance and renovation procedures due to the uniqueness of different types of buildings, a common need shared amongst them is to extend and maintain their lives and values.

Category	Subcategory	Demand or Need
Residential buildings	Luxury and high-end residential buildings	To restore the residential buildings back to their original splendor in order to maintain the rental and selling value, and to comply with safety regulations
	Large scale community residential buildings	To extend the life of the residential buildings, and to comply with safety regulations
	Standalone residential building	To change the ownership, and to comply with safety regulations
Non-residential buildings	Office building	To maintain the rental value and attract more companies to occupy the office space
	Retail space	To maintain the rental value, attract more brands to occupy spaces and increase the customer flow
	Schools	To extend the life of the school facilities, expand the seating capacity of the school facilities, and to provide an ideal environment for teachers and students
	Public facilities	To extend the life of public facilities and to provide job opportunities
	Hotel buildings	To maintain the building value, the brand name, and attract tourists
	Others	To extend the life of the building, maintain its value, change the ownership and the purpose of the building.

Revenue of RMAA Services Contracting Industry in Hong Kong from 2010 to 2019



Note: Data refers to revenue of RMAA contracting services by main contractors in Hong Kong.

Source: Construction Industry Council, HKSAR; Ipsos Report

INDUSTRY OVERVIEW

The revenue of the RMAA services contracting industry experienced a positive growth from 2010 to 2014 at a CAGR of around 13.5%. The major reason for the upward trend is the fact that ageing residential buildings has been a growing concern in Hong Kong. As a result, the Hong Kong government has implemented policies to stimulate urban renewal plans such as Operation Building Bright introduced by the Urban Renewal Authority with an aim to support building owners in improving building safety by providing subsidies to property owners to habitually carry out RMAA works. Hence, it led to more RMAA works in the said period.

In addition, commercial building owners now adopt RMAA works to enhance the appearance and durability of office and retail spaces for potential tenants and customers.

It is forecasted that the revenue of RMAA contracting services industry in Hong Kong will increase moderately from around HK\$54.6 billion in 2015 to around HK\$58.4 billion in 2019 at a CAGR of approximately 1.7%, mainly due to rising construction costs which will lead to an increase in the project value.

Demand for RMAA contracting services in Hong Kong.

The demand for RMAA contracting services are significantly affected by government policies. A huge influence is placed on the modernisation of buildings subsequent to the implementation of major policies shown below.

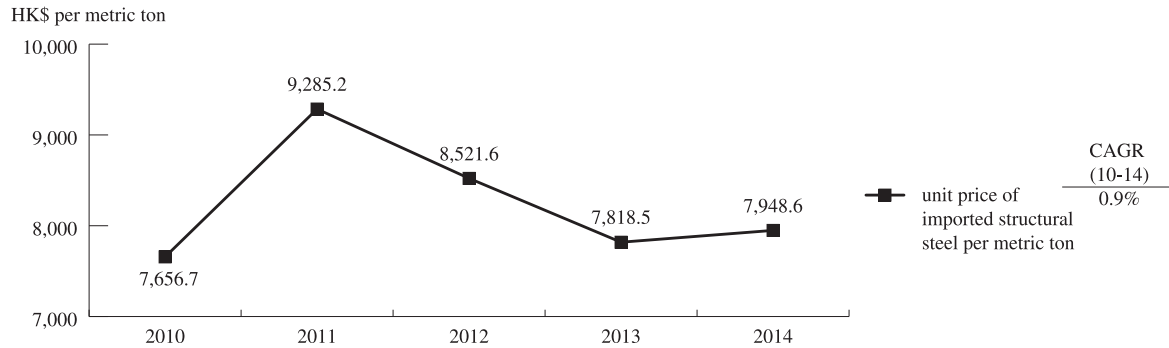
- Mandatory Building Inspection Scheme 《強制驗樓計劃》
- Mandatory Window Inspection Scheme 《強制驗窗計劃》
- Mandatory Building Inspection Subsidy Scheme 《強制驗樓資助計劃》
- Third Party Risks Insurance Subsidy 《第三者風險保險資助》
- Common Area Repair Works Subsidy 《公用地方維修津貼》
- Common Area Repair Works Interest Free Loan 《公用地方維修免息貸款》
- Home Renovation Interest Free Loan 《家居維修免息貸款》
- Building Safety Loan Scheme 《樓宇安全貸款計劃》
- Building Maintenance Grant Scheme for Elderly Owners 《長者維修自住物業津貼計劃》
- Integrated Building Maintenance Assistance Scheme 《樓宇維修綜合支援計劃》
- Operation Building Bright 《樓宇更新大行動》
- Urban Renewal Authority's Flat-for-Flat Scheme 《樓換樓計劃》

INDUSTRY OVERVIEW

Major construction cost components

According to Ipsos Report, steels, concrete blocks and wages of workers are the major cost components involved in the construction industry. Their price trends from 2010 to 2014 are set out as follows:

Price Trend of Imported Structural Steel

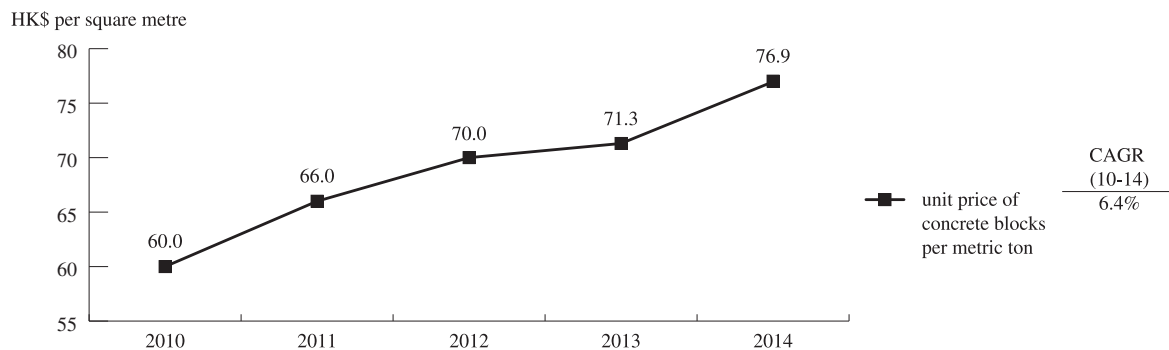


Note: Structural steel includes U, I, L, T, H or hollow sections of iron or non-alloy steel, hot-worked, less than 80 mm high; U, I, L, T or H sections of iron or non-alloy steel, hot-worked, 80 mm or more than 80 mm high; Bars and rods of iron or non-alloy steel, hot-worked nesoi-concrete reinforcing, of rectangular (other than square) cross-section, not further worked than cold-formed or cold-finished; iron or steel welded angles, shapes and sections of bridges and bridge sections; towers and lattice masts; structures and parts of structures nesoi.

Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

The average price of imported structural steel increased from around HK\$ 7,656.7 per metric ton in 2010 to around HK\$ 7,948.6 per metric ton in 2014, at a CAGR of approximately 0.9%, attributed to the increased prices of its raw materials including iron ore and coking coal.

Price Trend of Concrete Blocks

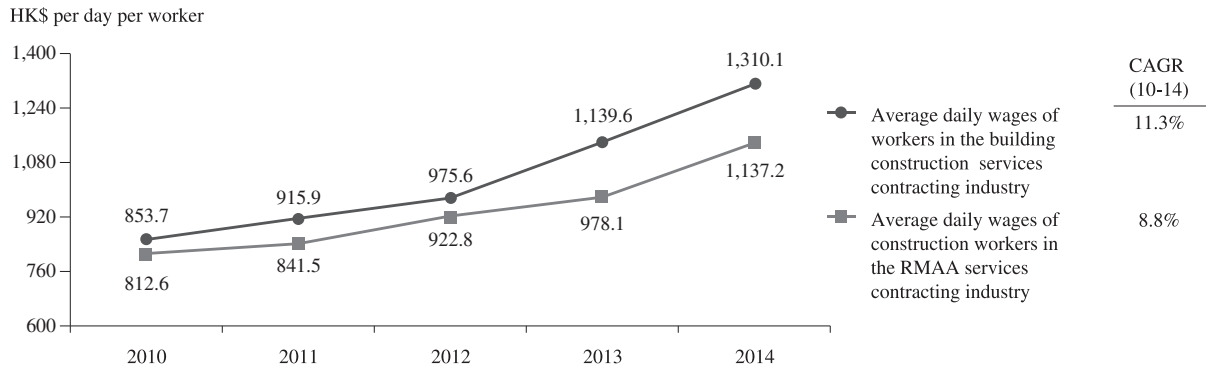


Source: Census and Statistics Department, HKSAR; Ipsos Report

The average wholesale prices of concrete blocks in Hong Kong increased from about HK\$60.0 in 2010 to HK\$76.9 per metric ton in 2014, increasing at a CAGR of around 6.4%. The flat growth rate of concrete block prices from 2010 to 2014 can be explained through the stable, predictable and wide-ranging need for the material in all building construction works.

INDUSTRY OVERVIEW

Price Trend of Average Wages for Workers in the Building Construction Services Contracting Industry and Workers in the RMAA Services Contracting Industry in Hong Kong



Source: Census and Statistics Department, HKSAR; Ipsos Report

Workers engaging in the building construction services contracting industry in Hong Kong experienced an increase in average daily wages from around HK\$853.7 in 2010 to around HK\$1,310.1 in 2014 at a CAGR of approximately 11.3%. The upward trend of average daily wages of construction workers in Hong Kong from 2010 to 2014 was mainly attributed to the shortage of labourers in the building construction market and the robust demand for new and ongoing construction projects. In addition to the unmet labour demand, there is also an ageing trend with construction workers. As of the end of 2014, roughly over 44.4% of construction workers are over the age of 50 and soon to retire. It is estimated that the average wage of building construction workers will continue to rise in order to train more construction talents and to tackle the problem of insufficient labour supply.

The average daily wage of workers in the RMAA services contracting industry in Hong Kong increased from about HK\$812.6 in 2010 to HK\$1,137.2 in 2014, at a CAGR of approximately 8.8%. Attributable to the government policies set out to regulate building owners to go through mandatory building inspections, the demand for RMAA workers have grown.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE

According to Ipsos Report, the building construction services contracting industry is consolidated while the RMAA services contracting industry is fragmented. The respective top five players of the building construction services contracting industry and the RMAA services contracting industry contributed approximately 23.0% and 8.2% of the total revenue of respective markets in Hong Kong. The following set forth the details of the major players in the building construction services contracting industry and the RMAA services contracting industry:

Top 5 main contractors engaged in the building construction services contracting industry in Hong Kong in 2014

Rank	Name of Company	Headquarter location	Revenue in 2014 (HK\$ million)	Share of Total Industry Revenue (%)	Business coverage
1	Company A	Hong Kong	7,642.4	8.9	Building construction, civil engineering operations, other peripheral operations such as foundation work, site investigation, mechanical and electrical engineering, highway and bridge construction, ready-mixed concrete, pre-cast production and infrastructure investment
2	Company B	Hong Kong	3,703.6	4.3	Building construction, maintenance, renovation, plumbing and drainage works, electrical and mechanical works, building materials supply, pre-cast products manufacturing and trading, property development, hotel and property investment, IT solution and services
3	Company C	Hong Kong	3,031.3	3.5	Design, management and construction services in building, civil engineering, foundations, electrical and mechanical, infrastructure maintenance and operation, and interiors refurbishments and fit out
4	Company D	Hong Kong	2,999.0	3.5	Construction of building, bored piling, foundation works, site formation, site infrastructure, roads and drainage, waterworks, site investigation, landslip preventive measures (LPM) and slope works
5	Company E	Hong Kong	2,377.8	2.8	Building construction, civil engineering, electrical and mechanical engineering, project and construction management, interiors and special projects, railway systems, property development and asset management services
N/A	Our Group	Hong Kong	134.3	0.2	Building construction services; and RMAA works services
	Others		<u>66,311.6</u>	<u>76.8</u>	
	Total		<u><u>86,200.0</u></u>	<u><u>100.0</u></u>	

Source: Ipsos Report

INDUSTRY OVERVIEW

Top 5 main contractors engaged in the RMAA services contracting industry in Hong Kong in 2014

<u>Rank</u>	<u>Name of Company</u>	<u>Headquarter location</u>	<u>Revenue in 2014</u> (HK\$ million)	<u>Share of Total Industry Revenue</u> (%)	<u>Business coverage</u>
1	Company B	Hong Kong	1,271.6	2.5	Building construction, maintenance, renovation, plumbing and drainage works, electrical and mechanical works, building materials supply, pre-cast products manufacturing and trading, property development, hotel and property investment, IT solution and services
2	Company F	Hong Kong	1,254.5	2.4	Property development operations, construction, interior fitting out, building renovation, maintenance and cement operations
3	Company G	Hong Kong	638.2	1.2	Civil engineering, building, foundations construction, electrical & mechanical installation, and fitting out works
4	Company E	Hong Kong	570.2	1.1	Building construction, civil engineering, electrical and mechanical engineering, project and construction management, interiors and special projects, railway systems, property development and asset management services
5	Company H	Hong Kong	530.9	1.0	Real estate and property development, civil engineering, building construction, oil and gas exploration and investment
N/A	Our Group	Hong Kong	72.8	0.1	Building construction services; and RMAA works services
	Others		<u>47,090.4</u>	<u>91.7</u>	
	Total		<u><u>51,428.6</u></u>	<u><u>100.0</u></u>	

Source: Ipsos Report

Factors of competition

Reputation

The track record of construction contracting service providers is greatly emphasised by property developers. Credibility is based off of the service providers' timeliness of delivery, quality of work, and safety and environment requirement fulfillment for construction works. Reputable and credible construction contracting service providers are generally more capable of getting larger scale projects from property developers.

INDUSTRY OVERVIEW

Service pricing

Another key factor that comes into play when selecting a construction contracting service provider is pricing. Clients (i.e. property owners), similar to any other business owners, will try to make the best trade off of the lowest cost to increase their benefit. Service providers who are able to offer lower price for their contracting services will generally be more competitive in the eyes of clients.

Scale

Sizeable construction contracting service providers enjoy an advantage in tendering for projects of property developers and government associated organisation as these customers often scout for construction contracting services providers with a wider variety of specialties backed by larger labour force.

Entry Barriers

Expertise and knowledge

The construction contracting service industry is a specialised sector in Hong Kong. Service providers are expected to possess knowledge in performing preventative maintenance measures in accordance with section 8B of the Buildings Ordinance. Taking the initiative to build preserving structures can extend the lives of structures while delaying the rate of deterioration and decreasing the chances of costly repairs and replacements in the future. New start-up with relatively less experience may find it difficult to enter into the industry as a result.

Experience

Workers are required to identify potential problems with a building structure. Attentive observation is one of the primary duties of construction workers. They need to be aware of how structural and mechanical elements in a building should look, sound and perform as problems are usually undetectable to the untrained eye. Thus, possessing experienced labour force is often considered to be crucial for construction contracting service providers.

Capital

Sufficient capital flow is critical for construction contracting service providers in order to guarantee payment of wages to specialists (e.g. foremen, machinery operators and technical personnel) and to rent specialised machinery for operation works. The inability to settle timely payments may defer the construction schedule and lead to a decrease in credibility.

Opportunities

Government policies in Hong Kong

Similar to other developed cities, Hong Kong concentrates on tackling the problem of ageing buildings. The government has launched policies to encourage building maintenance and renovation such as the Mandatory Building Inspection Subsidy Scheme, Integrated Building Maintenance Assistance Scheme and Operation Building Bright by helping property owners fund for regular building maintenance and repair practices. Such policies will be able to incentivise carrying out of RMAA projects.

Regulating unauthorised building works

Building dilapidation and unauthorised building works (UBWs) has become phenomenal in Hong Kong. In addition to encouraging owners to be accountable for maintaining their own properties, the government has also promoted the responsibility to tenants, building attendants and the general public to report potential buildings posing a threat to public safety. Approximately 44,000 cases of unauthorised building works were reported by members of the public to the Buildings Department in 2013. As the removal of unauthorised building works continues, it is expected that the construction contracting service providers in Hong Kong will benefit from the advancement of building safety awareness.

Improved living standards

The rising of annual per capita gross national income at current market prices in Hong Kong from around HK\$258,240 in 2010 to around HK\$319,871 in 2014 has heightened the citizens' willingness to spend in improving living environments. Residential property buyers are more willing to pay a higher price in exchange for more complex and quality renovation works. The robust development of the real estate market will also encourage developers to invest in luxurious home maintenances to preserve the property's value. These will create more opportunities for the RMAA services contracting industry in Hong Kong.

Threats

Increasing operation costs

The prices of key construction materials such as structural steel and concrete blocks have increased at CAGR of around 0.9% and 6.4% respectively from 2010 to 2014. Such trend is mainly caused by the appreciation of Renminbi since majority of such construction materials are imported from China. In case construction service providers are unable to transfer the inflation cost to their clients, their profit margins will ultimately decrease.

INDUSTRY OVERVIEW

Insufficient skilled labour

The construction industry requires thoroughly trained workers to complete up-to-standard works. The insufficient supply of skilled and experienced service workers is becoming a major threat to the construction industry as the ageing and retirement of experienced construction workers outpaced the new entrants to the construction labour force.

Competitive Strength of our Group in the construction contracting service industry in Hong Kong

Impressive track record

Established in 1982, the Group has been operating for over 30 years in the construction industry. In addition, the Group has maintained strong relationships with customers during these years of operation, particularly in the public sector, such as Architectural Services Department and Housing Authority.

Professional management team

The Group has a management team with ample industry knowledge and experience. The team's experience and knowledge accumulated allow them to be more sophisticated in negotiating, pitching and executing construction projects. It is more likely for the Group to deliver up-to-standard performance and winning deals from its counterparts.

Possession of qualifications

The Group possesses a number of qualifications, which allow the Group to undertake a broad variety of projects. More business opportunities are open to qualification holders including the Group compared to those who have less.

REGULATORY OVERVIEW

This section of the prospectus contains a summary of certain laws and regulations currently relevant to our Group's operations and the construction industry. Having made all reasonable enquiries and to their best knowledge, our Directors confirm that save as disclosed in this section and the sections headed "Risk factors" and "Business" in this prospectus, our Group has complied with all material applicable laws and regulations in Hong Kong, where our Group operated during the Track Record Period and as at the Latest Practicable Date and has obtained all necessary permits, licences and certificates for our operations. Save as disclosed below, as at the Latest Practicable Date, our business operations are not subject to any special legislation or regulatory controls other than those generally applicable to companies and businesses incorporated and/or operating in Hong Kong

LAWS AND REGULATIONS IN RELATION TO CONTRACTOR LICENSING REGIME IN HONG KONG

Licence — General Building Contractor

Our Group is holding the General Building Contractor Licence issued by the Buildings Department, which is held until 21 October 2017.

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

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

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

In considering each application, the Buildings Department is to have regard to the qualifications, competence and experience of the following key personnel requirements:

- (i) a minimum of one authorised signatory, being a person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance;

REGULATORY OVERVIEW

- (ii) for a corporation — a minimum of one technical director, being a director from the board of directors of the applicant who is authorised by the board to:
 - a. have access to plant and resources;
 - b. provide technical and financial support for the execution of building works and street works; and
 - c. make decisions for the company and supervise the authorized signatory and other personnel for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance; and
- (iii) for a corporation which appoints a director who does not possess the required qualification or experience as technical director to manage the carrying out of building works and street works — an “other officer” authorised by the board of directors to assist the technical director.

Registered contractors intending to add a new authorised signatory/technical director/other officer should submit their applications in a specified form together with the following documents and fees, as the case may be, to the Buildings Department for consideration:

- (i) supporting documents on the qualifications and experience of the proposed authorised signatory/technical director/other officer;
- (ii) for a corporation, a statement on:
 - a. the management structure and organisation chart of the company and its decision making mechanism for technical and financial matters; and
 - b. a resolution from the board of directors regarding the appointment of the authorised signatory/technical director/other officer of the company.
- (iii) declarations in the Buildings Department stand forms which cover exhaustively the conviction, disciplinary and suspension records of the proposed authorised signatory/technical director/other officer;
- (iv) documents relating to business registration; and
- (v) the prescribed fee (for authorised signatory only) in accordance with the Building (Administration) Regulation.

REGULATORY OVERVIEW

Unless the new authorised signatory/technical director/other officer has been previously accepted by the Buildings Department, the new authorised signatory and, when necessary, the new technical director/other officer will be required to attend a full-scope interview and will be assessed mainly on the following aspects:

- a. the documents submitted by the applicant;
- b. the adequacy of the management structure in respect of the role and duties of the authorised signatory/technical director/other officer;
- c. the appropriate experience, qualifications and competence of the authorised signatory/technical director/other officer; and
- d. the ability of the new authorised signatory to apply knowledge in the following aspects:
 - the statutory role, function and duties of a registered general building contractor or a registered specialist contractor as the case may be in relation to the role and responsibilities of the Buildings Department in respect of private building developments in Hong Kong;
 - the objectives of the Buildings Ordinance and relevant regulations and the mechanism of control in respect of the execution and supervision of building works;
 - a general awareness of local conditions sufficient to enable him to practice in Hong Kong efficiently and effectively without having to make frequent enquiries on matters of common local knowledge;
 - a working knowledge and principles of the Buildings Ordinance and relevant regulations, relevant code of practice, practice notes, circular letters and other advisory information, the relevant requirements under other laws and regulations and the requirements of other authorities which exercise control over the carrying out of building works;
 - the fundamental procedures that a registered contractor must follow in order to meeting local statutory requirements; and
 - adequate technical knowledge and practical experience in building construction to enable him to discharge his duties as a registered general building contractor or registered specialist contractor.

Prior notification to the Buildings Department is required if any of the accepted authorised signatory/technical director/other officer intend to resign from his duties or will cease to be appointed by the contractor. Retrospective notification to the Buildings Department will not be accepted. The registered contractor is required to suspend all the building works immediately if

REGULATORY OVERVIEW

there is no authorised signatory appointed to act for the contractor for the purposes of the Buildings Ordinance or if there is no technical director acting for the contractor and an acceptable replacement is not appointed within a reasonable period of time.

Under section 8C(2)(c) of the Buildings Ordinance, a registered contractor should apply to the Buildings Department for renewal of registration not earlier than 4 months and not later than 28 days prior to the date of expiry of the registration. Application for renewal of registration received by the Buildings Department outside the specified time limit under section 8C(2)(c) will not be accepted. The application should comprise:

- (i) a duly completed specified form;
- (ii) declarations in Buildings Department standard forms covering exhaustively the conviction/disciplinary/suspension records of the applicant and its key personnel i.e. the authorised signatory(ies), the technical director(s) and the other officer(s) in certain aspects;
- (iii) a job reference on a minimum of one relevant building project;
- (iv) certain documents relating to business registration; and
- (v) the prescribed fee in accordance with the Building (Administration) Regulation.

Generally, an application for renewal of registration would not be referred to the Contractors Registration Committees, an independent bodies appointed by the Buildings Department under section 8 of the Buildings Ordinance for interview and assessment, except in the following circumstances:

- (i) the contractor has been inactive in relevant building works in the past registration period (i.e. without a job reference on a minimum of one relevant building project); or
- (ii) there have been new incidents or circumstances that require further consideration on the sustainability of the contractor's registration. New incidents or circumstances include, but not limited to, the contractor's conviction/disciplinary/suspension records and subject to the following approach adopted by the Buildings Department in relation to labour safety, public health and environmental offences and records of suspension from tendering by the Environment, Transport and Works Bureau, the Housing Authority or their related departments in determining if a contractor is required to attend an interview:
 - (a) non-building works related labour safety offences, such as failure to ensure the wearing of safety helmet and the use of goggles, will not be taken into consideration. In general, an offence relating to the course of constructing the works or the manner in which the works are being carried out is considered as an offence relating to building works;

REGULATORY OVERVIEW

- (b) a contractor who has been convicted of a serious labour safety offence (such as an offence which involves a fatal incident or amputation of limb), is required to attend an interview;
- (c) a contractor who has been convicted of 7 or more labour safety offences committed within a rolling 6 months is required to attend an interview;
- (d) a contractor who has been convicted of 4 or more offences under section 27(3) of the Public Health and Municipal Services Ordinance committed on the same site within a rolling 3 months is required to attend an interview;
- (e) a contractor who has been convicted of any environmental offence involving an imprisonment sentence will be required to attend an interview; and
- (f) for a contractor who has been suspended from tendering by the Environment, Transport and Works Bureau, the Housing Authority or their related departments, the Building Department will consider the reasons of suspension. Generally, only factors which infer deficiencies of the contractors in technical competence or management ability, and factors related to standard of works, misconduct and site safety will be taken into consideration.

The registration of a contractor will continue to be in force if he makes an application for renewal within the time limit and pays the renewal fee until his application for renewal is finalised by the Building Department.

According to section 8C of the Buildings Ordinance, the Building Department may refuse an application for renewal of registration and remove the name of the applicant from the register if:

- (i) he is satisfied that the applicant is no longer suitable (for any reason) for registration on the relevant register; or
- (ii) the applicant fails to provide relevant information and documentary proof required by the Building Department including, but not limited to, updated information on matters supplied on previous applications for registration or renewal of registration.

Qualifications

The table below sets out the details of the current qualifications held by our Group:

Qualification	Issuing authority	With effect from	Requirements for retention of qualification		Regulatory information
			Minimum employed capital	Minimum technical and management criteria/other requirements	
1. Group C (confirmed) — Approved Contractors for Public Works — Buildings category	WBDB	30 June 2009	<p>HK\$18.8 million plus HK\$2.0 million for every HK\$100.0 million of annualised outstanding works^(Note 2) or part thereof above HK\$950.0 million</p>	<p>(1) Satisfactory completion of at least one Government building contract within the past 5 years of value over HK\$90.0 million and of considerable scope and complexity</p> <p>(2) Top Management: at least one member of the resident top management shall have a minimum of five years local experience in managing a construction firm obtained in the past eight years</p> <p>(3) Technical Staff: at least two persons with a relevant degree from a Hong Kong university or equivalent with at least five years post-graduate local working experience in building works</p>	<p>Please refer to the section headed “Regulatory Overview — Laws and Regulations in relation to Contractor Licensing Regime in Hong Kong — Contractor List maintained by the WBDB”</p>
2. Approved Suppliers of Materials and Specialist Contractors for Public Works — Repair and Restoration of Historic Buildings category for Western Style Buildings	WBDB	4 November 2013	NIL	<p>(1) Job Experience: at least 3 examples of relevant works carried out in Hong Kong within the past 5 years</p> <p>(2) Top Management^(Note 3): adequate standard of administration and 1 no. of site foreman with more than 3 years of relevant conservation working experience</p> <p>(3) Technical Staff: specialist craftsmen/tradesmen with adequate qualification and skill in timber carvings, decorative plasterworks, decorative painting and artworks</p> <p>(4) Plant and Equipment^(Note 4): Adequate source of traditional material including fair face green bricks, Chinese roof-tile and ceramics etc.</p> <p>(5) Office/Workshop Facilities: adequate office, workshop and store. Local office and local workshop in Hong Kong are required</p>	<p>Please refer to the section headed “Regulatory Overview — Laws and Regulations in relation to Contractor Licensing Regime in Hong Kong — Specialist List maintained by the WBDB”</p>

REGULATORY OVERVIEW

Requirements for retention of qualification						
Qualification	Issuing authority	With effect from	Minimum employed capital	Minimum working capital	Minimum technical and management criteria/other requirements	Regulatory information
3. Group NW 1 (confirmed) Housing Authority List of Building Contractors — Building (New Works) Category	Housing Authority	15 November 2001	<p>HK\$10.1 million + HK\$5.8 million for every HK\$86.0 million of outstanding works or is higher part thereof above HK\$150.0 million (subject to a maximum of HK\$21.7 million); or 10% of total assets, whichever is higher</p> <p><i>If total value of outstanding works reaches HK\$188.0 million or above, then the following criteria will apply:</i></p> <p>HK\$18.8 million + HK\$2.0 million for every HK\$100.0 million of outstanding works and 10% on part thereof above HK\$950.0 million; or 10% of total Assets, whichever is higher</p>	<p>HK\$10.1million or 10% of outstanding works, whichever is higher</p>	<p>(1) registered General Building Contractor under Buildings Ordinance</p> <p>(2) possess the following certificates: ISO 9001, ISO 14001, ISO 50001^(Note 1) and OHSAS 18001 Certificates</p> <p>(3) have the following past work record in building construction contracts within last three years: at least one satisfactorily completed project as main contractor in Hong Kong. The minimum of which is HK\$275.0 million and the project should be for residential building similar in size and complexity of Housing Department projects (for admission only)</p> <p>(4) employ the minimum number of full-time staff as follows:</p> <p>(i) 1 technical director who is registered in the Buildings Department and not to be the same person as contract manager/project manager;</p> <p>(ii) 1 contract manager/project manager who has obtained HKIA/MHKIS/MHKE or equivalent with 3 years relevant local managerial experience and capacity in the construction field or degree in architecture, building surveying, building technology & management, structural engineering or equivalent with 5 years relevant local managerial experience and capacity in the construction field or Higher diploma/higher certificate/diploma in architecture, building surveying, building technology & management, structural engineering or equivalent with 8 years relevant local managerial experience and capacity in the construction field and registered as authorised signatory in Buildings Department and not to be the same person as the technical director;</p> <p>(iii) 1 site agent who has obtained MHKICW/MICWCI or equivalent with 5 years relevant local experience in construction industry or higher diploma/diploma/higher certificate in building studies or civil/structural engineering or equivalent with 8 years relevant local experience in construction industry.</p>	<p>Please refer to the section headed “Regulatory Overview — Laws and Regulations in relation to Contractor Licensing Regime in Hong Kong — Approved contractors of the Housing Authority”</p>

REGULATORY OVERVIEW

Qualification	Issuing authority	With effect from	Requirements for retention of qualification		Minimum technical and management criteria/other requirements	Regulatory information
			Minimum employed capital	Minimum working capital		
4. Group MI (confirmed) Housing Authority List of Building Contractors — Maintenance Works category	Housing Authority	8 September 2006	<p>HK\$4.0 million + HK\$2.2 million for every HK\$22.0 million of outstanding works or is higher part thereof above HK\$40.0 million (subject to a maximum of HK\$8.3 million); or 10% of total assets, whichever is higher</p> <p><i>If total value of outstanding works reaches HK\$67.0 million or above, then the following criteria will apply:</i></p> <p>HK\$10.1 million + HK\$5.8 million for every HK\$86.0 million of outstanding works or is higher part thereof above HK\$150.0 million (subject to a maximum of HK\$21.7 million); or 10% of total assets, whichever is higher</p> <p><i>If total value of outstanding works reaches HK\$188.0 million or above, then the following criteria will apply:</i></p> <p>HK\$18.8 million + HK\$2.0 million for every HK\$100.0 million of outstanding works or outstanding works & 10% on part thereof above HK\$950.0 million; or 10% of total assets, whichever is higher</p>	<p>HK\$4.0 million or 15% of outstanding works, whichever is higher</p>	<p>(1) registered General Building Contractor under Buildings Ordinance</p> <p>(2) possess the following certificate: ISO 9001, ISO 14001 and OHSAS 18001</p> <p>(3) have the following past work record in building maintenance/improvement contracts:</p> <p>(i) have completed, as main contractor, maintenance/improvement projects within the past three years for Housing Department, other Government departments or private sector;</p> <p>(ii) two of those completed projects stated above shall each cost not less than HK\$15.0 million with records of satisfactory performance</p> <p>(4) employ the minimum number of full-time staff as follows:</p> <p>(i) 1 technical director who is registered in the Buildings Department and not to be the same person as contract manager/project manager;</p> <p>(ii) 1 contract manager/project manager who has obtained HKIA/MHKIS/MHKIE or equivalent with 3 years relevant local managerial experience and capacity in the construction field or degree in architecture, building surveying, building technology & management, civil/structural engineering or equivalent with 5 years relevant local managerial experience and capacity in the construction field or higher diploma/higher certificate/diploma in architecture, building surveying, building technology & management, civil/structural engineering or equivalent with 8 years relevant local managerial experience and capacity in the construction field and registered as authorised signatory in the Buildings Department and not to be the same person as the technical director;</p> <p>(iii) 1 site agent who has obtained MHKICW/MICWCI or equivalent with 5 years relevant local experience in construction industry or higher diploma/diploma/higher certificate in building studies or civil/structural engineering or equivalent with 8 years relevant local experience in construction industry.</p>	<p>Please refer to the section headed "Regulatory Overview — Laws and Regulations in relation to Contractor Licensing Regime in Hong Kong — Approved contractors of the Housing Authority."</p>

REGULATORY OVERVIEW

Notes:

1. With effect from 1 January 2014, all contractors on the List of Building Contractors shall be certified to Energy Management System (EnMS) ISO 50001 certification. A grace period of 24 months, i.e. until 31 December 2015, is granted to contractors already on the List of Building Contractors for acquiring ISO 50001 certification.
2. The annualised outstanding works for retention purpose is defined as the combined annual value of uncompleted works on public works contracts, Housing Authority contracts and contracts with the private sector on a world-wide basis.
3. Top management shall be the president, chairman, director, managing director, executive director or general manager etc.
4. The plant and equipment requirements are subject to modification as technology advances and a new plant emerges. Furthermore, the type of materials and method of application that the contractors select will dictate the plant required.

Contractor List maintained by the WBDB

A contractor must be accepted on the Contractor List maintained by the WBDB in order to tender for Government contracts. Although approvals granted by the WBDB do not have to be reviewed annually, audited accounts of the approved contractors are submitted to the WBDB annually (in addition, a Group C contractor is required to submit half-yearly management accounts) and may be produced to relevant Government works departments prior to the contract award to ensure that the approved contractors meet the capital requirements as set out by the WBDB.

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

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

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

REGULATORY OVERVIEW

A contractor may apply for “confirmed” status after the satisfactory completion of works appropriate to its probationary status. “Confirmed” contractors may apply to be elevated to a higher group which is subject to similar but more stringent criteria/requirements to that described above.

It is a requirement of the WBDB that all Group C contractors in Hong Kong must obtain ISO 9000 certification as one of the qualifications for tendering for Government contracts.

The following table set out the value of works for which contractors in the respective categories and status may tender and number of contractors approved under the buildings category:

<u>Category</u>	<u>Authorised contract value</u>	<u>Number of contractors approved under buildings category</u>
Group A (probation)	any number of Group A contracts provided that the total value of work in any one category does not exceed HK\$75.0 million	36
Group A (confirmed)	contracts of value up to HK\$75.0 million	13
Group B (probation)	any number of Group A and any number of Group B contracts provided that the total value of Group B works in any one category does not exceed HK\$185.0 million	32
Group B (confirmed)	contracts of value up to HK\$185.0 million	18
Group C (probation)	a maximum of 2 Group C contracts, provided that the total value of works in the Group C contracts that it already holds and the Group C contract being procured under the same category does not exceed HK\$400.0 million (this limit shall be increased to HK\$500.0 million with effect from 1 December 2015)	18
Group C (confirmed)	contracts of any values exceeding HK\$185.0 million	40

Specialist List maintained by the WBDB

The Specialist List shall comprise suppliers and contractors who are approved for carrying out public works in one or more of the 50 categories. Some contractors within a category are further divided into classes in accordance with the type of works within that particular category and groups according to the value of contracts for which they are normally eligible to tender. Tender limits are applicable to 8 categories of works in the Specialist List.

REGULATORY OVERVIEW

Some categories in the Specialist List do not have probationary status, which includes the category of “Repair and Restoration of Historic Buildings”. Financial checking is not required for applicants of 16 categories but shall be subject to review from time to time, which includes the category of “Repair and Restoration of Historic Buildings”.

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

Approved contractors of the Housing Authority

The Housing Authority prescribes its own requirements for approved contractors to tender for its works. In order to tender for Housing Authority construction projects, a contractor must be approved by the Housing Authority under the categories of either “Building (New works)” or “Building (Maintenance works)”. Contractors must hold ISO 9001 certificates with respect to its own categories and are subject to stringent financial criteria, proven relevant record, management and on-site personnel requirements, probation and annual assessment on financial position. Each year the Housing Authority requests the approved contractors to submit certain documents to show satisfactory compliance with the requirements stated in the “Guide to Registration of Works Contractors and Property Management Services Providers” published by the Housing Authority and to pay the annual fee. An approved contractor will be subject to relevant regulatory actions (as detailed in the paragraph headed “Regulatory actions against approved contractors by the WBDB and the Housing Authority” in this section below) by the Housing Authority if it fails to submit the said documents or to pay the annual renewal fee.

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

<u>Category</u>	<u>Authorised contract value/type</u>
Building Work — New Works Category — Group NW1 (probation)	Restricted to undertake not more than 1 Group NW1 contract at any time
Building Work — New Works Category — Group NW1 (confirmed)	Eligible to tender for new works contracts with a value of up to HK\$550.0 million
Building Work — New Works Category — Group NW2 (probation)	Restricted to undertake not more than 1 Group NW2 contract at any one time

REGULATORY OVERVIEW

<u>Category</u>	<u>Authorised contract value/type</u>
Building Work — New Works Category — Group NW2 (confirmed)	Eligible to tender for new works contracts of unlimited value
Building Work — Maintenance Works Category — Group M1 (probation)	Restricted to undertake not more than 3 Group M1 direct contract at any one time provide that the total value of outstanding works being undertaken does not exceed HK\$50.0 million or for term contracts the total value of annual expenditure does not exceed HK\$50.0 million
Building Work — Maintenance Works Category — Group M1 (confirmed)	Eligible to tender for maintenance and improvement contracts with a value of HK\$50.0 million and for term maintenance and improvement contracts with an average annual expenditure of up to HK\$50.0 million
Building Work — Maintenance Works Category — Group M2 (probation)	Restricted to undertake not more than 3 Group M2 direct contracts at any one time
Building Work — Maintenance Works Category — Group M2 (confirmed)	Eligible to tender for maintenance and improvement contracts of unlimited value

Regulatory actions against approved contractors by the WBDB and the Housing Authority

As approved contractors are controlled by administrative rules publicised by the WBDB and the Housing Authority, failure to meet the financial criteria and personnel requirements within prescribed time, unsatisfactory performance, misconduct or suspected misconduct, poor site safety record, poor environmental performance and court convictions such as contravention of site safety legislation and Employment Ordinance and employment of illegal work may lead to the following regulatory actions by the WBDB and the Housing Authority:

- (i) Possible regulatory actions by the WBDB:
 - (a) removal from all categories in which the contractor is listed or a particular category;
 - (b) suspension from tendering in all categories in which the contractor is listed or a particular category, meaning that the contractor's submitted tender will not be considered unless the suspension is lifted by the WBDB by the date set for the close of tender; and
 - (c) downgrading or demotion in a particular category.

REGULATORY OVERVIEW

- (ii) Possible regulatory actions by the Housing Authority:
 - (a) removal from the Housing Authority's list of approved building contractor;
 - (b) suspension from tendering, meaning that tender document will not be issued to the contractor or where the contractor has submitted a tender, its submitted tender will not be considered if any date of the suspension period falls within the period between the tender invitation date and tender award date inclusive;
 - (c) restriction from tendering, meaning that tender document will not be issued to the contractor within the restriction period;
 - (d) downgrading;
 - (e) removal or suspension from specific league or status; and
 - (f) probationary period being extended;

For instance, if a qualified contractor is convicted of a series of safety or environmental offences within a short period of time, or if a fatal construction accident occurs at a construction site for which the contractor is responsible, the WBDB and the Housing Authority may take regulatory actions against the responsible contractor.

Please refer to the section headed "Risk Factors — Risks relating to the business of our Group — There is no assurance that we can maintain our eligibility to tender public works of the Government" of this prospectus for risk associated with being a Government contractor.

COMPLIANCE WITH RELEVANT REQUIREMENTS

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group has complied with the requirements for maintenance and retention of the qualifications held by our Group as set out in the paragraph headed "Laws and Regulations in Relation to Contractor Licensing Regime in Hong Kong — Qualifications" in this section. Please refer to the section headed "Business — Employees" for details of the relevant management and technical personnel.

As disclosed in the paragraph headed "Laws and Regulations in Relation to Contractor Licensing Regime in Hong Kong — Qualifications" in this section, our Group is required to obtain the ISO 50001 certification for our energy management system on or before 31 December 2015, failing which our Group will no longer be qualified for retention on the List of Building Contractors. As at the Latest Practicable Date, with the assistance of SGS, our Group has begun establishing the energy management system and organising trainings held by external authorities for our staff. We have arranged SGS to conduct certifiable energy audits on our energy management system by the end of 2015. With reference to the status of implementation of the energy

REGULATORY OVERVIEW

management system under the support of SGS, our Directors are of the view that there are no material impediments for our Group to obtain the ISO 50001 certification for our energy management system before the deadline imposed by the Housing Authority.

LAWS AND REGULATIONS IN RELATION TO LABOUR, HEALTH AND SAFETY IN HONG KONG

Factories and Industrial Undertakings Ordinance

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

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

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

Occupational Safety and Health Ordinance

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

Employers must as far as reasonable contribute to safety and health in their workplaces by:

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

REGULATORY OVERVIEW

- (v) providing and maintaining a safe and healthy work environment.

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

In addition, the Commissioner for Labour is empowered to issue improvement notices and suspension notices against activity of workplace which may create an 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.

Construction Workers Registration Ordinance

The Construction Workers Registration Ordinance provides for the registration of construction worker and related matters.

According to section 3 of the Construction Workers Registration Ordinance, a person shall not personally carry out on a construction site construction work unless the person is a registered construction worker. Further, section 5 of the Construction Workers Registration Ordinance provides that no person shall employ unregistered construction workers to carry out on construction sites construction work.

If (i) there is a contravention of section 3 of the Construction Workers Registration Ordinance and the person who commits the contravention is employed by a principal contractor for the construction site concerned, or a sub-contractor of such a principal contractor; or (ii) there is a contravention of section 5, and the person who commits the contravention is a sub-contractor of a principal contractor for the construction site concerned, that principal contractor also commits an offence and is liable on conviction to a fine at level 5 (currently at HK\$50,000).

In addition, according to section 58 of the Construction Workers Registration Ordinance, a principal contractor/controller of a construction site is required to:

- (i) establish and maintain a daily record in the specified form that contains information of registered construction workers employed by him and, in the case of a controller being the principal contractor, by a sub-contractor of the controller; and
- (ii) furnish the Registrar of Construction Workers in such manner as directed by the Registrar of Construction Workers with a copy of record
 - a. for the period of seven days after any construction work begins on the site; and
 - b. for each successive period of seven days,within two business days following the last day of the period concerned.

REGULATORY OVERVIEW

A person who, without reasonable excuse, contravenes section 58 of the Construction Workers Registration Ordinance commits an offence and is liable on conviction to a fine at level 3 (currently at HK\$10,000).

Employees' Compensation Ordinance

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

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Likewise, an employee who suffers incapacity or dies as a result of 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 sub-contractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200.0 million per event to cover his liability and that of his sub-contractor(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 commits an offence and is liable on conviction to a fine of level 6 (currently at HK\$100,000) and imprisonment for up to two years.

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

Employment Ordinance

A principal contractor is subject to the provisions on sub-contractor's employees' wages in the Employment Ordinance. Pursuant to section 43C of the Employment Ordinance, if any wages become due to an employee who is employed by a sub-contractor on any work which the sub-contractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior sub-contractor jointly and severally. A principal contractor's liability shall be limited to (i)

REGULATORY OVERVIEW

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 (ii) the wages due to such an employee for 2 months (such months shall be the first 2 months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from sub-contractor must serve a notice in writing on the principal contractor within 60 days after the wage due date. A principal contractor and superior sub-contractor (where applicable) shall not be liable to pay any wages to the employee of the sub-contractor if that employee fails to serve a notice on the principal contractor.

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior sub-contractor to that sub-contractor (where applicable) of whom he is aware.

A principal contractor who without reasonable excuse fails to serve notice on the superior sub-contractor shall be guilty of an offence and shall be liable on conviction to a fine of level 5 (currently at HK\$50,000).

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

Occupiers Liability Ordinance

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

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

Immigration Ordinance

According to section 38A of the Immigration Ordinance, a construction site controller (i.e. the principle or main contractor who has control over or is in charge of a construction site) should take all practicable steps to (i) prevent having illegal immigrants from being on site or (ii) prevent illegal workers who are not lawfully employable from taking employment on site.

REGULATORY OVERVIEW

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

Minimum Wage Ordinance

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$32.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance.

The Minimum Wage Ordinance does not specify whether meal breaks and rest days should be paid or not. Such terms are subject to negotiations between employer and employee.

Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION IN HONG KONG

Air Pollution Control Ordinance

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

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

Noise Control Ordinance

The Noise Control Ordinance controls the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out general construction works. For construction activities that are carried out during the restricted hours and for percussive piling at all times, construction noise permits are required from the Noise Control Authority in advance.

REGULATORY OVERVIEW

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment in populated areas are not allowed between 7 p.m. and 7 a.m. or at any time on general holidays, unless with prior approval of the Noise Control Authority 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 Noise Control Authority. Percussive pile-driving is allowed on weekdays only with prior approval, in the form of construction noise permit from the Noise Control Authority.

Any person who is in contravention of the aforesaid provisions, pursuant to the Noise Control Ordinance, shall be liable (i) on first conviction to a fine of HK\$100,000; (ii) on second or subsequent conviction, to a fine of HK\$200,000, and in any case to a fine of HK\$20,000 for each day during which the offence continues.

Water Pollution Control Ordinance

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

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

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

Waste Disposal Ordinance

The Waste Disposal Ordinance controls the production, storage, collection, treatment, recycling and disposal of wastes. At present, livestock waste 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.

REGULATORY OVERVIEW

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, a main contractor who undertakes construction work with a value of HK\$1.0 million or above will be required to establish a billing account with the Director of Environmental Protection to pay any disposal charges payable in respect of the construction waste generated from construction work undertaken under that contract.

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

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has 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 (i) a fine of HK\$200,000 and to imprisonment for 6 months for the first offence; and (ii) a fine of HK\$500,000 and to imprisonment for 2 years for a second or subsequent offence.

Dumping at Sea Ordinance

Under the Dumping at Sea Ordinance, 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 (i) a fine of HK\$200,000 and to imprisonment for 6 months on a first conviction; and (ii) a fine of HK\$500,000 and to imprisonment for 2 years on a second or subsequent conviction and in addition, to a further fine of HK\$10,000 for each day if the court is satisfied that the operation has continued.

Environmental Impact Assessment Ordinance

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

REGULATORY OVERVIEW

Pursuant to the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designated project listed in Part I of Schedule 2 of the Environmental Impact Assessment Ordinance (which includes roads, railways and depots, residential and other developments, etc.) without an environmental permit for the project; or contrary to the conditions, if any, set out in the permit. The offender is liable (i) on a first conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for 6 months; (ii) on a second or subsequent conviction on indictment to a fine of HK\$5,000,000 and to imprisonment for 2 years; (iii) on a first summary conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for 6 months; (iv) on a second or subsequent summary conviction to a fine of HK\$1,000,000 and to imprisonment for 1 year, and in addition, if the offence is of a continuing nature, 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.

LAWS AND REGULATIONS IN RELATION TO APPROVAL FOR LISTING

Save for the approval from the Stock Exchange, no other regulatory approval is required for the Listing. For shareholder's approval, please refer to the section headed "A. Further Information about our Company and our subsidiaries — 3. Written resolutions of our then sole Shareholder passed on 22 September 2015" in Appendix IV in this prospectus.

HISTORY AND DEVELOPMENT

BUSINESS DEVELOPMENT

Introduction

Techoy Construction, our principal operating subsidiary, was established in Hong Kong in 1982. Our Controlling Shareholder and executive Director, Mr. Lam, acquired a controlling interest in Techoy Construction in 1996. Through a number of share transfers and allotments, and before our Reorganisation, Mr. Lam beneficially owned the entire interest in Techoy Construction.

Mr. Lam has been working in the construction industry since 1977. He joined our Group in 1995 as a director and was responsible for overall business strategy and major business decisions of our Group. In 1996, Mr. Lam was invited to invest in Techoy Construction to develop its building construction in Hong Kong. Mr. Lam, being confident in the prospects of the construction market in Hong Kong at the time, invested in Techoy Construction with his personal funds. Please refer to the section headed “Directors, Senior Management and Employees” in this prospectus for details relating to the qualification and experience of Mr. Lam in the construction industry.

Commencement of our business

Our Group’s business commenced in 1982 and we were initially engaged in the business of providing building construction service in Hong Kong. In 2013, we strategically expanded our scope of service to include the provision of RMAA services in Hong Kong. For further information in relation to our business, please refer to the section headed “Business” in this prospectus.

We have achieved the following key milestones in our development into an established main contractor in Hong Kong:

<u>Year</u>	<u>Milestone</u>
1982	<ul style="list-style-type: none">● Establishment of Techoy Construction
1989	<ul style="list-style-type: none">● Techoy Construction was admitted to the “List of Approved Contractors for Public Works” of the Government in Group C under the “Buildings” category with probationary status
1995	<ul style="list-style-type: none">● We were awarded our first school improvement programme by the Architectural Services Department with a contract value of approximately HK\$49.3 million● We were awarded a construction project by the Architectural Services Department for the construction of divisional fire station with ambulance facilities in Tung Chung with a contract value of approximately HK\$46.7 million

HISTORY AND DEVELOPMENT

Year	Milestone
1996	<ul style="list-style-type: none">● Techoy Construction was admitted to the Register of General Building Contractors of the Buildings Department● The quality assurance system of Techoy Construction was accredited by the Hong Kong Quality Assurance Agency for compliance with ISO 9002:1994 requirements
1998	<ul style="list-style-type: none">● Techoy Construction was included in the Housing Authority's List of Building Contractors under the Building (New Works) Group NW1 (probationary) category
1999	<ul style="list-style-type: none">● Techoy Construction was included in the Housing Authority's List of Building Contractors under the Building (Maintenance) Group M1 (probationary) category● The quality assurance system of Techoy Construction was accredited by the Hong Kong Quality Assurance Agency for compliance with ISO 9001:1994 requirements● We were awarded our first Housing Authority's construction contract for the construction of Fung Wo Lane in Shatin Area 8
2001	<ul style="list-style-type: none">● Techoy Construction was included in the Housing Authority's List of Building Contractor under the Building (New Works) Group NW1 (confirmed) category● We were awarded the building construction contract by the Housing Authority for the construction of Tung Chung Area 31 Phase 4
2002	<ul style="list-style-type: none">● The quality management system of Techoy Construction was accredited by SGS for compliance with ISO 9001:2008 requirements
2005	<ul style="list-style-type: none">● Techoy Construction was included in the Housing Society's approved contractor list under the category of Building Maintenance and Improvement Works category
2006	<ul style="list-style-type: none">● Techoy Construction was included in the Housing Authority's List of Building Contractor under the Building (Maintenance) Group M1 (confirmed) category

HISTORY AND DEVELOPMENT

Year	Milestone
2009	<ul style="list-style-type: none">● Techoy Construction was admitted to the “List of Approved Contractors for Public Works” of WBDB in Group C under the “Buildings” category with confirmed status● The environmental management system of Techoy Construction was accredited by SGS for compliance with ISO 14001:2004 requirements● The occupational health and safety management systems of Techoy Construction were accredited by SGS for compliance with OHSAS 18001:2007 requirements
2011	<ul style="list-style-type: none">● We were awarded the revitalisation contract by the Architectural Services Department for the transformation of the Former Police Married Quarters on Hollywood Road, Hong Kong into a creative industries landmark (“PMQ Project”) with a contract value of approximately HK\$354.1 million
2013	<ul style="list-style-type: none">● Techoy Construction was included in the “List of Approved Suppliers of Materials and Specialist Contractors for Public Work” of WBDB under the “Repair and Restoration of Historic Buildings” category for “Western Style Buildings Only”

CORPORATE DEVELOPMENT

Techoy Construction

Techoy Construction, our only operating subsidiary that made material contribution to our results during the Track Record Period, was incorporated in Hong Kong with limited liability on 2 July 1982 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each. At the time of incorporation, there were two founders who subscribed for one share and one share in Techoy Construction at par value, respectively. Each of the founders is an Independent Third Party save for being a former shareholder and former director of Techoy Construction.

There were certain share transfers and allotments undertaken by the former shareholders of Techoy Construction. Immediately after such share transfers and allotments and before Mr. Lam acquired shares in Techoy Construction in 1996, there were seven shareholders in Techoy Construction, all of which are Independent Third Parties save for being a former shareholder and/or former director of Techoy Construction.

Due to the intention of the former shareholders to realise their investment in Techoy Construction and Mr. Lam’s interest to develop building construction business, on 5 August 1996, Mr. Lam acquired from the former shareholders a total of 3,750,000 shares, representing 50.0% of

HISTORY AND DEVELOPMENT

the then issued share capital of Techoy Construction, at an aggregate consideration of HK\$3,835,500. On the same date, due to the interest of Mr. A, an Independent Third Party save for being a former shareholder and/or former director of Techoy Construction, to invest in building construction business, he also acquired from the former shareholders a total of 3,750,000 shares, representing 50.0% of the then issued share capital of Techoy Construction, at an aggregate consideration of HK\$3,835,500. It is confirmed that the consideration was determined at arm's length negotiation between the parties.

On 10 August 1996, pursuant to a resolution passed by the shareholders of Techoy Construction, it was resolved that the authorised share capital of Techoy Construction be increased from HK\$7,500,000 divided into 7,500,000 shares of HK\$1.0 each to HK\$9,500,000 divided into 9,500,000 shares of HK\$1.0 each. On the same date, 1,000,000 shares and 1,000,000 shares were allotted and issued to each of Mr. Lam and Mr. A respectively at par. After the aforesaid allotments, the beneficial shareholding of each of Mr. Lam and Mr. A in Techoy Construction remained unchanged.

On 8 October 2002, pursuant to a resolution passed by the shareholders of Techoy Construction, it was resolved that the authorised share capital of Techoy Construction be increased from HK\$9,500,000 divided into 9,500,000 shares of HK\$1.0 each to HK\$11,500,000 divided into 11,500,000 shares of HK\$1.0 each. On the same date, 1,000,000 shares and 1,000,000 shares were allotted and issued to each of Mr. Lam and Mr. A respectively at par. After the aforesaid allotments, the beneficial shareholding of each of Mr. Lam and Mr. A in Techoy Construction remained unchanged.

On 23 March 2009, pursuant to a resolution passed by the shareholders of Techoy Construction, it was resolved that the authorised share capital of Techoy Construction be increased from HK\$11,500,000 divided into 11,500,000 shares of HK\$1.0 each to HK\$14,800,000 divided into 14,800,000 shares of HK\$1.0 each. On the same date, 1,650,000 shares and 1,650,000 shares were allotted and issued to each of Mr. Lam and Mr. A respectively at par. After the aforesaid allotments, the beneficial shareholding of each of Mr. Lam and Mr. A in Techoy Construction remained unchanged.

On 20 April 2011, pursuant to a resolution passed by the shareholders of Techoy Construction, it was resolved that the authorised share capital of Techoy Construction be increased from HK\$14,800,000 divided into 14,800,000 shares of HK\$1.0 each to HK\$16,000,000 divided into 16,000,000 shares of HK\$1.0 each. On the same date, 600,000 shares and 600,000 shares were allotted and issued to each of Mr. Lam and Mr. A respectively at par. After the aforesaid allotments, the beneficial shareholding of each of Mr. Lam and Mr. A in Techoy Construction remained unchanged.

On 30 May 2013, Mr. Lam and Mr. A decided to part their cooperation and Mr. A transferred 8,000,000 shares in Techoy Construction, representing his then entire issued shareholding in Techoy Construction, to Mr. Lam at a consideration of HK\$8,000,000. The consideration was determined with reference to the then par value of the shares, taking into account the qualitative and quantitative factors as stated in the paragraph headed "Corporate Development — Techoy

HISTORY AND DEVELOPMENT

Construction — Disposal of Techoy Engineering Company Limited” in this section. Such transfer was settled in cash on the same date. As a result, Techoy Construction became a wholly-owned company of Mr. Lam.

On 27 August 2014, pursuant to a resolution passed by Mr. Lam, being the sole shareholder of Techoy Construction, it was resolved that the authorised share capital of Techoy Construction be increased from HK\$16,000,000 divided into 16,000,000 shares of HK\$1.0 each to HK\$18,800,000 divided into 18,800,000 shares of HK\$1.0 each. On the same date, 2,800,000 shares were allotted and issued to Mr. Lam at par. After the aforesaid allotment, Techoy Construction remained a wholly-owned company of Mr. Lam.

Disposal of Techoy Engineering Company Limited

As disclosed in the paragraph above headed “Corporate Development — Techoy Construction” in this section, Mr. Lam and Mr. A decided to part their cooperation on 30 May 2013. At the said time, Techoy Engineering did not engage in any construction business and did not enter into any construction-related contract. Immediately before agreement was reached by Mr. Lam and Mr. A, Techoy Construction was managed by Mr. Lam being the then technical director of the registered general building contractor license held by Techoy Construction, while Techoy Engineering was managed by Mr. A being the then technical director of the registered general building contractor license held by Techoy Engineering. As part of the arrangement in parting cooperation between Mr. Lam and Mr. A, on 2 July 2013, Techoy Construction transferred 400 shares and 400 shares in Techoy Engineering, representing 40% and 40% of the then issued share capital of Techoy Engineering, to Mr. A and Mr. B, an Independent Third Party, respectively, for an aggregate consideration of HK\$800. The consideration was determined with reference to the then par value of such shares. On the same date, Mr. Lam transferred 100 shares in Techoy Engineering, representing 10% of the then issued share capital of Techoy Engineering, to Mr. B for a consideration of HK\$100. After arm’s length negotiation between Mr. Lam and Mr. A, the considerations for transacting the equity interests in Techoy Construction and Techoy Engineering were determined and mutually agreed with reference to the then par value of the relevant shares as result of a number of qualitative and quantitative factors including but not limited to:

- (i) the then net assets values of Techoy Construction and Techoy Engineering;
- (ii) the license and qualifications that were held by Techoy Construction and Techoy Engineering;
- (iii) the scope of services that could be provided by Techoy Construction and Techoy Engineering with respect to their license and qualifications; and
- (iv) the then number of construction-related contracts in-progress and on hand entered into by Techoy Construction and Techoy Engineering.

HISTORY AND DEVELOPMENT

The disposal mentioned above by Techoy Construction was properly and legally completed and settled in cash. Mr. A agreed with Mr. Lam that Mr. A was only entitled to run the business of Techoy Engineering using the names of “Techoy Engineering Co., Ltd” and “德材工程有限公司” until 29 May 2015. Recently, Mr. A informed Mr. Lam that steps were being taken to cease the use of “德材工程有限公司” and “Techoy Engineering Co., Ltd”.

Techoy Engineering (formerly known as “Silver Smart Development Limited” at the time of incorporation) was incorporated on 29 May 1998 and was owned as to 50.0% by Mr. Lam, 25% by Mr. B and 25% by Ms. C, who is also an Independent Third Party. During the Track Record Period and up to the date of disposal, Techoy Engineering did not engage in any business activity. As confirmed by our Directors, immediately before the disposals, save for being a registered general building contractor under the Buildings Department of the Government, Techoy Engineering did not have any qualifications that were held by Techoy Construction (the details of which are listed in the section headed “Business — License and Qualifications” to this prospectus). Immediately before the disposals by Techoy Construction and Mr. Lam in July 2013, Techoy Engineering was owned as to 80% by Techoy Construction, 10% by Mr. Lam and 10% by Mr. A. So far as our Directors are aware of, there was no material non-compliance incident or breach of material contract in relation to Techoy Engineering before the disposal of such company by our Group.

Our Directors considered the disposal of Techoy Engineering by Techoy Construction was insignificant to the financial and business operation of our Group as immediately before such disposal, there was no revenue generated by Techoy Engineering.

REORGANISATION

In preparation for the Listing, we have carried out the Reorganisation which involved the following steps:

(I) Incorporation of our Company

On 28 May 2015, our Company was incorporated as an exempted company with limited liability with an initial authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each under the laws of the Cayman Islands. Upon incorporation of our Company, one Share was allotted and issued at par to a nominee company, Mapcal Limited, as the initial subscriber, which was then transferred to Cheers Mate on the same date.

(II) Incorporation of Techoy Holding

On 28 May 2015, Techoy Holding was incorporated in the BVI as a limited liability company authorised to issue a maximum of 50,000 shares with no par value. On 11 June 2015, one share, representing the entire issued share capital of Techoy Holding, was allotted and issued to our Company.

HISTORY AND DEVELOPMENT

(III) Incorporation of Cheers Mate

On 28 May 2015, Cheers Mate was incorporated in the BVI as a limited liability company authorised to issue a maximum of 50,000 shares with no par value. On 11 June 2015, one share, representing the entire issued share capital of Cheers Mate, was allotted and issued to Mr. Lam.

(IV) Transfer of shares in Techoy Construction to Techoy Holding by way of share swap

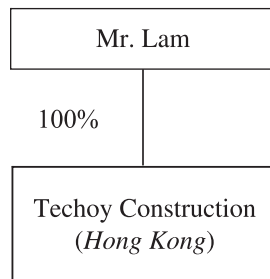
On 22 September 2015, through a share swap agreement, Mr. Lam transferred all his shares in Techoy Construction to Techoy Holding in consideration of and exchange for (i) the allotment and issue of a total of 99 shares in Techoy Holding, credited as fully paid to the Company; (ii) the allotment and issue of 99 Shares, credited as fully paid to Cheers Mate; and (iii) the allotment and issue of 99 shares in Cheers Mate, credited as fully paid to Mr. Lam. Such transfer was properly and legally completed and settled on 22 September 2015. As a result, Techoy Construction became a direct wholly-owned subsidiary of Techoy Holding, which in turn was wholly-owned by our Company.

(V) Increase in the share capital of our Company

On 22 September 2015, the authorised share capital of our Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of 1,962,000,000 Shares.

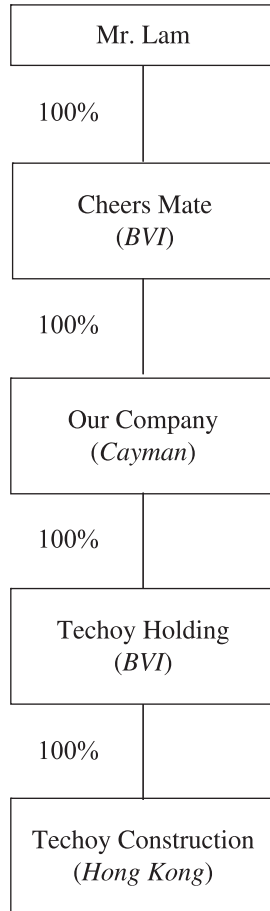
GROUP STRUCTURE

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



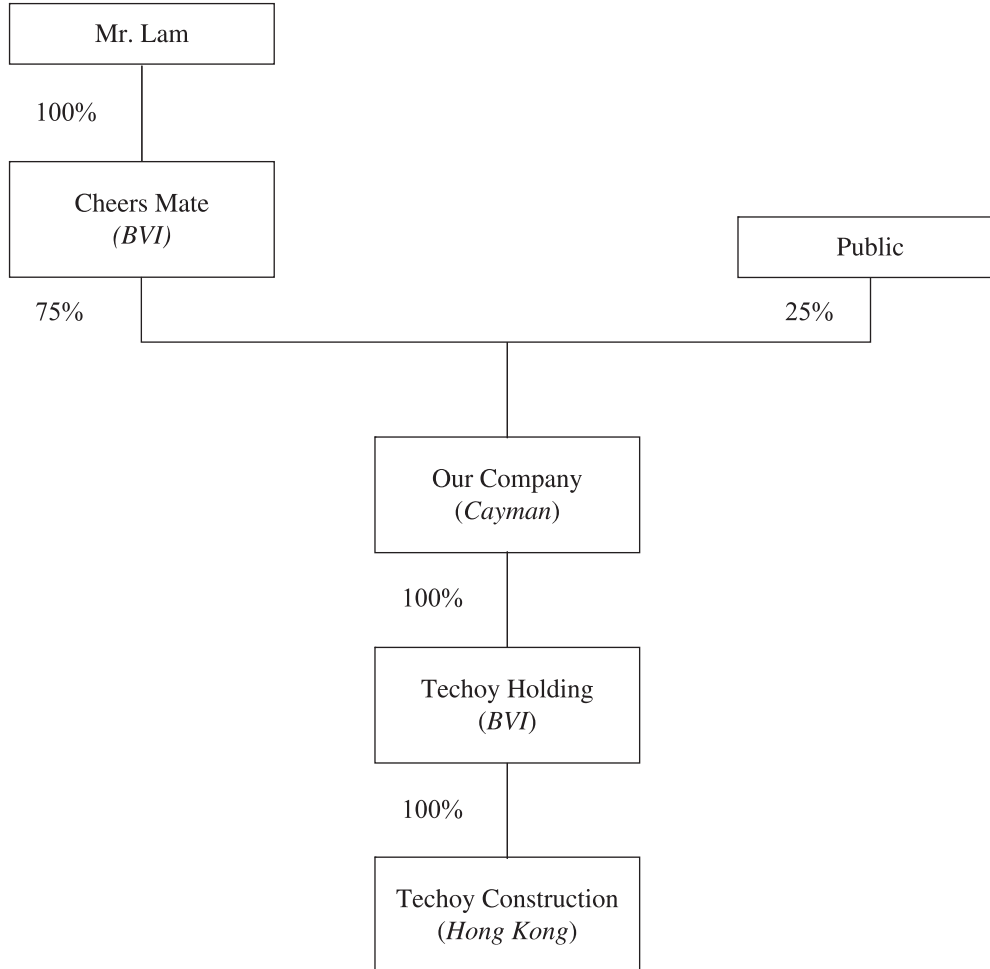
HISTORY AND DEVELOPMENT

The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but before the Placing:



HISTORY AND DEVELOPMENT

The following chart sets out the shareholding and corporate structure of our Group immediately after completion of the Capitalisation Issue and the Placing (without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme):



OVERVIEW

We are an established main contractor in Hong Kong focusing on providing (i) building construction services; and (ii) repair, maintenance, alteration and addition (“**RMAA**”) works services. We are responsible for the overall management and implementation of our projects. As a main contractor, we primarily focus on project management, engineering design and technical submission, devising detailed work programmes, procurement of major construction materials, co-ordination with the customers or their consultants and the quality control of the works carried by the sub-contractors.

As a main contractor, we normally secure our projects through a tendering process. We usually identify Government projects through reviewing the tender invitations from various Government departments published on the Gazette. As for projects from non-Government customers, we are generally invited by the customers by way of invitation letters to submit a tender for a potential project. During the Track Record Period, all our projects were obtained through tendering. Nevertheless, we believe that, in the future, it is possible that our Group may be invited by customers to simply provide quotations without going through tendering process for projects which are less complex in terms of the sub-contractors involved and the time, scale and resources required, such as RMAA projects.

Our Group holds various construction related license and qualifications that enable us to bid for and carry out Government and quasi-Government contracts. Our Group is listed on the Contractor List and the Specialist List maintained by the WBDB. The Contractor List and the Specialist List are lists of contractors approved by the WBDB who are eligible to tender for Government contracts. Our Group achieved listing as a Group C (confirmed) contractor for “Buildings” category in the Contractor List since June 2009. Group C (confirmed) contractors are the highest ranking contractors in the Contractor List in terms of tender limit, and are eligible to tender for public works contracts of any values exceeding HK\$185.0 million.

In addition, our Group is one of the contractors registered under the “Repair and Restoration of Historic Buildings” category of the Specialist List and is allowed to carry out works in relation to repair and restoration of Western-style historic buildings in Hong Kong. During the Track Record Period, we acted as the main contractor and completed the project in relation to conservation and revitalisation of the Former Police Married Quarters by transforming it into the currently-known PMQ, a creative industry landmark on Hollywood Road, Hong Kong (the “**PMQ Project**”).

Our Group is a Group NW1 (confirmed) contractor under the Building (New Works) category and a Group M1 (confirmed) contractor under the Building (Maintenance) category with the Housing Authority. We are eligible to submit tenders for the Housing Authority contracts for new works with a value of up to HK\$550.0 million and for maintenance and improvement works with a value of up to HK\$50.0 million. Our Group is also a registered general building contractor with the Buildings Department and an approved contractor with the Housing Society for building maintenance and improvement works. In addition, our Group was or is a contractor for a number of quasi-Government organisations, universities, charities and institutions in Hong Kong.

BUSINESS

During the Track Record Period, our major customers include the Government, quasi-Government organisations, universities, schools, institutions, and incorporated owners of private residential properties. For the years ended 31 March 2014 and 2015, revenue derived from the Government and quasi-Government organisations accounted for approximately 90.8% and 74.0% of our total revenue respectively. During the years ended 31 March 2014 and 2015, revenue derived from our top five largest customers amounted to approximately 96.2% and 96.1% of our total revenue respectively. Our top five largest customers during the Track Record Period have maintained business relationship with us for a period ranging from one year to 20 years.

We act as the main contractor in all our projects during the Track Record Period and delegate works to our sub-contractors under supervision of and management by our project management team. Our role as a main contractor generally includes overall project management and supervision of works conducted by our sub-contractors to ensure their conformity to contractual specification and that projects are completed on time and within budget. During the years ended 31 March 2014 and 2015, our Group's sub-contracting fees amounted to approximately HK\$99.3 million and HK\$123.8 million, respectively, representing approximately 67.1% and 70.0% of our Group's total direct costs, respectively and expenses to our Group's top five largest sub-contractors accounted for approximately 41.2% and 38.1% of our Group's direct costs, respectively. Our top five largest sub-contractors during the Track Record Period have maintained business relationship with us for a period ranging from one year to 14 years.

We have accumulated over 30 years of experience in providing construction services to our customers. We have also received a number of accreditations and certifications from SGS for our integrated management system's current compliance with ISO 9001:2008 (quality management), ISO14001:2004 (environmental management) and OHSAS 18001:2007 (occupational health and safety management) standards. Our Directors believe that the success of our Group in the industry stems from our extensive knowledge and experience in the industry, commitment to maintaining an effective quality, occupational health, safety and environmental management system, and the ability to complete projects to the satisfaction of our customers on a timely basis.

According to the Ipsos Report, it is expected that with the support of Government's housing policies in the recent years, the revenue of the building construction work contracting industry will have a substantial growth at a CAGR of about 17.2% from approximately HK\$99.8 billion by the end of 2015 to approximately HK\$188.1 billion in 2019. In addition, it is forecasted that the revenue of RMAA contacting service will increase moderately at a CAGR of approximately 1.7% from around HK\$54.6 billion in 2015 to around HK\$58.4 billion in 2019, mainly due to rising construction costs which will lead to an increase in the project value. Leveraging the forecasted increase in revenue in Hong Kong building construction industry and our increased effort in expanding our RMAA business, our Directors are of the view that our Group has much growth potential in the industry that we are engaged in.

BUSINESS

LICENSE AND QUALIFICATIONS

As at the Latest Practicable Date, our Group has obtained the following license and qualifications that are material to our business operations in Hong Kong:

License

Relevant authority	Relevant category	License	Holder	Date of first registration	Validity period	Authorised contract value
Buildings Department	General Building Contractor ^(Note 1)	—	Techoy Construction	6 February 1996	21 October 2017	No limit

Note:

- The current license was granted on 30 July 2014 and will expire on 21 October 2017.

Qualifications

Relevant authority/organisation	Relevant list/category	Qualification	Holder	Date of first grant/registration	Validity period	Authorised contract value
WBDB ^(Note 1)	Approved Contractors for Public Works — Buildings category	Group C (confirmed) ^(Note 2, 3)	Techoy Construction	30 June 2009	Not applicable ^(Note 7)	Contracts of any value exceeding HK\$185.0 million but not less
WBDB ^(Note 1)	Approved Suppliers of Materials and Specialist Contractors for Public Works — Repair and Restoration of Historic Buildings Category (for “Western Style Buildings only”) ^(Note 4)	—	Techoy Construction	4 November 2013	Not applicable ^(Note 7)	No limit
Housing Authority	Housing Authority List of Building Contractors — Building (New Works) Category	Group NW1 (confirmed) ^(Note 3, 5)	Techoy Construction	15 November 2001	Not applicable ^(Note 8)	New works contracts with a value of up to HK\$550.0 million
Housing Authority	Housing Authority List of Building Contractors — Maintenance Works Category	Group M1 (confirmed) ^(Note 3, 6)	Techoy Construction	8 September 2006	Not applicable ^(Note 8)	Maintenance and improvement works with a value of up to HK\$50.0 million

Notes:

- WBDB refers to the Works Branch Development Bureau (發展局工務科) of the Government. The Development Bureau is responsible for, among other things, the maintenance of the Contractor List and the Specialist List and monitoring the eligibility of a contractor to tender for Government contracts.

BUSINESS

2. A Group C (confirmed) contractor is eligible to tender for Government contracts of any values exceeding HK\$185.0 million. A Group C (confirmed) contractor is however normally not be allowed to tender for contracts of value below the tender limit set for Group C contractors unless the relevant Government department considers that there may be an inadequate number of tenderers as a result of the restriction. This license is subject to two reviews annually by the WBDB.
3. A contractor with “confirmed” status means that the contractor has passed the probationary status by completing works to the satisfaction of the relevant authority or organisation, and therefore no longer subject to the tender restrictions imposed by the relevant authority or organisation from time to time on contractors with probationary status only.
4. A Repair and Restoration of Historic Buildings Category contractor is eligible to tender for Government contracts relating to repair and restoration of historic buildings and structures. Techoy Construction is eligible under such category to tender for Government contracts relating to “Western Style Buildings” only. This license is subject to two reviews annually by the WBDB.
5. A Building (New Works) Category — Group NW1 (confirmed) contractor is eligible to tender for new works contracts of the Housing Authority with a value up to HK\$550.0 million. This license is subject to two reviews annually by the Housing Authority.
6. A Maintenance Works Category — Group M1 (confirmed) contractor is eligible to tender for maintenance and improvement contracts of the Housing Authority with a value of up to HK\$50.0 million and for term maintenance and improvement contracts with an average annual expenditure of up to HK\$50.0 million.
7. The relevant registration/qualification is not subject to periodic renewal condition.
8. While there is no expiry date for the relevant qualification, each year the Housing Authority requests the approved contractors to submit certain documents and an annual list renewal fee, details of which are disclosed in the section headed “Regulatory Overview — Qualifications — Approved contractors of the Housing Authority” in this prospectus.

To ensure that our Group is able to obtain and maintain all necessary license and qualifications for our operations in Hong Kong in a timely manner, our executive Director and general manager, Mr Shut Yu Hang is responsible for keeping track of the expiry dates of the relevant license and apply for timely renewal. Please refer to the sections headed “Regulatory Overview — License” and “Regulatory Overview — Qualifications - Regulatory actions against approved contractors by the WBDB and the Housing Authority” in this prospectus for details in relation to the consequences of non-compliance with the relevant requirements for renewal or retention of the license and qualifications. During the Track Record Period, we carried out all our business activities strictly within the scope of the relevant license and qualifications obtained by us. In addition, our Directors are of the view that there are no material impediments for our Group to renew any of our licenses upon expiry of the same.

COMPETITIVE STRENGTHS

We believe that our success is attributable to, among other things, the following competitive strengths:

(i) Strong and reliable customer base

Our Group has a strong customer base. We primarily focus on providing high quality and efficient building construction and RMAA works services to customers from the public sector. Our top five customers during the Track Record Period mainly consisted of Government departments, quasi-Government organisations, schools and universities, including but not limited to the Architectural Services Department and the Housing Authority. Our Group has established long business relationships with our top five customers, ranging from one to 20 years. For the years ended 31 March 2014 and 2015, revenue derived from the Government and quasi-Government organisations accounted for approximately 90.8% and 74.0% of our total revenue respectively.

Our Directors believe that by focusing on providing building construction and RMAA works services to customers from the public sector, in particular to Government departments and quasi-Government organisations, the financial risk faced by our Group is relatively lower since the projects initiated by the Government and quasi-Government organisations are generally believed to have higher payment credibility and lower non-payment risk as compared to the projects initiated by private enterprises.

In addition, given the volatile nature of costs of labour and materials, considerable variation in costs may occur due to the time lapse between quotation, acceptance of tender and the commencement of works. Many of our Government and quasi-Government organisations contracts provide for a contract price adjustment mechanism (both upward and downward adjustments) which enable our Group to transfer the increase on costs of labour and materials to the Government and quasi-Government organisations, hence reducing our financial risks. For further details in relation to the contract price adjustment mechanism, please refer to the paragraph headed “Customers — Key terms of contracts with customers” to this section.

(ii) Solid track record in conserving and revitalising Hong Kong heritage

As a Group C (confirmed) contractor under the Contractor List, which is the highest rank under the Contractor List, our Group is eligible to tender for Government construction contracts of any values exceeding HK\$185.0 million. Leveraging on our extensive experience in the construction industry, we expanded our spectrum of construction services in 2013 to cover revitalisation projects by applying to the WBDB for the admission to the Specialist List under the “Repair and Restoration of Historic Buildings” category. Despite such qualification is not a general pre-requisite for tendering Government revitalisation projects, main contractors who wish to carry out Government revitalisation projects are required to either possess the qualification or engage sub-contractors with such qualification in executing the

revitalisation works. Our Group was admitted to the Specialist List under the “Repair and Restoration of Historic Buildings” category in November 2013 and is allowed to carry out works in relation to repair and restoration of Western-style historic buildings in Hong Kong.

With our qualifications under both the Contractor List and Specialist List as mentioned above, our Group can tender for and execute large-scale Government revitalisation projects without the need of engaging specialist contractors who also possess the same qualification under the Specialist List. This allows our Group to strengthen our market position in the construction industry and solidify our profit margins under Government revitalisation projects. During the Track Record Period, we completed one revitalisation project in Hong Kong, namely the PMQ Project, with an initial contract value of approximately HK\$354.1 million. The PMQ Project was commenced in January 2012 and was substantially completed in December 2013. For the years ended 31 March 2014 and 2015, revenue derived from the PMQ Project amounted to approximately HK\$143.6 million and HK\$43.3 million, respectively, representing approximately 83.4% and 20.9% of our total revenue respectively. Please refer to the paragraph headed “Business Model — (I) Building construction services — Contracts completed” in this section for further details of the PMQ Project.

(iii) Diversified experience and qualifications

We are a well-established main contractor with extensive experience and qualifications in carrying out a variety of building construction and RMAA projects ranging from construction of hospitals, maintenance of universities, schools, public housing estates and revitalisation of heritages in Hong Kong.

In addition to our qualifications under both the Contractor List and Specialist List, we are listed as a Group NW1 (confirmed) contractor under the Building (New Works) category and a Group M1 (confirmed) contractor under the Building (Maintenance) category for the Housing Authority. Our Group also holds the General Building Contractor Licence and is an approved contractor with the Hong Kong Housing Society for building maintenance and improvement works. Please refer to the paragraph headed “License and Qualifications” in this section for further details of our major license and qualifications. Given our license and qualifications with these Government departments and quasi-Government organisations, our Group is entitled to tender for and well positioned to capture business opportunities in vast majority of public building construction and RMAA projects in Hong Kong. According to the Ipsos Report, fueled by the ongoing infrastructure projects under the Ten Major Infrastructure Projects and the Government’s decision to offer more public rental housing units to shorten the average waiting time for public rental housing, the demand for public building construction services is expected to record a steady growth. In addition, as the demand for maintenance and renovation of ageing buildings is on the rise and the Government has implemented policies for urban renewal and the revitalisation of ageing buildings, the public RMAA service industry in Hong Kong is also expected to grow in the foreseeable future.

BUSINESS

Our Directors believe that with the qualifications mentioned above and the experience we accumulated over 30 years of operation, we will be able to continue to undertake various kinds of projects and capture the growth opportunities in the construction industry, in particular the anticipated surge in the demand for public housing construction, maintenance and renovation services.

(iv) Commitment to maintain safety standard, quality control and environmental protection

Our Directors recognise that the maintenance of safety standard, quality control and environmental protection is vital in upholding the reputation of our Group in the construction industry. We have established and implemented an integrated management system for quality, environmental, health and safety management. Our stringent quality control procedures have been accredited by SGS with ISO 9001:2008 quality management system certification.

We have also received the ISO 14001:2004 certification for our environmental management system and the OHSAS 18001:2007 certification for our occupational health and safety management system. Our Government and quasi-Government customers generally consider environmental compliance and workplace safety as important assessment criteria in assessing our tenders. Our Directors believe that with our effective occupational health and safety management system, we could maintain good compliance track record and management system that increase our chances in securing new contracts from our customers.

(v) Experienced management team

Our management team has extensive industry knowledge and project management experience in building construction and RMAA works. Our executive Directors, namely Mr. Lam Kin Wing Eddie and Mr. Shut Yu Hang, have over 38 and 28 years of experience in the construction industry, respectively. As at the Latest Practicable Date, a majority of our senior management team has either received tertiary education or above or professional qualifications. Please refer to the section headed “Directors, Senior Management and Employees” in this prospectus for further details of the qualification and experience of our Directors and senior management. With their experience, knowledge and insight, our management team is able to lead our Group to excel in this competitive industry, to take advantage of our market position and to ensure our future growth.

BUSINESS STRATEGIES

We intend to strengthen our market position and increase our market share by pursuing the following strategies:

Continue to strengthen our market position in the industry and expand our market share in Hong Kong

We plan to strengthen our position in the industry by continuously seeking opportunities in public building construction and RMAA works in Hong Kong. During the Track Record period, we derived the majority of our revenue from construction projects in the public sector. For the years ended 31 March 2014 and 2015, revenue derived from the Government and quasi-Government organisations accounted for approximately 90.8% and 74.0% of our total revenue. According to the Ipsos Report, due to the Government's decision to offer more public rental housing units and the ongoing infrastructure projects under the Ten Major Infrastructure Projects, it is expected that the demand for public building constructions will keep growing. Moreover, the Government's policies to stimulate urban renewal plans and to revitalise old industrial buildings provide greater market opportunities to public RMAA contracting service providers in Hong Kong. In view of the above, we will continue to leverage on our various licenses and qualifications and extensive experience in construction industry to solidify and expand our market share in the public construction industry in Hong Kong.

In addition, we plan to further expand and strengthen our RMAA services. According to the Ipsos Report, the RMAA services contracting industry is fragmented, with the top five players contributing approximately 8.2% of the total revenue of the relevant market in Hong Kong in 2014. We strategically expanded our RMAA works services since 2013 in order to capture the growth in RMAA industry in Hong Kong and broaden our customer base. During the Track Record Period, there was a change in our project mix with the revenue contribution from our RMAA segment increased from approximately 16.7% in the year ended 31 March 2014 to approximately 35.1% in the year ended 31 March 2015, while the gross profit margin from our RMAA segment for the same period increased from approximately 0.3% to 19.1% respectively. In addition, the average revenue recognised per major RMAA contract increased from approximately HK\$2.8 million to approximately HK\$7.8 million during the Track Record Period. According to the Ipsos Report, the revenue of RMAA contracting services experienced a positive growth from around HK\$31.0 billion in 2010 to around HK\$51.4 billion in 2014 at a CAGR of around 13.5%. The main reasons for the upward trend include (i) the Government has implemented various policies to stimulate urban renewal plans with aim to support owners to improve building safety; and (ii) increasing number of commercial building owners adopting RMAA works to enhance appearance and durability of office and retail spaces for potential tenants and customers. Moreover, the Ipsos Report stated that the overall total revenue of RMAA services in Hong Kong is forecasted to increase moderately at a CAGR of approximately 1.7% from around HK\$54.6 billion in 2015 to around HK\$58.4 billion in 2019. With the large potential market, our Group intends to continue to expand our RMAA services in Hong Kong.

BUSINESS

Going forward, we intend to maintain our current tendering approach for RMAA projects by targeting larger scale RMAA projects and setting tender prices that allow us to attain a higher gross profit margin. Nevertheless, we may also take up RMAA projects with lower gross profit margin in order to further strengthening our market position in the RMAA industry in Hong Kong.

In respect of our building construction services, it is not uncommon for a single project to have a relatively large contract value, especially when our Group is a Group C (confirmed) contractor under the Contractor List of the WBDB and in general can only tender for public works contracts of contract values exceeding HK\$185.0 million but not any public works contracts of value below HK\$185.0 million. In order to better manage our projects in progress and our cash-flow status, it is our strategy to maintain a smaller number of building construction projects that are simultaneously in progress, which are generally of significantly larger contract values than RMAA projects and of longer construction time.

Our Directors are of the view that, during the Track Record Period, the total number of invitations to tender for Government and quasi-Government construction had decreased and that such decrease was caused by, among other thing, the filibuster in the Legislative Council of Hong Kong which affected the operations of various Government and quasi-Government organisations causing certain projects which could have been available for tender were put on hold. Since our building construction projects were primarily awarded by various Government and quasi-Government organisations, revenue from our building construction segment decreased from approximately HK\$143.5 million in the year ended 31 March 2014 to approximately HK\$134.3 million in the year ended 31 March 2015. Nonetheless, our overall revenue increased by approximately 20.2% during the same period as a result of our strategic expansion in the RMAA segment, the customers of which were generally from the private sector. Our Directors believe that, in light of the discernible decline of the filibuster in the Legislative Council of Hong Kong, the number of invitations to tender for Government and quasi-Government construction projects may increase in the coming future. According to WBDB, it is estimated that there will be 14 invitations to tender to be issued Architectural Services Department projects during July 2015 to December 2015, of which eight of such invitations will only be provided to Group C (confirmed) contractors under the Contractor List. As a result of the aforementioned increased supply in Government construction projects, our Directors are confident that our Group will be able to secure sizeable building construction projects going forward, despite the short term impact of the filibuster incidents on the industry from the past.

Furthermore, we plan to capture more business opportunities by expanding our capacity and scale. In line with common industry practice in Hong Kong, our non-Government customers generally require our Group to take out surety bonds amounting to not more than 10% of the contract sum from banks or insurance companies in order to secure the due performance on our part. For surety bond given by bank, we are normally required to deposit a sum equal to the amount guaranteed under the relevant surety bond with the bank. For surety bond given by insurance company, while a lesser sum is required to be deposited with

BUSINESS

the insurance company, we are generally required to pay a significantly higher premium and/or arrangement fee to the insurance company than to the bank for the issue of the surety bond. Please refer to the section headed “Business — Operations — Operational Procedures — Defect liability period and retention money — Surety bonds” in this prospectus for further details.

Given that insurance companies generally charge a higher premium and/or arrangement fee than banks, the costs for the issue of surety bonds by banks are relatively lower. We intend to utilise approximately 70.0% of the net proceeds from the Placing to satisfy the amount of deposits necessary for the issue of surety bonds for future contracts. With the net proceeds received from the Placing, we will have larger sum of cash available to satisfy the deposits requirement without imposing significant pressure on our cash-flow status. This would enable us to opt for surety bonds issued banks over insurance companies for future projects, thereby optimising the gross profit margins of such projects. In addition, our Group will have sufficient financial resources to satisfy the deposit requirements for the issuance of surety bonds for construction projects of larger contract value, and therefore be able to meet the pre-qualifications of tenders prescribed by our potential customers and be eligible to tender for larger construction projects.

Expand our building construction service capacity to cover “design and build” projects

With our extensive experience in the building construction service industry, we plan to further widen our spectrum of building construction services by embarking on “design and build” contracts. A “design and build” contract normally involves both the preparation of a construction design according to the specifications set out in the tender documents, as well as carrying out the actual construction works. For certain “design and build” contracts where a preliminary design proposal is provided by the customer, the contractor is allowed to submit an alternative design proposal or otherwise make appropriate adjustments to the conformed design in order to comply with the technical requirements and enhance cost efficiency. Our Directors believe that, save for the additional staff to be employed such as designers and engineers with the relevant expertise in formulating construction designs, the introduction of “design and build” services will not materially affect our business model and operation procedures going forward.

Given the higher level of expertise involved on the part of the contractor, our Directors are of the view that the “design and build” contracts offer higher profit margin than our existing building construction contracts where our Group only offers build only services. We believe that we are equipped with relevant experience and proven track record to penetrate our business into the “design and build” market, which may contribute better profit margin to our Group. We intend to utilise a portion of net proceeds received by us from the Placing to set up a “design and build” department to pursue business opportunities in relation to “design and build” contracts.

Continue to improve our operational efficiency and enhance our quality of service

With our continuous growth in business scale and scope, we plan to upgrade our information technology, technical and management systems which will enable us to plan, operate and evaluate our construction projects in a more efficient manner. In particular, we plan to utilise a portion of our net proceeds from the Placing to invest in the building information modeling (“**BIM**”) software. The BIM software is a modernised software which intends to facilitate the planning, designing, constructing and managing of construction projects through automatic generation of drawings and reports, design analysis, schedule simulation and facilities management. The BIM software allows us to make better-informed decisions, reduces conflicts and changes during constructions and improves productivity. With the benefit of the BIM system, our Group can handle more complicated projects in a more precise manner.

In addition, we intend to arrange training workshops or courses for our staff members in relation to the BIM software to be conducted by external training authorities to facilitate the implementation of the BIM software in our forthcoming projects.

Further strengthening our manpower

We believe that a strong team of staff members equipped with the relevant industry knowledge and experience is crucial to our continuing success. In addition, the involvement of our Directors and senior management at different stages of the project, such as preparation and submission of tender and quotation, project implementation and execution, is crucial to complete the projects on time and to the satisfaction of our customers. Furthermore, our Directors believe that a key to our success is our ability to recruit, retain, motivate and develop talented and experience staff members. In order to cater the growing demand for building construction and RMAA services, we intend to expand our labour resources by recruitment of additional staff, in particular experienced or skilled staff members such as project managers and site agents. We also plan to sponsor our staff to attend technical seminars and occupational health and safety courses organised by third parties so as to raise our standard and quality of services.

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

We will continue to closely monitor our capital and cash flow positions, particularly our sub-contracting fees which have augmented in recent years. In the process of identifying and capturing emerging opportunities, we will continue to deploy our resources on a selective and prudent basis to focus on projects which are more profitable in nature. We will continue to focus on our internal control system to ensure adequate cash flow for our ongoing capital requirements, and to achieve maximum cost savings.

Implementation of business strategies

As at the Latest Practicable Date, our Group has not identified any target for acquisition and do not have any acquisition plan. For further details on the implementation of the above-mentioned business strategies, please refer to the section headed “Future Plans and Use of Proceeds” in this document.

BUSINESS MODEL

We are principally engaged as a main contractor in Hong Kong in the provision of (i) building construction services; and (ii) RMAA works services. We act as the main contractor in all our projects during the Track Record Period and delegate works to our sub-contractors by trade on a back to back basis under supervision of and management by our project team. Upon the award of project by our customer, we generally classify the entire construction works to be performed into different categories depending on the trades concerned and level of expertise required, and engage suitable sub-contractors from our approved list of sub-contractors to perform each part of the classified construction works. As a main contractor, we are responsible for the overall management, implementation and supervision of our projects. We primarily focus on project management, devising detailed work programmes, procurement of major construction materials, site operation, co-ordination with the customers or their consultants and the quality control of the works carried by our employees and our sub-contractors.

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, our Group has obtained all necessary license and qualifications that are material to our business operations from the relevant Government authorities and such licenses and qualifications remain valid as at the Latest Practicable Date. Please refer to the paragraph headed “License and Qualifications” in this section for the major license and qualifications held by the Group as at the Latest Practicable Date.

(I) Building construction services

We generally provide building construction services to customers from both the public and private sectors, including but not limited to the Architectural Services Department, universities, schools and institutions in Hong Kong. The building construction works we normally deal with include building, piling, demolition and site formation. Our building construction services cover areas such as hospitals, schools and residential and commercial buildings in Hong Kong.

We are a Group C (confirmed) contractor under the “Buildings” category of the Contractor List and is eligible to tender for Government contracts of any values exceeding HK\$185.0 million. We are also qualified as a Group NW1 (confirmed) contractor under the Building (New Works) category of the Housing Authority and is eligible to tender for new works contracts of the Housing Authority with a value up to HK\$550.0 million.

BUSINESS

As at the Latest Practicable Date, we were one of the 29 contractors registered under the “Repair and Restoration of Historic Buildings” category of the Specialist List and were allowed to carry out works in relation to repair and restoration of Western-style historic buildings in Hong Kong. Leveraging our proven track record of quality services and our status under the Specialist List, we completed the PMQ Project during the Track Record Period as the main contractor.

In considering whether a project constitutes a building construction project, our Group takes into account (i) whether structural and/or engineering works involved; and (ii) whether substantive part of revenue from the project was recognised from such structural and/or engineering works. The PMQ Project was a heritage revitalisation project and had a face contract value of approximately HK\$354.1 million. For the purpose of revitalisation, our Group was required to carry out large amount of structural and engineering works, which involved, among others, the construction of a new building. RMAA works were also carried out for the PMQ Project during the Track Record Period since our Group was required by the relevant customer by way of variation orders to carry out certain RMAA works on the then existing and newly constructed building. During the Track Record Period, revenue derived from the building construction part of the PMQ Project amounted to approximately HK\$171.9 million and the RMAA part of the PMQ Project amounted to approximately HK\$15.0 million, representing approximately 92.0% and 8.0% of the total revenue recognised from the PMQ Project during the Track Record Period respectively. The table below sets forth the breakdown of revenue from each segment of the PMQ Project during the Track Record Period:

	For the year ended 31 March					
	2013		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
		contribution to total revenue for the year		contribution to total revenue for the year		contribution to total revenue for the year
PMQ Project						
— Building construction	142,064	75.8	143,540	83.3	28,402	13.7
— RMAA	—	—	50	0.1	14,941	7.2

Since substantial amount of revenue generated from the PMQ Project was from building construction works, our Directors are of the view that the PMQ Project shall be categorised as a building construction project for illustration purpose in the paragraph headed “Business — Business Model — (I) Building construction services — Contracts Completed” below in this prospectus.

BUSINESS

For the years ended 31 March 2014 and 2015, revenue attributable to the PMQ Project amounted to approximately HK\$143.6 million and HK\$43.3 million, representing approximately 83.4% and 20.9% of our total revenue respectively. The gross profit of the PMQ Project for the years ended 31 March 2014 and 2015 amounted to approximately HK\$23.6 million and HK\$10.5 million respectively, representing the gross profit margin of approximately 16.4% and 24.2%. Given its size and complexity and the scheduled completion date in December 2013, our Group had devoted more human and financial resources to the PMQ Project for the relevant construction period. The project management team of the PMQ Project comprised 27 employees of our Group. For such reason, coupled with our business strategy in developing our RMAA business as detailed below, we generally targeted to tender and complete projects of smaller size in the year ended 31 March 2014. The PMQ Project was a one-off project that was non-recurring in nature and had been substantially completed in December 2013. Revenue was recognised from the PMQ Project after its substantial completion mainly because, subsequent to the substantial completion, (i) the exact quantity of works finally executed under the contract was re-measured by the architect of the relevant customer to evaluate and adjust the final value of works completed; and (ii) the rates for the works under certain variation orders were determined between the parties, and values of such variation and/or additional works were certified according to the determined rates.

BUSINESS

Contracts completed

The following table sets forth a summary of our major building construction contracts (i.e. projects of contract value exceeding HK\$1.0 million) that we have completed during the Track Record Period and up to the Latest Practicable Date:

Particulars of the contract	Customer	Construction period ^(Note 1)	Contract value	Total amount of works certified ^(Note 2)	Percentage of revenue recognised from variation orders	Amount of revenue recognised during the Track Record Period ^(Note 2)	Other revenue	Total revenue
							recognised from the project during the Track Record Period ^(Note 3)	recognised during the Track Record Period ^(Note 4)
			(HK\$'000)	(HK\$'000)	(%)	(HK\$'000)	(HK\$'000)	(HK\$'000)
PMQ Project ^(Note 5)	Architectural Services Department	January 2012 to December 2013	354,096	342,482 ^(Note 6, 7)	15.4	180,855	6,078	186,933
Decanting works at a hospital located at Argyle Street, Kowloon City, Kowloon	A statutory body in Hong Kong with focus on managing all the public hospitals and institutes	May 2014 to May 2015	115,765	105,616 ^(Note 6)	1.7	105,616	263	105,879
Total:			<u>469,861</u>	<u>448,098</u>		<u>286,471</u>	<u>6,341</u>	<u>292,812</u>

Notes:

- Date for commencement refers to the date for commencement of the project stated in the contract entered into between our Company and our customer or our letter of acceptance, and date of completion refers to the date of substantial completion of the project stipulated on the practical completion certificate issued by our customer.
- Amount of revenue recognised represents revenue recognised from the respective customer under the relevant contract and excludes all other revenue recognised from the project as detailed in Note 3 and 4 below.
- Other revenue recognised from the project during the Track Record Period primarily comprises (i) penalties levied against our sub-contractors for breach of our work safety and occupational health policies; (ii) administrative fees and/or storage fees charged against our sub-contractors for facilitating them in procuring raw materials, equipment and/or machineries; and (iii) other ancillary expenses charged against our subcontractors for miscellaneous construction-related works performed by our Group, such as cleaning charges.
- Total revenue recognised during the Track Record Period includes both amount of revenue from the respective customer recognised during the Track Record Period and other revenue recognised from the project during the Track Record Period.
- The PMQ Project involved both building construction works and RMAA works. Approximately HK\$15.0 million of the total revenue recognised during the Track Record Period was attributable to the RMAA works performed under the PMQ Project.
- Difference between contract value and amounts of works certified was mainly attributable to (i) the contingent and/or provisional contract amounts set out in the relevant contracts which had not been realised; and (ii) revenue recognised from variation order(s) issued by our customers to our Group for additional works performed. A contingent and/or provisional sum is a sum of money provided in the contract by the customer for costs which cannot be entirely foreseen. Such contingent and/or provisional amount will not be certified nor paid to our Group as it does not relate to any part of the construction works done and is included for our customer's budgeting purpose only. Our customers generally set out additional works to be performed and additional costs to be incurred in the form of variation orders.
- The amount of works certified for the PMQ Project was lower than the original contract value mainly because (i) the contingent and/or provisional contract amount of approximately HK\$78.2 million as contained in the original contract value was not certified for reasons as stated in Note 6 above; (ii) approximately HK\$51.6 million of variation and/or additional building construction works was certified; and (iii) approximately HK\$14.3 million of variation and/or additional works was certified.

BUSINESS

Contracts in progress as at the Latest Practicable Date

The following table sets forth a summary of our major building construction contracts (i.e. projects of contract value exceeding HK\$1.0 million) that are in progress as at the Latest Practicable Date:

<u>Particulars of the contract</u>	<u>Customer</u>	<u>Expected construction period</u> <i>(Note 1)</i>	<u>Contract value</u> <i>(Note 2)</i>	<u>Contingent and/or provisional contract amount</u>	<u>Percentage of completion as at 31 July 2015</u> <i>(Note 3)</i>	<u>Total revenue recognised during the Track Record Period</u> <i>(Note 4)</i>
			(HK\$'000)	(HK\$'000)	(%)	(HK\$'000)
Redevelopment of a secondary school at Kennedy Road, Wanchai	Private customer	8 April 2015 to 23 September 2017	122,980	19,000	14.7	Nil
Total:			122,980	19,000		Nil

Notes:

- Expected construction period in general refers to the expected construction period as specified in the relevant contract, and if an application for delay or extension of time has been submitted and approved by our customers, such delayed or extended construction period would be taken as the expected construction period.
- The contract value includes the contingent and/or provisional contract amount. A contingent and/or provisional sum is a sum of money provided in the contract by the customer for costs which cannot be entirely foreseen. Such contingent and/or provisional amount will not be certified nor paid to our Group as it does not relate to any part of the construction works done and is included for our customer's budgeting purpose only. Our customer generally set out additional works to be performed and additional costs to be incurred in the form of variation orders.
- Percentage of completion is calculated based on revenue recognised as 31 July 2015 (being the latest date to which our management account was made up) divided by contract value.
- No other revenue was recognised from the project during the Track Record Period in respect of (i) penalties levied against our subcontractors; (ii) administrative fees and/or storage fees charged against our subcontractors; and (iii) other ancillary expenses charged against our subcontractors.

(II) RMAA works services

To capture the growth in RMAA industry in Hong Kong and broaden our customer base, we strategically expanded our RMAA services in 2013. During the Track Record Period, revenue contribution from our RMAA segment increased from approximately 16.7% for the year ended 31 March 2014 to approximately 35.1% for the year ended 31 March 2015. We generally act as the main contractor in our RMAA projects during the Track Record Period and we predominantly provide RMAA services to the Government, quasi-Government organisations, universities, schools and incorporated owners of private residential buildings. Our major customers from the Government include the Architectural Services Department and the Housing Authority. Our RMAA works services cover areas such as public housing, heritage buildings, school campus and private residential properties.

BUSINESS

The RMAA works we are generally responsible for include: changes in facilities configuration; modification, removal or installation of hardware and equipment' erection, relocation or removal of doors, windows and partitions; changes in type of finishes and flooring materials; restoration, upgrade or otherwise improve the general condition of facilities; and general upkeep of existing facilities, facility components, grounds and utility systems.

Contracts completed

The following table sets forth a summary of our major RMAA works contracts (i.e. projects of contract value exceeding HK\$1.0 million) that we have completed during the Track Record Period and up to the Latest Practicable Date:

Particulars of the contract	Customer	Construction period <i>(Note 1)</i>	Contract value (HK\$'000)	Total amount of works certified <i>(Note 2)</i> (HK\$'000)	Percentage of revenue recognised from variation orders (%)	Amount of revenue recognised during the Track Record Period <i>(Note 2)</i> (HK\$'000)	Other revenue	Total revenue
							recognised from the project during the Track Record Period <i>(Note 3)</i> (HK\$'000)	recognised during the Track Record Period <i>(Note 4)</i> (HK\$'000)
Alteration and addition works for an additional storey on top of existing library for an international secondary school at Nam Long Shan Road, Aberdeen, Hong Kong <i>(Note 5)</i>	Customer E	April 2014 to June 2015	45,927	41,719 <i>(Note 6)</i>	7.2	29,690	76	29,766
Renovation works for a primary school at Kwong Lee Road, Sham Shui Po	Customer F	April 2014 to September 2014	10,311	10,310	9.9	10,310	68	10,378
Reorganisation of space at building of the university located at Pok Fu Lam, Hong Kong	Customer A	February 2014 to May 2014	11,052	11,180 <i>(Note 6)</i>	15.0	11,180	38	11,218
Redecoration of Tin Yat Estate	Housing Authority	July 2013 to May 2014	9,099	7,911 <i>(Note 6)</i>	—	7,911	58	7,969
Repair works at external wall of two buildings of a public housing estate at Healthy Street East, North Point, Hong Kong	Customer B	November 2013 to April 2014	3,274	3,091 <i>(Note 6)</i>	2.2	3,091	1,347	4,438
Re-roofing works at Choi Hung Estate, Shun Tin Estate, Ping Shek Estate and Kai Tin Estate in Kowloon East Region	Housing Authority	November 2012 to 28 June 2013	13,499	13,251 <i>(Note 6)</i>	1.1	4,686	—	4,686
Improvement works for the construction of a 30-classroom primary school in So Kwun Wat, Area 55 Tuen Mun, New Territories	Architectural Services Department	March 2013 to February 2014	1,998	1,685 <i>(Note 6)</i>	1.0	1,285	2	1,287
Improvement works for the construction of a 24-classroom primary school in So Kwun Wat, Area 55 Tuen Mun, New Territories	Architectural Services Department	March 2013 to December 2013	1,900	1,558 <i>(Note 6)</i>	2.6	1,558	2	1,560
Total			<u>97,060</u>	<u>90,705</u>		<u>69,711</u>	<u>1,591</u>	<u>71,302</u>

BUSINESS

Notes:

1. Date for commencement refers to the date for commencement of the project stated in the contract entered into between our Company and our customers or the letter of acceptance, and date of completion refers to the date of substantial completion of the project stipulated on the completion certificate issued by our customer.
2. Amount of revenue recognised represents revenue recognised from the respect customer under the relevant contract and excludes all other revenue recognised from the project as detailed in Notes 3 and 4 below.
3. Other revenue recognised from the project during the Track Record Period primarily comprises (i) penalties levied against our sub-contractors for breach of our work safety and occupational health policies; and (ii) administrative fees and/or storage fees charged against our sub-contractors for facilitating them in procuring raw materials, equipment and/or machineries.
4. Total revenue recognised during the Track Record Period includes both amount of revenue from the respective customer recognised during the Track Record Period and other revenue recognised from the project during the Track Record Period.
5. The project was scheduled to complete in April 2015. The progress of work was delayed beyond the agreed completion date to June 2015 as a result of the variation orders as received from the architect of the customer. The liquidated damages to be levied under the relevant contract for each day of delay amounted to HK\$5,000 and, as confirmed by the relevant customer, the maximum potential liquidated damages payable by our Group for the project amounted to HK\$360,000. As at the Latest Practicable Date, our Group has submitted an application for extension of time which was pending written approval from our customer. Given that the delay was primarily caused by the variation works as ordered by our customer, our Directors believe that the likelihood for the customer to approve such extension is high, and therefore it is unlikely that our customer will require our Group to pay in full the liquidated damages.
6. Difference between contract value and amounts of works certified was mainly attributable to (i) the contingent and/or provisional contract amounts set out in the relevant contracts which had not been realised; and (ii) revenue recognised from variation order(s) issued by our customers to our Group for additional works performed. A contingent and/or provisional sum is a sum of money provided in the contract by the customer for costs which cannot be entirely foreseen. Such contingent and/or provisional amount will not be certified nor paid to our Group as it does not relate to any part of the construction works done and is included for our customer's budgeting purpose only. Our customers generally set out additional works to be performed and additional costs to be incurred in the form of variation orders.

BUSINESS

Contracts in progress as at the Latest Practicable Date

The following table sets forth a summary of our major RMAA works contracts that are in progress (i.e. projects of contract value exceeding HK\$1.0 million) as at the Latest Practicable Date:

Particulars of the contract	Customer	Expected construction period <i>(Note 1)</i>	Contract value <i>(Note 2)</i>	Contingent and/or provisional contract amount	Percentage of completion as at 31 July 2015 <i>(Note 3)</i>	Total revenue recognised during the Track Record Period <i>(Note 4)</i>
			(HK\$'000)	(HK\$'000)	(%)	(HK\$'000)
Space reorganisation of a new entrance of the library for the university located at Pok Fu Lam, Hong Kong	Customer A	April 2015 to December 2015	14,170	1,500	11.3	—
Renovation works to private area of a commercial centre at Wilmer Street, Sheung Wan, Hong Kong	Private customer	April 2015 to June 2016	19,700	—	5.7	—
Renovation works at common area of a commercial centre at Wilmer Street, Sheung Wan	Private customer	April 2015 to June 2016	42,799	—	4.5	—
Installation of stainless steel laundry racks at Kwai Chung Region	Housing Authority	May 2015 to November 2016	29,238	2,597	2.6	—
Installation of stainless steel laundry racks at Kowloon East Region	Housing Authority	June 2015 to September 2016	18,007	1,847	0.0	—
Maintenance works for a private building at 977-991, Canton Road, Kowloon	Incorporated owners of a private building	July 2015 to December 2015	3,479	—	22.1	—
Design, supply and installation of suspension systems with associated works for a university at Hoi Ting Road, Yau Ma Tei	University	June 2015 to December 2015 <i>(Note 5)</i>	6,205	1,030	0.0	—
Maintenance works for a private building at 3, Chung Wui Street, Kowloon	Incorporated owners of a private building	September 2015 to March 2016	24,475	—	—	—
Total			<u>158,073</u>	<u>6,974</u>		<u>—</u>

Notes:

- Expected construction period in general refers to the expected construction period as specified in the relevant contract, and if an application for delay or extension of time has been submitted and approved by our customers, such delayed or extended construction period would be taken as the expected construction period.
- The contract value includes the contingent and/or provisional contract amount. A contingent and/or provisional sum is a sum of money provided in the contract by the customer for costs which cannot be entirely foreseen. Such contingent and/or provisional amount will not be certified nor paid to our Group as it does not relate to any part of the construction works done and is included for our customer's budgeting purpose only. Our customer generally set out additional works to be performed and additional costs to be incurred in the form of variation orders.
- Percentage of completion is calculated based on revenue recognised as at 31 July 2015 (being the latest date to which our management account was made up) divided by contract value.
- Amount of revenue recognised comprised both revenue recognised from the relevant customer and from our sub-contractors. Revenue recognised from our sub-contractors primarily represents penalties levied against our sub-contractors for breach of our work safety and occupational health policies and administrative fees and/or storage fees charged against our sub-contractors for facilitating them in procuring raw materials, equipment and/or machineries. During the Track Record Period, no revenue from sub-contractors was recognised under these projects.
- Phase 1 is expected to be completed in October 2015 and phase 2, which is expected to take 60 days, will commence upon future instruction of the customer.

BUSINESS

Backlog

As at 31 March 2014 and 2015, we had a total of 4 and 2 major projects (i.e. projects of contract value exceeding HK\$1.0 million) in our backlog (representing projects that had commenced but not completed (at the respective dates) respectively, with revenue derived or estimated to be derived from such projects as follows:

	As at 31 March	
	2014	2015
Number of major projects in our backlog	4	2
Total revenue attributable to such projects	HK\$'000	HK\$'000
— recognised on or before the date indicated	147,987	135,645
— recognised or estimated to be recognised in the first financial year subsequent to the date indicated	53,011	30,398
— recognised or estimated to be recognised in the second financial year subsequent to the date indicated	7,368	—
— estimated to be recognised in the third financial year subsequent to the date indicated	—	—
	208,366	166,043

As at the Latest Practicable Date, we had 9 major projects (i.e. projects of contract value exceeding HK\$1.0 million) in our backlog. Revenue of approximately HK\$170.6 million, HK\$89.3 million and HK\$21.2 million is estimated to be recognised in each of the year ended 31 March 2016, 2017 and 2018 respectively.

The completion dates or expected completion dates of the major projects in our backlog are as follows:

	As at 31 March		As at the Latest Practicable Date
	2014	2015	
Number of major projects in our backlog which were completed or expected to be completed			
— up to the Latest Practicable Date*	4	1	—
— Latest Practicable Date to 31 March 2016^	—	1	4
— on or after 1 April 2016^	—	—	5
	4	2	9

* denotes actual completion dates

^ denotes expected completion dates

BUSINESS

The following table set forth the breakdown by project of backlog revenue recognised in each of the years ended 31 March 2014 and 2015, and estimated to be recognised in each financial year going forward:

	For the year ended 31 March		For the year ending 31 March		
	2014	2015	2016 ^{Note}	2017 ^{Note}	2018 ^{Note}
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PMQ Project	143,590	43,343	7,368	—	—
Improvement works for the construction of a 30-classroom primary school in So Kwun Wat, Area 55 Tuen Mun, New Territories	888	399	—	—	—
Improvement works for the construction of a 24-classroom primary school in So Kwun Wat, Area 55 Tuen Mun, New Territories	1,560	—	—	—	—
Reorganisation of space at building of the university located at Pok Fu Lam, Hong Kong	1,949	9,269	—	—	—
Alteration and addition works for an additional storey on top of existing library for an international secondary school at Nam Long Shan Road, Aberdeen, Hong Kong	—	29,766	21,965	—	—
Decanting works at a hospital located at Argyle Street, Kowloon City, Kowloon	—	105,879	8,433	—	—
Redevelopment of a secondary school at Kennedy Road, Wanchai	—	—	35,291	66,562	21,127
Space reorganisation of a new entrance of the library for the university located at Pok Fu Lam, Hong Kong	—	—	14,170	—	—
Renovation to private area of a commercial centre at Wilmer Street, Sheung Wan, Hong Kong	—	—	19,291	409	—
Renovation to common area of a commercial centre at Wilmer Street, Sheung Wan, Hong Kong	—	—	41,911	888	—
Installation of stainless steel laundry racks at Kwai Chung Region	—	—	14,978	14,260	—

BUSINESS

	For the year ended 31 March		For the year ending 31 March		
	2014	2015	2016 ^{Note}	2017 ^{Note}	2018 ^{Note}
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Maintenance works for a private building at 977-991, Canton Road, Kowloon	—	—	3,479	—	—
Installation of stainless steel laundry racks at Kowloon East Region	—	—	10,794	7,213	—
Design, supply and installation of suspension systems with associated works for a university at Hoi Ting Road, Yau Ma Tei	—	—	6,205	—	—
Maintenance works for a private buildings at 3, Chung Wui Street, Kowloon	—	—	24,474	—	—

Note: The estimated revenue expected to be recognised for each of the projects is prepared based on (i) the contract sum of each project and (ii) our quantity surveyor's estimation on the works to be completed for each project as at 31 March 2016, 31 March 2017 and 31 March 2018, respectively, with reference to the construction programme prepared by our Group after we have secured the project.

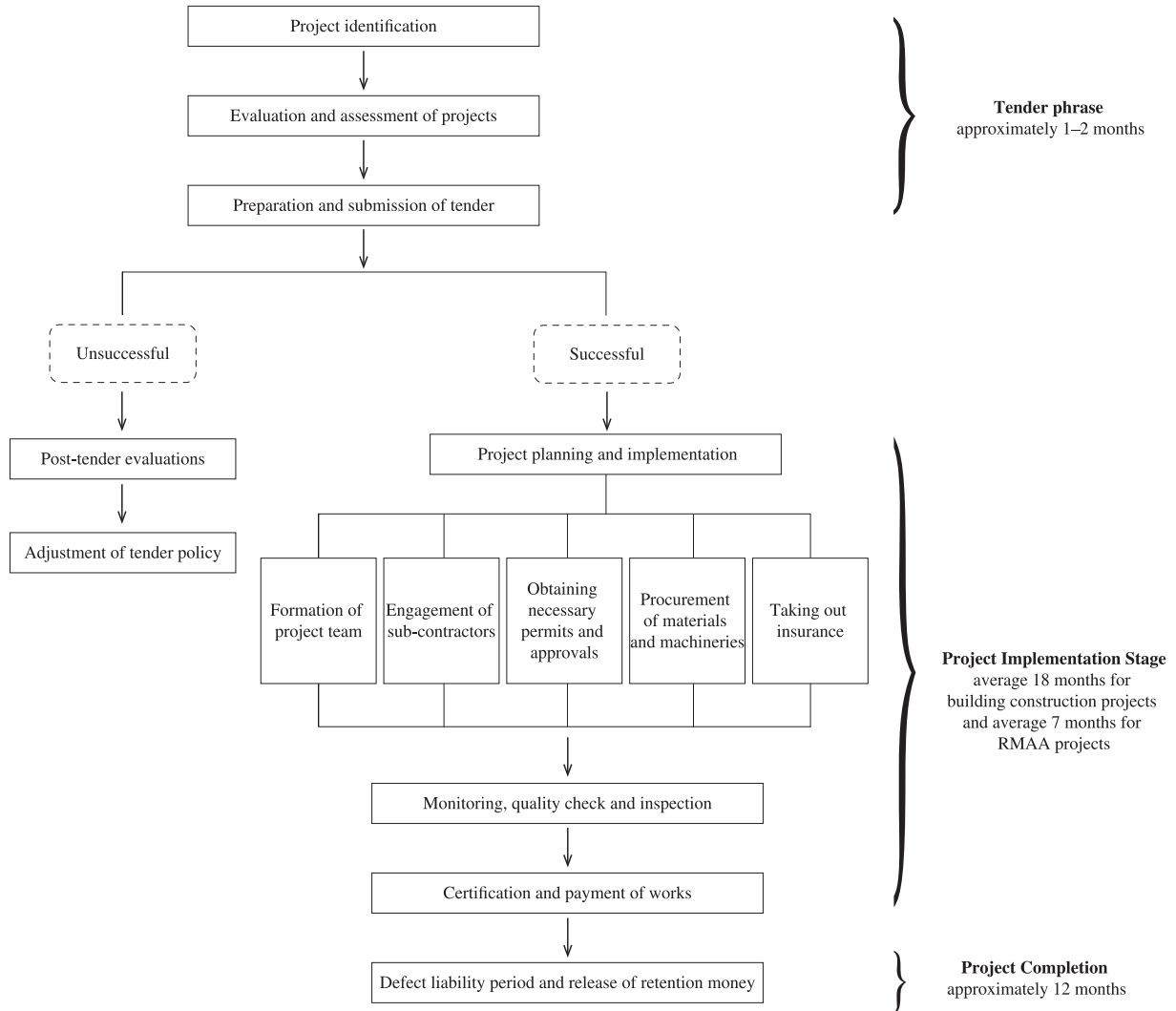
Changes in our project mix

As a result of our expansion in the RMAA segment since 2013, there was a change in our project mix during the Track Record Period with the revenue contribution of our RMAA business increased from approximately 16.7% in the year ended 31 March 2014 to approximately 35.1% in the year ended 31 March 2015, while the revenue contribution of our building construction business decreased from approximately 83.3% to approximately 64.9% in the same period. For further details of our change in project mix during the Track Record Period, please refer to the section headed "Financial Information — Description of Selected Items from Consolidated Statements of Profit or Loss and other Comprehensive Income — Revenue — Changes in our project mix" in this prospectus. Going forward, we intend to maintain our current business strategy for RMAA projects in the near future by targeting larger scale RMAA projects setting tender prices that allow us to maintain higher gross profit margin. In addition, our Group shall continue to keep track of the tenders in both business segments. In particular, our Directors believe that, in light of the discernible decline of the filibuster in the Legislative Council of Hong Kong, the number of invitations to tender for Government and quasi-Government construction projects may increase in coming future. According to WBDB, it is estimated that there will be 14 tender invitations to be issued by Architectural Services Department during the period from July 2015 to December 2015, of which eight of such invitations will only be provided to Group C (confirmed) contractors under the Contractor List. In deciding whether or not to bid for a specific tender, our Group would take into consideration several principal factors, including but not limited to, the profitability of the project, complexity and technicality involved, our capacity during the contract period and availability of suitable sub-contractors and workers.

BUSINESS

OPERATIONS

For illustration purpose, a simplified flow diagram of the key operational procedures undertaken by our Group in relation to all of our services is outlined below:



Operational Procedures

The following sets out the key operational procedures as illustrated in the above simplified flow diagram:

Project Identification

We provide construction services to customers from both the public and the private sectors. We usually identify Government projects through reviewing the tender invitations from various Government departments published on the Gazette. The tender invitation generally includes a brief description of the works required, expected commencement and completion dates of the project, qualifications and conditions to be met by the tenderer for participation, contacts of which forms of tender and further particulars in relation to the project can be obtained, and instructions for tender submissions.

As for projects from non-Government customers, we are generally invited by the customers by way of invitation letters to submit a tender for a potential project. The specifications and drawings are also usually provided to us along with the invitations.

Evaluation and assessment of projects

Our tendering department, led by our executive Directors Mr. Lam and Mr. Shut Yu Hang, is responsible for evaluating the projects identified and preparing the tender submission. Upon identifying the gazetted project which our Group is eligible for tender submission or upon receiving a tender invitation, our tendering department will evaluate the manageability and profitability of the project, taking into account factors such as (i) whether our Group has the expertise and qualification required; (ii) the commencement date and duration of the project; (iii) the prevailing market conditions; (iv) the complexity and technicality of the project; (v) the availability of our Group's resources; (vi) the estimated costs of the project; and (vii) our previous experience with the customer.

We will also conduct a preliminary assessment of the initial cash flow required for the project and our expected cash flow status at the relevant time. Such assessment of cash flow is particularly important to us as a main contractor, since we normally incur net cash outflows at the early stage of a project as we may be required to pay the set-up expenditures before our customers making progress payments.

Preparation and submission of tender

In the event that we consider the project is commercially viable, our tendering department will proceed to prepare for the tender submission. Our tender proposal generally includes (i) tender price; (ii) estimated timeframe for each stage; (iii) site safety supervision plan; (iv) schedule of rates and method of payment; and (v) general conditions of contract.

BUSINESS

For Government projects, we must be on their approved contractor lists in order to be eligible to bid for the projects. The qualifications required are set out in the Gazette. Please refer to the paragraph headed “Licenses and Qualifications” in this section for the major licenses and qualifications held by our Group as at the Latest Practicable Date. There may be additional requirements stipulated under certain Government projects or large-scale private projects, such as previous work experience, proven track record of satisfactory performance, qualification and experience of key staff, availability of financial resources, sufficiency of machinery, equipment and plants, standby service for emergency situation and safety management systems. Our Group may be required in such cases to make pre-qualification submission to our customers regarding our eligibility based on the above requirements and undergo pre-qualification assessment, before we are being separately invited to tender.

A site visit will be conducted by our Group to understand the site conditions and constraints. An estimator from the tendering department of our Group will pay visit to the relevant sites at which the project is to be conducted in order to assess the site condition, complexity and technicality of the project. After the site visit, the estimator will prepare a report analysing the expected complexity of works to be involved, expected amount and prices of machineries and equipment required, expected labour needed, and expected time of delivery. In the event that the project requires particular speciality on the part of the main contractor, our Group may also hire external consultants in order to help in assessing the project and making recommendations.

Upon receiving the detailed reports from our estimator and the external consultants (where applicable), our tendering department will prepare the bill of quantities or schedule of rates setting out a breakdown of quotation by items based on the scope of works and specifications set out in the tender invitations. Our Group adopts a cost-plus pricing model for setting our tender price. For the purpose of preparing the budget for a project, we estimate the project costs by considering direct labour costs, sub-contracting fees, construction material costs and insurance costs. We may obtain preliminary quotations from our suppliers, sub-contractors and insurers in order to have a more accurate estimation for the project cost to be involved. It is important for us to accurately set out the budget for the project at the beginning in order to avoid overbudget and ensure adequate profit from the relevant project.

We generally rely on our assessment of costs at the stage of preparing the terms of our initial tender submission to control our overall operational costs and cost overrun. Leveraging our extensive experience in the construction industry, we have generally been able to predict any potential material increase in construction costs and pass such potential increase in costs to our customers by taking into account such potential increase when setting our tender price. In addition, during the course of project implementation and execution, based on our regular monitoring, inspection, progress review and control over project expenses and payments, we are able to monitor and control the progress of works of our sub-contractors and budget of each project closely. For further details of our control measures over our sub-contractors, please refer to the paragraph headed “Sub-contractors — Control over sub-contractors” in this section. In the event that the actual costs incurred exceeded the original estimates of the

BUSINESS

monthly budget, our quantity surveyor will investigate the causes and assess whether any follow-up actions are required. To ensure smooth operation of the relevant project and depending on the materiality and nature of the cost overrun, we may bear part of the additional cost and negotiate with our sub-contractors to adjust their sub-contracting fee on terms reasonably acceptable to our Group. For our Government and quasi-Government projects, we may rely on the contract price adjustment mechanism and receive additional sum from the relevant customer compensating for the risk of fluctuation in the costs of labour and materials. The value of the additional sum to be received is determined with reference to certain price indices compiled and published by the Census and Statistics Department of the Government. Please refer to the paragraph headed “Customers — Key terms of the contracts with customers” to this section for further information. During the Track Record Period, the contract price adjustment mechanism was triggered in one of our projects, namely the PMQ Project, upon which our Group received the aggregate sums of approximately HK\$12.0 million and HK\$1.5 million for the years ended 31 March 2014 and 2015 respectively from the relevant customer. Leveraging our well-established cost control measures and with the benefit of the contract price adjustment mechanism, our Group did not experience the issue of material cost overrun for projects carried out during the Track Record Period and therefore did not engage in any re-negotiation of subcontracting fee with the subcontractors during the Track Record Period to address such issue.

It generally takes around one to two months for us to prepare a tender submission. Before the tender submission is made, it will be approved and signed by our executive Directors.

Tenders submitted during the Track Record Period and up to the Latest Practicable Date

During the Track Record Period, our projects were obtained through tendering. The following table sets out the number of projects we tendered, number of successful projects tendered and our success rate during the Track Record Period:

	For the year ended 31 March		From 1 April 2015 up to the Latest Practicable Date
	2014	2015	
Number of projects tendered	143	161	52
Number of successful projects tendered	19	13	5
Success rate (%)	13.3%	8.1%	9.6%

Leveraging the successful completion of the PMQ project and our increased reputation in the RMAA industry resulting from our strategic expansion since 2013, we received increasing number of tender invitations from potential non-Government customers for the year ended 31 March 2015. In response to these tender invitations and in view of maintaining business

relationships with such customers, we submitted increasing number of tender submissions which led to the increase in the number of projects tendered for the year ended 31 March 2015.

For the year ended 31 March 2014, in order to increase our market share and enhance our presence in the RMAA segment, we had taken an aggressive pricing approach by setting our tender price at cost. Upon solidifying our experience in the RMAA industry, our Directors decided to optimise our tender policy for RMAA projects by targeting larger RMAA projects and setting a tender price that allows a higher profit margin. The average revenue recognised per major RMAA contracts increased from approximately HK\$2.8 million for the year ended 31 March 2014 to approximately HK\$7.8 million for the year ended 31 March 2015. The gross profit margin from our RMAA segment also increased from approximately 0.3% to 19.1% over the Track Record Period. The change in our tender policy coupled with the increased number of tender invitations resulted in the decrease in our tender success rate. Be that as it may, our overall revenue increased by approximately 20.2% over the Track Record Period, reflecting the success in optimising our tender policy during the same period.

For the period from 1 April 2015 up to the Latest Practicable Date, our Group has tendered 52 projects, of which five tenders have been awarded and three tenders have been rejected by the relevant customers, while the results of the remaining 44 tenders were still pending. The five tenders awarded to our Group are all RMAA projects with an aggregate contract value of approximately HK\$1.5 million.

Since construction contracts are generally awarded on a project-by-project basis and contractors may take different pricing policies in setting their tender price, our Directors, based on the Ipsos Report, confirm that there is no industry standard in relation to the success rate of tendering in the construction industry. In light of the increase in revenue from approximately HK\$172.2 million to approximately HK\$207.0 million and the stable gross profit margin of approximately 14.1% and 14.5% respectively during the years ended 31 March 2014 and 2015, our Directors consider that the change in approach in setting our tender price and the lower success rate during the same period did not create material adverse effect on our financial condition and results of operations.

Project planning and implementation

After tender submission, our Group may be interviewed or enquired by the potential customer to clarify certain particulars of our submitted tender. Normally it takes around one to five months before the result of the tender is made known to us.

As a main contractor, we are responsible for the overall project planning and implementation, which includes arranging all necessary materials and expertise, providing technical know-how required for the works, and carrying out the required project management such that works performed conform to the contractual standard and meet the work schedule. As soon as we are formally engaged by our customer, we will submit a master programme to our customer specifying (i) how the works will be organised, managed, planned, supervised

BUSINESS

and coordinated; (ii) the methods of construction and the resources that we intend to use to carry out the works; (iii) the names, details and job description of the site management and supervisory team personnel; (iv) the plant, equipment, temporary works we intend to supply, use or construct; and (v) the sequence and timeframe proposed for carrying out the works. The master programme is for the purpose of facilitating the overall management of the project.

Upon the master programme being accepted by our customer, we will commence the implementation of the project by (i) forming a project team; (ii) engaging the sub-contractors; (iii) procuring and arranging with suppliers for the requisite materials; (iv) planning and arranging the required machinery to be delivered to the site; (v) obtaining necessary permits and approvals; and (vi) taking out insurances.

Forming a project team

We usually form a project team for each project. Depending on the scale and complexity of the project and any additional requirements imposed by our customers on qualifications of our key staff, our project team generally comprises the following key personnel: general manager, project manager, contract manager, site agent, foreman, quality control engineer, safety officer and quantity surveyor. Our project team is responsible for overall management of our project which includes devising master programmes which set out detailed timeframe for each stage of work, procurement of materials, equipment and machinery, engaging sub-contractors, quality control of works carried out by our workers and the sub-contractors and co-ordination with our customers or their consultants. Our project team will also from time-to-time report to our Directors on the project status and any difficulties encountered. Our Directors and general manager will closely monitor the progress of the project on a continuous basis to ensure compliance with the statutory requirements and specifications of our customers.

Set out below are some general duties performed by our key personnel during the implementation stage of the projects awarded to us:

(i) General manager

Mr. Shut Yu Hang, who is also our executive Director, is our general manager and is mainly responsible for the overall planning, implementation and supervision of the project and the selection of appropriate personnel, suppliers and sub-contractors for the execution of the project. For further details in relation to the qualifications and background of Mr. Shut Yu Hang, please refer to the section headed “Directors, Senior Management and Employees — Directors” in this prospectus.

(ii) Project manager

Our project manager is mainly responsible for appointing site staff, arranging site meetings with other members of the project team, suppliers and sub-contractors on project progress, ensuring the compliance with contractual and statutory requirements and

BUSINESS

our quality, environmental and safety policies, reviewing performance of sub-contractors and suppliers, reporting to our Directors and general manager on project status and issues, and attending progress meeting to report the project progress to our customer.

(iii) Site agent

Our site agent is mainly responsible for supervising workers on site, procuring materials, equipment and plant required, supervising and coordinating the works of sub-contractors, inspecting fieldworks, monitoring the work progress, communicating with our foreman about each project's detailed operations, and reporting to the project manager for the project status and issues.

(iv) Foreman

Our foreman is mainly responsible for supervising our workers and sub-contractors on site, maintaining construction programme, implementing and monitoring the compliance of our quality procedures and health and safety measures, arranging the supply of materials, equipment and plant, and reporting to the site agent for the project status and issues.

(v) Safety officer

Our safety officer is mainly responsible for performing daily check and inspection on site safety, monitoring the compliance of site staffs with the site safety instructions and our safety guidelines, advising preventative and precautionary measures to site agent about site safety, ensuring site activities are conducted under the applicable safety laws and regulations, and providing safety training courses to all workers on site.

(vi) Quantity surveyor

Our quantity surveyor is mainly responsible for preparing the interim payment application, performing valuation of variation orders received from our customer, preparing final accounts, keeping records loss and expenses, preparing claims for insurance, preparing sub-contractors' interim payment, inspecting the work progress on the site, measuring the quantities of materials required and coordinating with the foreman and our purchasing department for materials ordering, executing site measurement works, and maintaining records of abortive work.

(vii) Building services coordinator

Our building services coordinator is mainly responsible for coordinating and monitoring works to be undertaken by nominated sub-contractors, arranging regular site meetings with nominated sub-contractors, ensuring the carrying out of quality control measures on materials, equipment and machinery procured and communicating with our customers about each project's detailed operations.

(viii) Environmental officer

Our environmental officer is mainly responsible for preparing and implementing the environmental management policy of our Group, advising the measures to be taken in implementing the environmental management policy, carrying out weekly inspections at sites to identify potential hazards to the environment, providing environmental training to the staff and workers on sites and compiling monthly environmental report for submission to our customers.

Engaging the sub-contractors

During the Track Record Period, we generally acted as the main contractor in our projects. Our Group subcontracts various parts of the project by trade on a back to back basis to our sub-contractors in Hong Kong in order to minimise the number of employees employed directly by our Group, increase labour mobility and bring about cost efficiency. The works we sub-contract to our sub-contractors are generally labour intensive or require specific skill sets, such as demolition, hoarding, concreting, painting, redecoration and roofing.

The scope of works to be sub-contracted by our Group can be classified into labour only, labour and plants, labour and materials and materials and/or plants only. For agreements specifying labour only and materials and/or plants only, the sub-contractors are only required to provide the requisite labour or materials and/or plants required and our Group will provide the other materials, plants or labour (as the case may be) to the sub-contractors to enable them to carry out the works delegated. For agreements specifying labour and plants and labour and materials, our sub-contractors will equip themselves with all the necessary plant, materials and equipment.

We oversee the carrying out of the works by our sub-contractors in order to ensure the works completed are in accordance with the specifications, requirement and time-frame under the relevant contract. With the engagement of sub-contractors, we are able to focus on quality assurance and overall project management without the need for keeping a significant pool of workers and technical staff under permanent employment, which in turn allow us to deploy our resources in a more cost-effective manner.

For further details on selections of sub-contractors and our sub-contracting arrangement, please refer to the paragraph headed “Sub-contractors” in this section.

Procurement of materials

Despite our sub-contractors are generally required to equip themselves with the necessary materials for completing the works delegated to them, in order to ensure the quality of the materials to be used meets our customer’s expectation and conforms to contractual requirement, our Group may purchase certain materials for our sub-contractors. Where we

require our sub-contractors to equip themselves with the necessary construction materials, the costs of materials is generally included into the sub-contract price. The major materials we purchase for our sub-contractors include concrete and steel.

The materials we purchased are generally sent to the site directly by our suppliers. Our Group does not keep any materials as our inventory as the materials are procured on a project-by-project basis in accordance with the project specifications.

Procurement of machinery

Most of the building construction works in our projects require the use of machinery. Our sub-contractors are normally required to equip themselves with the necessary machinery for carrying out their works. For details on our machinery, please refer to the paragraph headed “Machinery” in this section.

Obtaining necessary permits and approvals

Our Group, as a main contractor, is required to obtain certain environmental permits and approvals in accordance with the applicable laws and regulations prior to commencement of a project. Our safety and environmental department is responsible for perusing the specifications set out in the contract and deciding what permits and approvals are required. We will then apply to the relevant Government departments to obtain the requisite permits and approvals in relation to air pollution, waste disposal, noise pollution and others pursuant to environmental protection requirements. For further details of the necessary permits and approvals to be obtained by our Group, please refer to the paragraph headed “Regulatory Overview — Laws and Regulations in relation to Environmental Protection in Hong Kong” in this prospectus.

Taking out insurances

Before the commencement of a project and in order to comply with the relevant laws and regulations in Hong Kong, our Group acting as the main contractor takes out the employees’ compensation insurance and contractor’s all risks insurance for the entire project. For further details of our insurance policy, please refer to the paragraph headed “Insurance” in this section.

Monitoring, quality check and inspection

Our project manager prepares progress reports to our Directors and general manager on a bi-monthly basis. Such progress reports include works completed as of the date, issues encountered by workers and sub-contractors, any risks in delaying the timetable, actions to be taken for compliance with the expected timeframe and follow-up matters for the project. We will also hold progress meetings with our customer throughout the project where our project manager will report the progress our the customer and discuss the major issues encountered.

In the course of implementation and execution of the project, our project management team will carry out regular quality check and inspection in order to ensure that works done by our sub-contractors conform to the contractual specifications. Our customers may also conduct inspection from time to time. Our Group has been awarded with ISO 9001:2008 for our quality management system since 2002. For further details of our quality assurance procedure, please refer to the paragraph headed “Quality Assurance” in this section.

Certification and payment of works

Our Group recognises revenue based on the stage of completion of our works. We receive progress payment from our customers pursuant to the respective contractual terms. Our Group normally prepares a statement setting out our estimate of the valuation of the work completed in the preceding month and submits the statement together with the payment application to our customers on a monthly basis. Upon receiving our payment application and after examination, the architect of our customer will issue an interim certificate certifying the works completed in the preceding month, which normally takes around 21 days from the date of our payment application. Our customer will then make payment based on the certified amount less any retention money. Payments will normally be made by our customers within 21 days from the date of the interim certificate. Payment is usually made by way of cheque or bank transfer in Hong Kong dollars.

Defect liability period and retention money

Defect liability period

It is the common practice in the industry that a defect liability period is generally required by our customers, during which we are responsible to rectify all works defects identified by the architects of our customers. When our customer is satisfied that the works have been substantially completed and have passed all inspections and tests required to be carried out under the contract, our customer will issue a practical completion certificate. The defect liability period is generally 12 months from the date of such certificate. During the defect liability period, the architect of our customer will provide us with schedules of defects from time to time and we are required to rectify all defects to its satisfaction within a reasonable time. We shall also finish all items of work that have not been completed when the practical completion certificate is issued. Where our Group fails to rectify the defects identified or to complete the unfinished items of work before the expiry of the defects liability period, our customer is entitled to deduct the contract sum payable to our Group taking into account the costs, expenses and damages which may be incurred by our customer owing to such failures.

We require a back-to-back defects liability and maintenance period from our sub-contractors. If there are any works defects found by our customers, the relevant sub-contractor is in general responsible for rectifying the works defects in accordance with the back-to-back defects liability clause of the sub-contracting agreement with our Group and bearing all the costs incurred in rectifying the works defects. At the end of the defect liability period and

BUSINESS

upon our customer confirming that we have completed all the works and rectified all defects identified to their satisfaction, a maintenance certificate will be issued by our customer and we shall be discharged from any further obligation to carry out any work and/or rectification. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material claims by our customers in respect of any defective works, and therefore we have not made any provision for repair and maintenance costs in respect of defective works during the defect liability period.

Retention money

In line with industry practice, there is generally a contract term for the customer to secure our Group's due performance by holding up retention money from the progress payment. The retention money is normally retained from each progress payment to our Group in accordance with a predetermined percentage stated in the contract. As for contracts with the Government and quasi-Government organisations, the certified value retained at each stage is generally 1% of progress payment, subject to a limit of retention fund of not more than 1% of the total contract sum. As for contracts with private sector customers, the certified value retained at each stage is generally 5–10% of progress payment, subject to a limit of retention fund of not more than 5% of the total contract sum. Subject to the confirmation from the architects of our customers regarding satisfaction with our works, the retention money will generally be released to us after the expiry of the defect liability period.

Surety bonds

As a security for our due and faithful performance under the relevant contract, our non-Government customers generally require our Group to provide surety bonds in an amount not exceeding 10% of the contract sum issued by a bank or insurance company upon the project being awarded to our Group. For surety bond given by bank, we are normally required to deposit a sum equal to the amount guaranteed under the relevant surety bond with the bank and the bank may seek reimbursement of any compensation paid to our customer out of the sum deposited. For surety bond given by insurance company, while a lesser sum is required to be deposited with the insurance company we are generally required to pay a significantly higher premium and/or arrangement fee to the insurance company than to the bank for the issue of the surety bond. In the event that we failed to provide satisfactory performance to our customers to whom the surety bonds have been given or fail to observe the terms, conditions and specifications under the contract with our non-Government customers, such customers are entitled to seek compensation from the banks or insurance companies for financial losses incurred not exceeding the bond amount, and, depending on the terms of the surety bonds and the amount of premium payable by our Group to the banks or insurance companies for issue of such bonds, our Group may be required to reimburse the banks or insurance companies for any claims paid. As at the Latest Practicable Date, our Group had provided one surety bond in the amount of approximately HK\$0.6 million issued by an insurance company in favour of one of our non-Government customers, and pursuant to the terms of the relevant surety bond, such insurance company is not entitled to seek any reimbursement from our Group for any

BUSINESS

claims paid under such surety bond. During the Track Record Period, our Group has not received any material claims from the banks or insurance companies in relation to any compensation paid to our customers under our surety bonds.

Liquidated damages

Our customers are usually entitled to seek liquidated damages compensation from us if we fail to complete the works within the specified completion date. Liquidated damages are typically levied at a rate provided in the relevant contract for each day of delay. During the Track Record Period, our Group has not received any material claims or complaints from our customers in relation to liquidated damages against our Group.

Duration of our projects

The duration of our construction projects are affected by a number of factors, including but not limited to expectation of our customers, geological conditions, technical complexity, input of machines and labour and variation of works, and thus can vary widely. The expected project duration and completion time of a project is usually provided in the contract. The average duration of our building construction projects completed during the Track Record Period was 18 months and the average duration of our RMAA projects completed during the Track Record Period was 7 months.

CUSTOMERS

Major customers

The following table sets forth a breakdown of our total revenue, gross profit and gross profit margin by segment during the Track Record Period:

	Revenue for the year ended 31 March			
	2014		2015	
	HK\$'000	%	HK\$'000	%
Building construction ^(Note 1)	143,540	83.3	134,281	64.9
RMAA works ^(Note 1)	28,681	16.7	72,750	35.1
Total	<u>172,221</u>	<u>100.0</u>	<u>207,031</u>	<u>100.0</u>

Note:

- (1) For each of the year ended 31 March 2014 and 2015, revenue was recognised from both building construction and RMAA parts of our PMQ Project. The relevant amount from each segment of works under the PMQ Project during the particular financial year was calculated separately in accordance with the classification in the table above.

BUSINESS

	For the year ended 31 March					
	2014			2015		
	Gross profit		Gross profit margin	Gross profit		Gross profit margin
	HK\$'000	%	%	HK\$'000	%	%
Building construction	24,171	99.7	16.8	16,197	53.8	12.1
RMAA works	80	0.3	0.3	13,881	46.2	19.1
Total	24,251	100.0	14.1	30,078	100.0	14.5

During the Track Record Period, our major customers include the Government, quasi-Government organisations, universities, schools, institutions and incorporated owners of private properties. During the years ended 31 March 2014 and 2015, total revenue of our Group amounted to approximately HK\$172.2 million and HK\$207.0 million respectively. A significant portion of our revenue was derived from the Government and quasi-Government organisations. For the years ended 31 March 2014 and 2015, revenue derived from the Government and quasi-Government organisations accounted for approximately 90.8% and 74.0% of our total revenue.

For the years ended 31 March 2014 and 2015, revenue derived from our Group's largest customer accounted for approximately 82.3% and 51.0% of our total revenue. For the years ended 31 March 2014 and 2015, revenue derived from our Group's top five largest customers accounted for approximately 96.2% and 96.1% of our total revenue.

During the Track Record Period, our Group's top five largest customers are all Independent Third Parties. None of our Directors, their respective close associates or our Company's existing Shareholders who will be interested in more than 5% of our Company's issued share capital immediately following the completion of the Capitalisation Issue and the Placing has any interest in any of our Group's top five largest customers for the years ended 31 March 2014 and 2015.

BUSINESS

Set out below is a breakdown of our revenue by major customers during the Track Record Period:

For the year ended 31 March 2014

Rank	Customer	Background of customer	HK\$'000	% of total revenue	Type of services provided	Length of relationship with our Group (year(s))
1	Architectural Services Department	Government department	141,736	82.3	Building construction and RMAA	20
2	Housing Authority	Government department	10,048	5.8	RMAA	16
3	Customer A	A university on Hong Kong island	9,241	5.4	RMAA	17
4	Customer B	A statutory body in Hong Kong with focus on housing development	3,350	1.9	RMAA	7
5	Customer C	A statutory body in Hong Kong for promoting safety and health at work and sustaining the workforce	1,295	0.8	RMAA	4.5
Five largest customers combined			<u>165,670</u>	<u>96.2</u>		

For the year ended 31 March 2015

Rank	Customer	Background of customer	HK\$'000	% of total revenue	Type of services provided	Length of relationship with our Group (year(s))
1	Customer D	A statutory body in Hong Kong with focus on managing all the public hospitals and institutes	105,616	51.0	Building construction	1
2	Architectural Services Department	Government department	42,529	20.5	Building construction and RMAA	20
3	Customer E	An international secondary school at Nam Long Shen Road, Aberdeen	29,690	14.4	Building construction	1
4	Customer A	A university on Hong Kong island	10,841	5.2	RMAA	11
5	Customer F	A private primary school at Kwong Lee Road, Sham Shui Po	10,310	5.0	RMAA	1
Five largest customers combined			<u>198,986</u>	<u>96.1</u>		

During the Track Record Period, some of our customers awarded more than one project to our Group. The number of major customers with projects of contract value exceeding HK\$1.0 million contributed to our revenue was 7 and 12 for the years ended 31 March 2014 and 2015 respectively. The increase in number of customers during the Track Record Period was due to our expansion in RMAA business which broadened our customer base.

Key terms of contracts with customers

During the Track Record Period, we entered into legally binding service contract with our customers on project-by-project basis upon our customers awarding the tender to our Group. We do not enter into any long-term contract with any of our customers. The key terms of the contracts with our customers are set out below:

- (i) **Scope of work:** the scope of work is described and reference is made to detailed specifications and drawings annexed to the contracts. Nevertheless, the contracts usually stipulate that the scope of works described are not to be treated as exhaustive. Our Group is required study all relevant documents and satisfy ourselves as to the full extent and nature of works to be completed;
- (ii) **Contractor's obligations:** as the main contractor of a project, our Group shall be responsible for, among other things, (i) organising, managing, planning and supervising the carrying out of works; (ii) coordinating with our customer, sub-contractors and suppliers; (iii) providing and maintaining a safe site for works; (iv) carrying out the works using materials, goods and workmanship of the types, standards and quality specified in the contract; and (v) carrying out the maintenance of equipment, plants and machinery where required;
- (iii) **Insurance:** we are required to effect and maintain employees' compensation insurance in compliance with the provisions of the Employees' Compensation Ordinance in the joint names of our Group, our sub-contractors and their respective sub-contractors of all tiers. We are also required to maintain contractors' all risks insurance that cover the basic scope as individually provided in each contract;
- (iv) **Progress payments:** we generally submit interim payment applications to our customers on a monthly basis containing a statement setting out our estimate of the gross valuation of the work we have performed in the preceding month. Upon receiving our interim payment application, the architect of our customer shall verify such valuation of work performed and issue an interim certificate within 21 days. Within 21 days after the issue of the interim certificate, our customer will make payment to us based on certified sum stipulated in such certificate, deducting any retention money to be retained by our customer in accordance with the contract;
- (v) **Retention money:** a portion of progress payment is generally hold up by our customers to secure the due performance of our Group. As for contracts with the Government and quasi-Government organisations, the certified value retained at each stage is generally 1% of the progress payment, subject to a limit of retention fund of not more than 1% of the total contract sum. As for contracts with private sector customers, the certified value retained at each stage is generally 5–10% of the progress payment, subject to a limit of retention fund of not more than 5% of the total contract sum. In general, the retention money will be released to us after the expiry of the defect liability period subject to the confirmation from our customers regarding satisfaction with our works;

BUSINESS

- (vi) ***Security and other protections for customers:*** our non-Government customers generally require our Group to obtain guarantee, in the form of surety bond, of an insurance company or bank approved by the architect of our customers to be jointly and severally bound with our Group for our due performance under the contract. The surety bonds provided by our Group during the Track Record Period are generally in an amount not exceeding 10% of the contract sum which will generally be released to our Group after practical completion of the project;
- (vii) ***Defect liability period:*** during the defect liability period, our Group shall rectify all defects or faults identified by the architect of our customer from time to time within reasonable time. In the event that our Group failed to comply with the architect's instructions, our Group may be liable to indemnify the costs and expenses incurred by our customer in rectifying such defects and faults. A reasonable deduction in the contract sum payable to our Group may also be made for the defects and faults not rectified;
- (viii) ***Orders for variations:*** our customer may issue instructions ordering variation to the design, quality or quantity of the works in the course of our performance of the relevant contracts. Where the work for variation is the same as or similar in character to and is carried out under same or similar conditions to work prescribed in the contract, the rate for the works under the variation order shall accord with the provision of the schedule of rates as provided in the contract. Should there be no equivalent items or similar items under the construction contract for reference, our customer and our Group shall negotiate the adjustment in contract price based on reasonable cost and profit. In the event that the parties failed to agree on the price at which the variation works are performed, our customer shall be entitled to fix the price which, is in their opinion, reasonable;
- (ix) ***Contract price adjustment mechanism:*** for our Government and quasi-Government projects, there is generally a contract price adjustment mechanism (both upward and downward adjustments) for adjustment to the contract sum in order to compensate for the risk of fluctuation in the costs of labour and materials. The adjustment in contract price is calculated based on the difference between the indices of costs of construction labour and materials at the time of tendering and the current values of these indices at the time of payment in accordance with a predetermined relative proportion for each cost index. For the purpose of the contract price adjustment mechanism, references are generally made to the certain price indices compiled and published by the Census and Statistics Department of the Government such as the index for the average daily wages of workers engaged in the public sector construction projects and the index for the average wholesale prices of selected building materials. During the Track Record Period, due to the escalation in costs of labour and materials, our Group was able to trigger the contract price adjustment mechanism in one project and received additional sum of approximately HK\$13.5 million from the relevant customer;

BUSINESS

- (x) **Liquidated damages:** in the event that our Group fails to complete the works by the specified completion date, our Group shall pay liquidated damages to our customer at a fixed rate on a daily basis until such works are substantially completed; and
- (xi) **Termination:** our customers are generally entitled to terminate the contract under the conditions such as:
 - a. our Group completely or substantially suspending the carrying out of the works without good cause;
 - b. our Group not proceeding regularly and diligently with the works; and
 - c. our Group not complying with the instructions of the architect of our customer.

Our Group is generally entitled to terminate the contract under the conditions such as:

- a. our customer not paying an amount certified due to us within the period for payment as stated in the contract;
- b. our customer postponing the date of commencement of the whole or substantially the whole of the works for a prescribed period; and
- c. our customer causing the carrying out of the whole or substantially the whole of the works to be suspended for a prescribed period.

Customer concentration

For the year ended 31 March 2014 and 2015, our top five customers accounted for approximately 96.2% and 96.1% of our total revenue respectively. In particular, approximately 82.3% and 51.0% of our total revenue were attributable to our largest customer for each of the year ended 31 March 2014 and 2015 respectively. For the year ended 31 March 2014, our Group derived approximately 83.4% of our total revenue from one project, namely the PMQ Project. Despite such customer concentration, our Directors consider that we are not reliant on any single customer because:

- (i) in respect of our construction services and, in particular, our building construction services, it is not uncommon for a single project to have a relatively large contract sum such that a small number of projects can contribute to a substantial amount of our revenue. In addition, our Group is a Group C (confirmed) contractor under the Contractor List of the WBDB and in general can only tender for public works contracts of any values exceeding HK\$185.0 million but not any public works contracts of value below HK\$185.0 million. Therefore, if we were awarded certain construction project, in particular building construction project, the relevant customer may easily become one of our largest customers in terms of revenue contribution to our Group;
- (ii) the number of construction projects that can be executed by our Group simultaneously is dependent on the availability of our resources, including but not limited to the capacity of our staff, the availability of suitable sub-contractors and the cash-flow available for

BUSINESS

the issue of surety bonds. Our strategy has therefore been to focus on deploying our resources towards tendering and competing for sizeable and profitable projects which has, in turn, inevitably resulted in a concentration of customers during the Track Record Period;

- (iii) in order to capture the growth of the RMAA industry, our Group strategically expanded into the RMAA market in 2013, which broadened our customer base. The number of customers with major projects of contract value exceeding HK\$1.0 million attributed to our revenue increased from 7 for the year ended 31 March 2014 to 12 for the year ended 31 March 2015. In the future, we plan to continue to broaden our customer base by strengthening our RMAA segment and expand our building construction service capacity to cover “design and build” projects. For further details of our business strategies, please refer to the paragraph headed “Business Strategies” in this section; and
- (iv) our Group has demonstrated over the Track Record Period that we have the ability to compete for construction projects from new customers. For the year ended 31 March 2015, three of our top five customers were new customers who have awarded one new building construction and two new RMAA projects to our Group respectively which in aggregate accounted for approximately 70.3% of our total revenue for the year ended 31 March 2015.

SALES AND MARKETING

During the Track Record Period, our business opportunities arose from reviewing the tender invitations from various Government department published on the Gazette or receiving invitation for tender from other customers. Due to our long history and presence in Hong Kong, our proven track record and our well-established relationship with our existing customers, we are able to rely on our existing customer base, reputation and customer referrals such that we do not rely on promotional activities. Our Directors and general manager are responsible for liaising and maintaining our relationship with customers.

PRICING POLICY

Our Group adopts a cost-plus pricing model for setting our tender price. Our pricing policy takes into account various factors including: (i) the nature, scope and complexity of the project; (ii) estimated direct labour costs; (iii) estimated sub-contracting charges; (iv) estimated type and number of machinery required; (v) estimated type and amount of materials needed; (vi) expected project timetable provided by customer; (vii) prevailing market condition; and (viii) relationship with and background of our customer.

It is important for us to accurately assess the cost (taking into consideration potential increases in material costs and labour costs) for the project prior to entering into contract with our customer in order to avoid overbudget and ensure adequate profit from the relevant project. Our Group has in place cost assessment procedures in order to have an accurate assessment and analysis of the costs to be incurred by our Group as the main contractor for the project. Under such procedures, our

BUSINESS

Group would obtain pre-bid quotations from our suppliers and sub-contractors for preparation of the bills of quantity or schedule of rates which would form part of our tender submission. The pre-bid quotations allow our Group to have a more accurate estimation for the project cost to be involved.

There is usually a variation order clause in the contract with our customers which allows our Group to execute additional works or modifying the original scope of works ordered by our customer. In the event that our customer orders variations of works, our quantity surveyor will ascertain the amount of additional cost and expenses which is subject to the written approval of the architects or quantity surveyors appointed by our customers. The general principle for the assessment is that any additional work carried out which is the same as or similar in character to and executed under the same or similar conditions and circumstances to any item of work priced in the original contract shall be valued at the rate set out in the original contract for such item of work. Should there be no equivalent items or similar items under the construction contract for reference, our customer and our Group shall negotiate the adjustment in contract price based on reasonable cost and profit. In the event that the parties failed to agree on the price at which the variation works are performed, our customer shall be entitled to fix the price which, in their opinion, is reasonable. During the Track Record Period, our Group has not engaged in any material claims or disputes with our customers in relation to value of additional works performed by our Group.

SUB-CONTRACTORS

Our Group generally acted as the main contractor in our projects during the Track Record Period and was accountable to our customers for the execution and overall management of the projects. For the purpose of maximising our cost efficiency and utilising expertise of other specialist contractors, we generally engage sub-contractors to perform works in our projects by trade on a back to back basis. During the Track Record Period, works that we delegated to our sub-contractors include demolition, hoarding, concreting, painting, redecoration and roofing.

We are generally not limited under the contract with our customers in the use of sub-contractors for the performance of works. Our major sub-contractors include both private companies and sole proprietors which have the skills and manpower available to carry out works sub-contracted to them. For the years ended 31 March 2014 and 2015, our Group engaged 33 and 40 sub-contractors respectively, all of whom were located in Hong Kong. The increase in number of sub-contractors for the year ended 31 March 2015 was mainly attributable to the expansion of our RMAA business during the Track Record Period which required more diversifying nature of works to be performed by our sub-contractors and hence increased number of sub-contractors from different trades was required. During the Track Record Period, we did not experience any material shortage or delay in the supply of materials or services that we required from our sub-contractors. Our Directors consider that the possibility of material shortage or delay is low given the availability of sub-contractors available in the market. Save as disclosed in the paragraph headed “Litigation and Potential Claims — Litigation against our Group settled (either by way of court judgment or

settlement during the Track Record Period and up to the Latest Practicable Date)” in this section, our Group did not receive any material claim or complaints from our customers in relation to the works performed by our sub-contractors.

Selection criteria of sub-contractors

Our Group maintains a list of approved sub-contractors which is updated on an ongoing basis and we generally only select sub-contractors from such approved sub-contractors list for our projects. Our sub-contractors are approved and selected based on their technical expertise, human resources, financial background, management structure, past performance, safety record, records of compliance with health, safety and environmental law, rules and regulations and reputation. As at the Latest Practicable Date, there were 316 sub-contractors on our approved list of sub-contractors.

For certain Government and quasi-Government projects, our customers may retain its rights to nominate a sub-contractor to fulfil certain parts of the work under the relevant contracts. Where a sub-contractor is nominated by our customer, our Group generally retains the right to make reasonable objection and is not required to enter into a sub-contract with such nominated sub-contractor on grounds such as (i) the nominated sub-contractor has poor safety record; (ii) the nominated sub-contractor does not have the financial standing, solvency, technical competence or reliability to carry out the works to be delegated to it; (iii) given the relevant contract sum, it is not financially viable to engage such nominated sub-contractor; and (iv) the programme for carrying out the sub-contracted works by the nominated sub-contractor is unreasonable with reference to our master programme and schedule. In addition, such nominated sub-contractors are also subject to the same quality and safety measures we impose on other sub-contractors, the details of which are expressed in the below paragraphs. In the event that the nominated sub-contractor caused delay to or disruption in the carrying out of the works, our Group is entitled to seek an extension of time from the relevant customer without subjecting to any liquidated damages or penalty for delay.

Major sub-contractors

During the years ended 31 March 2014 and 2015, our Group’s sub-contracting fees amounted to approximately HK\$99.3 million and HK\$123.8 million respectively, representing approximately 67.1% and 70.0% of our Group’s total direct costs. During the years ended 31 March 2014 and 2015, our Group’s largest sub-contractor accounted for approximately 13.6% and 14.2% of our Group’s total direct costs, and our Group’s top five largest sub-contractors accounted for approximately 41.2% and 38.1% of our Group’s total direct costs respectively. Please refer to the section headed “Financial Information — Description of Selected Items from Consolidated Statements of Profit or Loss and Other Comprehensive Income — Direct Costs” for further details in relation to the sensitivity analysis illustrating hypothetical changes of sub-contracting fee to our profit during the Track Record Period. The credit terms granted to our Group by our sub-contractors range from 30 to 45 days and we generally settle our payment by way of cheque and trade receivables.

BUSINESS

During the Track Record Period, our Group's top five largest sub-contractors are all Independent Third Parties. None of our Directors, their respective close associates or our Company's existing Shareholders who will be interested in more than 5% of our Company's issued share capital immediately following the completion of the Capitalisation Issue and the Placing has any interest in any of our Group's top five largest sub-contractors for the years ended 31 March 2014 and 2015.

Set out below is a breakdown of the details and amount of sub-contracting fees of our top five largest sub-contractors during the Track Record Period:

For the year ended 31 March 2014

Rank	Sub-contractor	Sub-contracting work performed HK\$'000	Approximate percentage to the total direct costs of our Group %	Services or materials provided	Length of relationship with our Group (year(s))
1	Sub-contractor A	20,131	13.6	Building construction services	3
2	Sub-contractor B	12,527	8.5	Provision of structural steel and glass canopy	3
3	Sub-contractor C	12,213	8.2	Demolition, hoarding, concreting, painting, builder works and provision of plaster, formwork steel and metal	9
4	Sub-contractor D	10,641	7.2	Provision of fire related windows, fire related ceiling and smoke barrier	3
5	Sub-contractor E	5,454	3.7	Provision of windows	3
	Five largest sub-contractors combined	<u>60,966</u>	<u>41.2</u>		

For the year ended 31 March 2015

Rank	Sub-contractor	Sub-contracting work performed HK\$'000	Approximate percentage to the total direct costs of our Group %	Services or materials provided	Length of relationship with our Group (year(s))
1	Sub-contractor F	25,082	14.2	Building services installation	14
2	Sub-contractor G	11,286	6.3	Formwork, rebar, fixing and concreting	1
3	Sub-contractor H	9,338	5.3	Earth works and underground drainage works	8
4	Sub-contractor I	9,391	5.3	Renovation	1
5	Sub-contractor C	12,394	7.0	Plaster, hoarding, demolition and provision of steel and metal	9
	Five largest sub-contractors combined	<u>67,491</u>	<u>38.1</u>		

BUSINESS

Save as disclosed in the paragraph headed “Litigation and Potential Claims”, during the Track Record Period, we did not have any material dispute or claim with any of our sub-contractors.

Sub-contracting process

In preparing the tender submission for our projects, we have to review the specifications and requirements of the project and evaluate whether our Group has to engage sub-contractors for certain parts of works. Depending on our capabilities, resources, expertise, estimated costs and expected timetable of the project, the number of sub-contractors our Group engages varies from project to project. During the Track Record Period, we generally engage 12 to 16 sub-contractors for each of our building construction projects and 21 to 22 sub-contractors for each of our RMAA projects.

Upon identifying the project which our Group is interested in tendering for, we will provide the drawings and specifications of the project to the selected sub-contractors in order to get a quotation for the works to be performed by them. The quotations are included in our tender submission and once a project is awarded to us, we will negotiate the terms of the engagement with our sub-contractor based on the quotations submitted.

Our project team will then set out a detailed execution plan with the sub-contractors for the project to ensure that the sub-contractors can finish the delegated works on time and in accordance with the contract specifications. Our site agent is responsible for the day-to-day monitor and supervision of the works of our sub-contractors.

Our sub-contractor generally makes payment application to us on a monthly basis for the works completed in the previous month. Upon receiving the interim payment application, our quantity surveyor will inspect the work done by our sub-contractor and issue an approval form certifying the value of works completed. After the issuance of the approval form, we will generally make interim payment to our sub-contractors within one month from the date of their application.

Key terms of the subcontracting agreement

We generally enter into legally binding sub-contracting agreements with our sub-contractors on a project-by-project basis. Our sub-contractors are required under such contract to comply with our main contract with our customers by trade on a back to back basis. Our Directors are of the view that such arrangement with our sub-contractors is in line with the industry practice and can minimise our liability under the main contract. The key terms of which are set out below:

- (i) **Scope of work:** the scope of works to be sub-contracted by our Group can be classified into labour only, labour and plants, labour and materials and materials and/or plants only. For agreements specifying labour only and materials and/or plants only, the sub-contractors are only required to provide the requisite labour or materials and/or plants and our Group will provide other materials, plants or labour (as the case may be) to the

BUSINESS

sub-contractors to enable them to carry out the works delegated. For agreements specifying labour and plants and labour and materials, our sub-contractors will equip themselves with all the necessary plant, materials and equipment;

- (ii) ***Sub-contracting fee and settlement term:*** where our sub-contractors are required to equip themselves with all the necessary plants, materials and equipment, such extra costs are included in the contract sum and our sub-contractors are generally required to honour the contract sum despite any subsequent increase in the costs of procurement of plants, materials and equipment. Interim payment application shall be submitted by our sub-contractors on a monthly basis upon which our quantity surveyor will certify the works completed by the sub-contractors in the preceding month and interim payment, deducting any retention money to be retained by our Group, will be made;
- (iii) ***Rights and obligations of the sub-contractor:*** our sub-contractors are required to comply with the relevant terms and conditions and perform their works in accordance with the specifications under our main contracts with our customers by trade on a back-to-back basis;
- (iv) ***Defect liability/maintenance period:*** we generally require a defect liability/maintenance period of 12 months for both building construction works and RMAA works from our sub-contractors, during which our sub-contractors are responsible to rectify all works defects identified by us or our customers;
- (v) ***Retention money:*** usually 5 to 10% of each interim payment and up to a maximum limit of 5% of the total contract sum would be retained by our Group as retention money. Generally half of the retention money would be released to our sub-contractors upon completion of all the works to our satisfaction and the remaining balance of the retention money would be released upon the issue of maintenance certificate by us to the sub-contractors;
- (vi) ***Liquidated damages:*** a liquidated damages clause is generally included such that our Group is entitled to claim for damages for any delay from our sub-contractors. The amount of liquidated damages for each project is determined on a daily basis with reference to the schedule of fixed rates prescribed in the sub-contract;
- (vii) ***Sub-subcontracting:*** save with our prior written consent, our sub-contractors are generally prohibited from further sub-contracting any works delegated to them;
- (viii) ***Insurance:*** our Group is responsible for maintaining employees' compensation insurance against the employees of our sub-contractors and any further sub-contractor down the tier whereas our sub-contractors are generally responsible for taking out separate insurance for their plants, machineries and equipment; and

- (ix) **Order for variation:** our Group has the right to order variation and the rate for the works under such variation order(s) shall be determined with reference to the schedules of rates and/or bills of quantity as provided in the relevant contract. Should there be no equivalent items or similar items under the contract for reference, our sub-contractors and our Group will negotiate the adjustment in contract price based on reasonable cost and profit. Where consensus cannot be reached, our Group is entitled to fix the price which, is in our opinion, reasonable.

Control over sub-contractors

Under the main contract entered into between us and our customers, we are generally liable to our customers for the performance and quality of work done by our sub-contractors, which includes acts, defaults and neglects of the sub-contractors. Since we allow our sub-contractors to further sub-contract the works delegated to them with our prior written consent, we are also liable for the performance of any sub-contractors down the tier. Nevertheless, we require our sub-contractors to rectify all defects or other faults in the works delegated to them within reasonable time after receiving instructions from us, regardless whether they have further sub-contracted the works to any further sub-contractors down the tier.

Pursuant to the Employment Ordinance, if any wages become due to the employee of our sub-contractors and such wages are not paid within the period specified in the Employment Ordinance, our Group, as the principal contractor, is liable to settle such outstanding wages even without any default on our part. However, such payment of wages is recoverable from our sub-contractor pursuant to the Employment Ordinance. In addition, under the Employees' Compensation Ordinance, our Group, as the principal contractor, shall be liable to pay compensation to sub-contractors' employees who are injured in the course of their employment to our sub-contractors. According to the Employees' Compensation Ordinance, our Group is nonetheless entitled to be indemnified by our sub-contractors who would have been liable to pay compensation to the injured employees. For further details of our major liabilities as the principal contractor under the relevant laws and regulations, please refer to the section headed "Regulatory Overview — Laws and Regulations in relation to Labour, Health and Safety in Hong Kong" in this prospectus. As a further safeguard, our Group would ensure that all sub-contracting contracts to be entered into between our Group and our sub-contractors provide for the right of our Group to claim the costs, expenses, damages, compensation, amounts settled and/or liabilities suffered by our Group, which arise due to non-compliance with the applicable laws and regulations in relation to employment, safety, health and environment by our sub-contractors' and/or further sub-contractors down the tier. During the Track Record Period, our Group has not received any material claims or complaints by the employees of our sub-contractors or sub-sub-contractors in relation to the default in making payment of wages by such sub-contractors or any sub-contractors down the tier.

Our Group has implemented the following measures to monitor the quality and progress of works delegated to the sub-contractors and further sub-contractors down the tier so to ensure the compliance with the contract specifications and the relevant laws, rules and regulations:

BUSINESS

- (i) all of our sub-contractors are classified into different categories depending on their expertise to ensure that our sub-contractors are capable to undertake works of corresponding quality, environmental and risk requirements in a safe manner;
- (ii) our general manager and project manager provide continuous supervision and conduct regular inspection on work progress with the sub-contractors. Daily routine inspection or checking are performed by our site agents or other responsible personnel on sub-contractors' works in accordance with the manuals of our quality management system;
- (iii) regular and ad hoc meetings are conducted with sub-contractors' responsible personnel to review their performance;
- (iv) master and short term programmes of work are devised and target milestone dates are set to provide a detailed reference point for how works shall be carried out and when such works shall be completed by the sub-contractors;
- (v) sub-contractors are generally prohibited from further sub-contracting the whole or part of the sub-contracted works to third party without our prior written consent since it will adversely hinder our control over the sub-contractors' workforce and quality of works;
- (vi) regular internal meetings are held with our project team members to evaluate our sub-contractors' compliance with the contractual specifications and timetables; and
- (vii) where our sub-contractors fail to rectify the works in accordance with the contract specifications, our customers are entitled to deduct such costs and expenses incurred by them in rectifying the works from payments to our Group or from the retention money maintained by our customers. In such case, the relevant sub-contractors would be fully liable to indemnify our Group against such losses and the sum would be deducted from the retention money retained by us against such sub-contractors.

Based on the above, our Directors are of the view that the risk of losses or claims caused by the sub-standard performance of works or delay in progress by our sub-contractors is low. During the Track Record Period, our Group has not received any material claims or complaints from our customers in relation to the performance of our sub-contractors.

In order to ensure the safety of employees of the sub-contractors and the further sub-contractors down the tier, our Group has also devised the following guidelines for them to follow:

- (i) our site management staff are responsible for inspecting site conditions, closely monitoring the safety performances of our sub-contractors, stopping any unsafe acts and suspending any dangerous operation, and initiating prompt remedial actions to remedy such safety issues on a daily basis;
- (ii) warning letters or improvement notices would be sent to sub-contractors whose safety performances failed to meet our in-house safety guidelines or the relevant statutory safety requirements. In the event of continuous failure to observe such guidelines or

BUSINESS

requirements, the relevant sub-contractors are suspended from working and we are entitled to seek indemnity against such sub-contractors for all claims, liabilities, losses, costs or expenses incurred by our Group as a result of the breach;

- (iii) safe working cycle is conducted on a daily basis to reinforce the safety awareness of sub-contractors and to monitor in a preventive approach to ensure that any unsafe behaviour or unsafe condition is detected and resolved before it attributes to any accident; and
- (iv) induction safety trainings are provided to all new sub-contractors and specific trainings are held to equip sub-contractors with the requisite knowledge and skills in dealing with safety issues encountered by such sub-contractors during the performance of works specifically delegated to them.

Save as disclosed in the paragraph headed “Litigation and Potential Claims” in this section, there was no material claim of injuries arising from sub-contracting activities during the Track Record Period.

MATERIALS AND INVENTORY

Despite our sub-contractors are generally required to equip themselves with the necessary construction materials for completing the works delegated to them, in order to ensure that the quality of the materials to be used meets our customer’s expectation and conforms to contractual requirements, our Group may purchase certain materials for our sub-contractors. The major construction materials that our Group procured during the Track Record Period were concrete and steel.

Our purchasing department is responsible for procuring the construction materials that we are required to provide to our sub-contractors for completion of a project. Upon confirming the types and quantities of materials to be procured, our project management team issues purchase order requisitions to our purchasing department. Unless a supplier has already been nominated by our customers, our purchasing department will generally obtain quotations from a number of suppliers for the construction materials in accordance with the purchase order requisitions. With such practice, we are able to enhance our price bargaining power and avoid over-reliance on a single supplier. Our project management team will then review the quotations obtained and select the best quotation that matches our needs.

We have not entered into any long term supply agreements with our suppliers. We generally adopt the following key terms in a standard contract made by us with a supplier for our purchases:

- (i) *Product*: the types of materials that our supplier is required to provide;
- (ii) *Quantity*: the amount of the specified materials that our Group required in that order;
- (iii) *Price*: the unit price and the total price of the materials ordered;

BUSINESS

- (iv) *Delivery time and location:* the time and site location to where the materials should be delivered by our supplier. Since we place purchase orders for materials on a project-by-project basis and do not maintain a minimum inventory level, we generally require our suppliers to deliver the materials ordered directly to the site in accordance with our timetable; and
- (v) *Payment terms:* payments are usually settled by cheque or bank transfer in Hong Kong dollars. Our suppliers normally require us to pay deposits upon signing the contract with the remaining balance to be settled within 30 to 45 days upon delivery of the materials.

For the years ended 31 March 2014 and 2015, the materials directly consumed by us amounted to approximately HK\$2.7 million and HK\$12.5 million, representing approximately 1.8% and 7.1% of our total direct costs respectively. During the Track Record Period, our Group had not experienced any significant shortage and/or delay in delivery of construction materials by our suppliers causing disruption to our works.

We did not record any inventory at the end of each financial year during the Track Record Period because (i) construction materials were usually delivered by our suppliers directly to the site of the project for immediate consumption; and (ii) construction materials were acquired on a project-by-project basis in accordance with the specification of a project. We assess the amount and timing of construction materials required in the particular project and procure the relevant amount when needed depending on the work progress. Therefore, we do not keep excess inventory and do not maintain a minimum inventory level.

MACHINERY

Certain parts of the building constructions services we provide may involve the use of machinery. We normally require our sub-contractors to equip themselves with the machinery required for carrying out the works delegated to them and provide the necessary workers for operation of the machinery. Where the use of machinery is required in performing the works delegated and our sub-contractors are responsible for providing such machinery, in general they are contractually required to ensure that all machinery used complies with the relevant statutory safety requirements and our sub-contractors are fully liable for all personal injuries and penalties resulted from such breach of statutory safety requirements. We normally require our sub-contractors to take out separate machinery breakdown insurance covering against physical loss or damage to the machinery on their own.

QUALITY ASSURANCE

Our Directors believe that our success is built on our commitment in providing quality services in a timely manner. In order to ensure that the quality of our works and that of our sub-contractors conform to our customers' specifications, our Group has established an integrated management system ("IMS") which is certified to be in compliance with the requirements of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 respectively.

BUSINESS

The quality control measures under our IMS include:

- taking into account complaints, compliments and feedback from our customers and sub-contractors, quality objectives for our workers and sub-contractors are set and constantly reviewed;
- a work method statement, being document detailing the way a task or process is to be completed, shall be prepared by the project manager and submitted to the architect of our customer for approval before the commencement of works;
- our site management staff and authorised representatives of our sub-contractors are delegated with the primary responsibility of ensuring that all works are carried out in compliance with the approved work method statement;
- materials procured by our Group or our sub-contractors are inspected and/or tested before use to ensure compliance with the contractual specifications and requirements and relevant statutory requirements;
- mock-up sample of certain materials are required from our suppliers for our review and approval before procurement in order to ensure that the level of workmanship satisfies the standard and expectation of our customers;
- all workers and sub-contractors are required to ascertain that all materials, machinery, plants and equipment are used in accordance with the guidelines and recommendations provided by the providers and/or manufacturers;
- day-to-day site supervision, inspection and testing activities are carried out by our project management team over the works performed by our sub-contractors for the purpose of ascertaining if the service we provided conform to the contractual specifications and requirements;
- in-process inspections and testing on site at various stages of the project are conducted to ensure satisfaction with the requirements of our customers;
- internal audit on our quality management system is performed on an annual basis for the purpose of assessing the extent to which our quality objectives have been achieved and ascertaining the degree of compliance with the ISO 9001:2008 standard for quality management; and
- records such as inspection and test records, submissions, approvals and certificates of completion are maintained.

During the Track Record Period, there were no material disputes between our Group and our customers with regard to the quality of work performed by us and/or our sub-contractors.

BUSINESS

Personnel responsible for our overall quality assurance include Mr. Lam and Mr. Shut Yu Hang, all being our executive Directors. For details of their biographical information, please refer to the section headed “Directors, Senior Management and Employees — Directors” in this prospectus.

In recognition of our quality services, we had received a number of letters of appreciation from our customers. Please refer to the paragraph headed “Awards and Accreditations” in this section for further details of the major awards and accreditations we received.

AWARDS AND ACCREDITATIONS

The following table sets out the major awards and accreditations received by our Group from different Government departments and accreditation organisations in relation to our outstanding performance and quality of work and services:

<u>Year of grant</u>	<u>Description</u>	<u>Awarding organisation/ institution</u>
2015	Certificate for compliance with the requirements of ISO 14001:2004 environmental management system standard applicable to construction of buildings and provision of building maintenance and alteration and addition works ^{Note 1}	SGS
2015	Certificate for compliance with the requirements of OHSAS 18001:2007 occupational health and safety management systems specification applicable to construction of buildings and provision of building maintenance and alteration and addition works ^{Note 2}	SGS
2014	Certificate for compliance with the requirements of ISO 9001:2008 quality management system standard applicable to construction of buildings and provision of building maintenance and alteration and addition works ^{Note 3}	SGS
2011	Letter of Appreciation for the construction of hoarding for Ex-Yuen Long Estate	Housing Authority
2009	Green Contractor Bronze Award for the construction of a secondary school at development in Kwun Tong, Hong Kong	Architectural Services Department
2008	Letter of Appreciation for Good Performance and Site Management of Redecoration Project in Tsz Lok Estate	Private customer
2003	Letter of Appreciation for school improvement programme of a primary school	A primary school at Grampian Road, Kowloon City
1999	Letter of Appreciation for school improvement programme of a secondary school	A secondary school at Wu King Estate, Tuen Mun

BUSINESS

Year of grant	Description	Awarding organisation/ institution
1997	Letter of Appreciation for construction of divisional fire station with ambulance facilities in Tung Chung	Works Branch of Government Secretariat of Hong Kong

Notes:

1. Techoy Construction was first accredited with ISO 14001:2004 compliance certification in 2009. Further ISO accreditations were obtained by Techoy Construction in 2012. The current certificate will expire on 16 January 2018.
2. Techoy Construction was first accredited with OHSAS 18001:2007 compliance certification in 2009. Further ISO accreditations were obtained by Techoy Construction in 2012. The current certificate will expire on 16 January 2018.
3. Techoy Construction was first accredited with ISO 9001:2008 compliance certification in 2002. Further ISO accreditations were obtained by Techoy Construction in 2005, 2008 and 2011. The current certificate will expire on 10 December 2017.

The above awards and accreditations may not be necessary for the provision of our services in Hong Kong. However, our Directors believe that they could boost our corporate image and enhance our existing and potential customers' confidence towards the quality of work and service of our Group.

EMPLOYEES

As at the Latest Practicable Date, our Group had 48 employees who all stationed in Hong Kong. The table below sets forth the breakdown of the employees of our Group by functions:

	As at 31 March		As at the Latest Practicable Date
	2014	2015	
Management	2	2	2
Tendering	2	2	3
Administration, accounting and finance	6	4	4
Safety and environmental	2	2	2
Purchasing	1	1	1
Project management and execution (including project managers, site agents, foreman, and quantity surveyors))	26	28	31
Direct labour	8	12	5
Total	<u>47</u>	<u>51</u>	<u>48</u>

BUSINESS

The remuneration payable to our employees include basic salaries, allowances, pension and discretionary bonuses. The ability to recruit and retain experienced and skilled labour is crucial to our business development and growth. The basic salaries of our employees are generally determined by the employee's rank, position, qualification, experience and performance. The discretionary bonuses are paid on an annual basis, depending on the duration of services and performance of the individual staff and the profit of our Group in the preceding financial year. We assess the remuneration package offered to our employees on an annual basis to determine whether any adjustment to the basic salaries and bonus should be made. Our staff related costs primarily includes salaries, wages and bonuses, contributions to defined contribution retirement plan and directors' remuneration. For the years ended 31 March 2014 and 2015, our wages were approximately HK\$6.2 million and HK\$5.3 million respectively, which were charged to our administrative expenses.

As at the Latest Practicable Date, our accounts department comprises two staff and is led by our senior management Ms. Chan Kwai Fong. Ms. Chan was awarded with LCCI Level 3 Certificates in Accounting and Cost Accounting. Since there is no qualified accountant in our senior management, in order to ensure that our accounting staff are kept up-to-date with the development of the relevant accounting standards, in particular those industry-specific accounting standards applicable to our Group, and the ethical requirements, our Board, especially the members of our audit committee, will discuss with our reporting accountants and/or auditors in their regular meetings as to the latest development of the relevant accounting standards and ethical requirements. If changes to the accounting standards and ethical requirements are identified, our audit committee will advise the executive Directors who, after consultation with the audit committee, will be responsible for arranging the appropriate trainings for our accounting staff. Our accounting staff are also required to report to our Board as to completion of the relevant trainings and by providing the relevant attendance records. In addition, our accounts department will periodically visit the website of Hong Kong Institute of Certified Public Accountants to identify the changes to the relevant accounting standards and ethical requirements and report to the Board thereafter.

As disclosed in the section headed "Regulatory Overview — Laws and Regulations in relation to Contractor Licensing Regime in Hong Kong — Qualifications" in this prospectus, we must comply with certain specific personnel requirements in order to retain the various qualifications held by our Group. Set out below are the details of the relevant staff:

<u>Personnel Required</u>	<u>No. of relevant staff</u>	<u>Name</u>	<u>Position in our Group</u>	<u>Years of engagement with our Group</u>
License				
<i>(I) Registered General Building Contractor</i>				
1. Technical director <i>(Note 1)</i>	1	Mr. Lam Kin Wing Eddie <i>(Note 11)</i>	Executive Director	20
2. Authorised signatory <i>(Note 2)</i>	3	Mr. Lam Kin Wing Eddie Mr. Shut Yu Hang Mr. Lo Ming Fai	Executive Director Executive Director Project manager	20 17 3

BUSINESS

<u>Personnel Required</u>	<u>No. of relevant staff</u>	<u>Name</u>	<u>Position in our Group</u>	<u>Years of engagement with our Group</u>
Qualifications				
(I) WBDB's Contractor List — Group C (confirmed) — Buildings category				
1. Top management ^(Note 3)	2	Mr. Lam Kin Wing Eddie	Executive Director	20
		Mr. Shut Yu Hang	Executive Director	17
2. Technical staff ^(Note 4)	2	Mr. Tsang Tsan Sum	Quantity surveying manager	19
		Mr. Tsui Man Shek	Project quantity surveyor	10
(II) WBDB's Specialist List — Repair and Restoration of Historic Buildings category (for Western Style Buildings only)				
1. Top management ^(Note 5)	2	Mr. Lam Kin Wing Eddie	Executive Director	20
		Mr. Shut Yu Hang	Executive Director	17
2. Site agent ^(Note 6)	1	Mr. Wong Wai Yuen	Foreman	3
3. Technical staff ^(Note 7)	2	Mr. Zhu Naixiang	Craftsman — decorative painting and artworks	11
		Mr. Tse Kwong Ling	Craftsman — decorative plastering works	3
(III) Housing Authority List of Building Contractors: (a) Group NW 1 (confirmed) — Building (New Works) category; and (b) Group MI (confirmed) — Maintenance Works category				
1. Technical director ^(Note 8)	1	Mr. Lam Kin Wing Eddie ^(Note 11)	Executive Director	20
2. Contract manager/project manager ^(Note 9)	2	Mr. Lam Kin Wing Eddie	Executive Director	20
		Mr. Shut Yu Hang	Executive Director	17
3. Site agent ^(Note 10)	1	Mr. Lo Ming Fai	Project manager	3

Notes:

- We are required to have a minimum of one technical director, who shall be a director from the board of directors of the company who is authorised by the board to (i) have access to plant and resources; (ii) provide technical and financial support for the execution of building works and street works; and (iii) make decisions for the company and supervise the authorised signatory and other personnel for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance.
- We are required to have a minimum of one authorized signatory, who shall be a person appointed by the company to act for that company for the purposes of the Buildings Ordinance.
- At least one member of the resident top management shall have a minimum of five years local experience in managing a construction firm obtained in the past eight years.
- We are required to have a minimum of two technical staff who shall be person with a relevant degree from a Hong Kong university or equivalent with at least five years post-graduate local working experience in building works.

BUSINESS

5. We are required to have a minimum of one top management, who shall have adequate standard of administration.
6. We are required to have a minimum of one site foreman who shall have more than three years of relevant conservation working experience.
7. We are required to have a minimum of one technical staff, who shall be specialist craftsmen/tradesmen having adequate qualification and skill in timber carvings, decorative plasterworks, decorative painting and artworks.
8. We are required to have a minimum of one technical director, who shall be registered in the Buildings Department and shall not be the same person as the contract manager/project manager.
9. We are required to have a minimum of one contract manager/project manager who shall have (i) obtained HKIA/MHKIS/MHKIE or equivalent with three years relevant local managerial experience and capacity in the construction field or degree in architecture, building surveying, building technology and management, structural engineering or equivalent with five years relevant local managerial experience and capacity in the construction field; or (ii) higher diploma/higher certificate/diploma in architecture, building surveying, building technology and management, structural engineering or equivalent with eight years relevant local managerial experience and capacity in the construction field. The contract manager/project manager shall also be registered as an authorised signatory in Buildings Department and shall not to be the same person as the technical director.
10. We are required to have a minimum of one site agent who shall have obtained (i) MHKICW/MICWCI or equivalent with five years relevant local experience in construction industry; or (ii) higher diploma/diploma/higher certificate in building studies or civil/structural engineering or equivalent with eight years relevant local experience in construction industry.
11. Our Group has submitted an application to the Buildings Department in September 2015 for the addition of Mr. Shut Yu Hang as a new technical director of the Group in addition to Mr. Lam. It is expected that the approval process will take approximately three to four months. Our Directors believe that Mr. Shut Yu Hang can fulfill the requirements as stipulated in the Buildings Ordinance and it is unlikely that there will be any impediment for Mr. Shut Yu Hang's application.

For details of biographical information of our executive Directors, Mr. Lam and Mr. Shut Yu Hang, and our senior management Mr. Lo Ming Fai, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

As advised by the legal advisers to our Company as to Hong Kong law, in the event that we failed to comply with the specific personnel requirements for our General Building Contractor License, the Buildings Department may remove our name from the relevant register pursuant to section 8C of the Buildings Ordinance, thereby disallowing our Group from carrying out any general building works and street works. If any of our technical directors and/or authorised signatories for our General Building Contractor License resigns or retires, the compliance with the relevant requirements under the Buildings Ordinance can be maintained by the other alternate technical directors and/or authorised signatories. Immediate steps to arrange for a replacement of the alternate technical directors and/or authorised signatories will be taken upon such resignation or retirement. Please refer to the section headed “Regulatory Overview — Laws and Regulations in relation to Contractor Licensing Regime in Hong Kong — Licence — General Building Contractor” in this prospectus for details relating to the procedures for addition and resignation of authorised signatory and technical director.

BUSINESS

As approved contractors are controlled by administrative rules publicised by the WBDB and the Housing Authority, failure to comply with the relevant specific personnel requirements may lead to the following regulatory actions by the WBDB and the Housing Authority:

- (i) Possible regulatory actions by the WBDB:
 - (a) mandatory suspension from tendering in a particular category, meaning that the contractor's submitted tender for that particular category will not be considered unless the suspension is lifted by the WBDB by the date set for the close of tender; and
 - (b) failure or continued failure to comply with the relevant specific personnel requirements after being suspended from tendering in a particular category may lead to downgrading or removal from a particular category.
- (ii) Possible regulatory actions by the Housing Authority:
 - (a) restriction from tendering, meaning that tender document will not be issued to the contractor within the restriction period;
 - (b) suspension from tendering, meaning that tender document will not be issued to the contractor or where the tenderer has submitted a tender, its submitted tender will not be considered if any date of the suspension period falls within the period between the tender invitation date and tender award date inclusive; and
 - (c) if the contractor fail to rectify the non-compliance within one year from the date when it is placed under restriction or suspension from tendering, it will be removed automatically from the Housing Authority's list of approved building contractors.

Where any specific personnel resigns, our Group is required to apply to the relevant authority for replacement by qualified alternate personnel and the application process generally takes approximately three months. To ensure the continuing compliance with the personnel requirements, save for Mr. Lam who is required to give not less than six months' prior written notice, all specific personnel mentioned above are required to give not less than three months' prior notice to our Group to terminate their employment so to allow our Group sufficient time in arranging alternate replacement. Relevant trainings are also provided to our employees and assistances are given to our employees for attaining professional certifications and registrations such that our employees are able to acquire the requisite skills, knowledge, experience and qualifications for the retention of various qualifications held by our Group. For instance, we encourage and provide financial assistance for our employees to pursue further studies in related fields and to attend trainings provided by relevant organisations and professionals. Our employees also receive in-house trainings to enhance their technical knowledge including knowledge on industry quality standards and safety standards. Persons with the relevant experience and qualifications may also be immediately hired in case of resignation or retirement of any specific personnel mentioned above.

BUSINESS

Our Directors believe that we have sufficient alternate personnel in our Company with the appropriate experience and qualifications to maintain our license and qualifications. Furthermore, our Directors believe that given the abundant supply of workers with the relevant experience and qualifications, in the event that any relevant staff named in this section “Business — Employees” above resigns, alternate qualified personnel can be hired without any impediment to maintain the relevant license and qualification. In addition, as disclosed in the section headed “Business — Business Strategies — Further strengthening our manpower” in this prospectus, we intend to expand our labour resources by recruitment of additional staff, especially experienced or skilled staff members to ensure that the specific personnel requirements can be complied with on a continuing basis if the abovementioned personnel depart from our Group.

As at the Latest Practicable Date, Mr. Lam was the only technical director in respect of the registered general building contractor license of Techoy Construction. Nevertheless, our Directors consider that we are not overly reliant on Mr. Lam in this regard because:

- (i) during the Track Record Period, there were no other personnel of our Group being appointed as a technical director since it is a prerequisite under the Buildings Ordinance that the technical director shall be a director of Techoy Construction and Mr. Lam was the sole director of Techoy Construction during the Track Record Period. To mitigate the associated risk, our Group appointed Mr. Shut Yu Hang as a director of Techoy Construction and submitted an application to the Building Department in September 2015 for the addition of Mr. Shut Yu Hang as a new technical director of our Group in addition to Mr. Lam. It is expected that the approval process will take approximately three to four months. Our Directors believe that Mr. Shut Yu Hang can fulfill the requirements as stipulated in the Buildings Ordinance and it is unlikely that there will be any impediment for Mr. Shut Yu Hang’s application;
- (ii) in the event that Mr. Lam ceases to act as technical director for Techoy Construction, our construction work would not be suspended if we could appoint an acceptable replacement within a reasonable period of time. The Buildings Department does not provide any definition on “reasonable period of time”. To the best knowledge and belief of our Directors, a period of around three to six months is generally allowed by the Buildings Department, during which we are allowed to appoint acceptable replacement to maintain the relevant license; and
- (iii) under the service agreement of Mr. Lam with our Company, Mr. Lam is required to give not less than six months’ prior written notice to our Group to terminate his employment with us, which provides us with sufficient time to appoint an acceptable replacement.

During the Track Record Period, our Group had not experienced any significant difficulties in recruiting employees, and had not experienced any significant staff or labour disputes. Our Directors confirm that our Group’s relationship with our employees is satisfactory in general. Our Directors consider that the management policies, working environment, career prospects and

BUSINESS

benefits extended to our employees have contributed to building a good employee relations and employee retention. During the Track Record Period and up to the Latest Practicable Date, there was no labour union established by our employees.

CREDIT MANAGEMENT

We submit to our customer payment application for interim payment on a monthly basis in respect of the value of work we performed in the preceding month. The applications generally include the estimated fee and description of our work done, the list of construction materials delivered to the site. The architect of our customer will then perform inspection and certify the value of work done for the preceding month. The interim certificate will usually be issued to us by our customer within 21 days from the date of our interim payment application and our customer will usually make payment within 21 days after the date of interim certificate in accordance with the relevant contract, deducting any retention money to be retained by our customer at the specified rate in accordance with the relevant contract.

Our sub-contractors normally also make payment application for interim payment on a monthly basis. Once our quantity surveyor verified the value of works completed by the relevant sub-contractor against its payment application, we will make payment accordingly as soon as possible and normally within one month, deducting such retention money to be retained by our Group at the specified rate in accordance with the relevant sub-contract.

Our Group's credit risk is primarily attributable to our trade receivables, other receivables and bank balances. Since our major customers are mainly Government departments and/or organisations, our Directors are of the view that our credit risk is low. In order to minimize the credit risk with our non-Government customers, before we provide credit facilities to any new non-Government customer, our Group carries out a credit investigation on such customer which includes performance of credit search, assess to and review of its financial information and obtain advice from business partners in relation to the potential customer. The level of credit granted must not exceed a predetermined level set by our Directors and the approval for providing credit facilities to the customer must be documented in writing. Our Group also performs ongoing credit evaluations of our customers. Any excess over credit limits must be approved by our Directors in writing. In addition, our accounts department follows a set of monitoring procedures to ensure that follow-up steps are taken for collection of receivables. Our Group also reviews the recoverable amount of each individual trade and other receivables regularly at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. During the Track Record Period, no impairment loss on trade and other receivables is made. For further details in relation to the concentration of credit risk during the Track Record Period, please refer to the section headed "Financial Information — Financial Risk Management — Credit Risk" in this prospectus.

As at 31 March 2014 and 2015, our Group's trade receivables were approximately HK\$7.7 million and HK\$20.7 million respectively. In addition, the trade receivable turnover days for the years ended 31 March 2014 and 2015 were 26 and 25 days respectively. For further analysis of our trade receivables and trade receivables turnover days, please refer to the section headed "Financial Information — Net Current Assets — Trade Receivables" in this prospectus.

SEASONALITY

Our Directors believe that the building construction and RMAA industry in Hong Kong does not exhibit any significant seasonality.

INSURANCE

As a main contractor, our Group is legally required under the Employees' Compensation Ordinance to take out employees' compensation insurance to cover compensation and costs liable by our Group for personal injuries of our own employees and the employees of the sub-contractors in the course of their employment with us or with our sub-contractors. In compliance with the Employees' Compensation Ordinance, we generally take out and maintain employees' compensation insurance for each project with the coverage of a maximum amount of HK\$200.0 million per incident, which extend to cover employees of our sub-contractors.

In addition, we also take out contractor's all risks insurance for the entire project when acting as the main contractor which covers work performed by us and our sub-contractors. Our contractor's all risks insurance generally covers the following:

- (i) loss of or damage to the permanent and temporary works constructed and erected or in the course of construction or erection in performance of the construction contract and all other property for which our Group and/or our sub-contractors is responsible under the relevant construction contract whilst on the site. The amount of coverage equals to the contract sum under the relevant construction contract;
- (ii) costs and expenses necessarily incurred by our Group and/or our sub-contractors with the consent of the insurance company in dismantling and removing debris of the portion or portions of the destroyed or damaged property as insured under item (i) above;
- (iii) loss of or damage to physical property of third parties, or accidental death, bodily injury, illness or disease suffered by any third parties arising out from the performance of works by us and/or our sub-contractors; and
- (iv) our liability at law towards all our employees and the sub-contractors' employees engaged in the project, including sub-contractors who are self-employed person and/or sole proprietors.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group has taken out and maintained employees' compensation insurance and contractor's all risks insurance for all construction projects undertaken by our Group, which is in line with industry practice.

During the Track Record Period, our Group has also maintained office protection insurance which covered, among other matters, (i) loss of and damage to office contents in our office; (ii) the increased cost of work resulting such loss of and damage to office contents; (iii) loss of money; (iv) compensation for employees who are injured as a result of malicious attack by any person stealing

BUSINESS

or attempting to steal in our office; (v) liabilities in respect of compensation for third party bodily injury and/or property damage arising in connection with our business; and (vi) liabilities under employee compensation and personal injury claims for our own employees.

Certain types of risks, such as the risk in relation to the collectability of our trade and retention receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks.

For the years ended 31 March 2014 and 2015, the total insurance expenses paid by us amounted to approximately HK\$1.9 million and HK\$2.6 million respectively. Our Directors consider that we have obtained adequate insurance coverage for the operation of our business and are consistent with industry norm having regard to our current operations and the prevailing industry practice in Hong Kong. Save as disclosed in the paragraph headed “Litigation and Potential Claims” in this section, our Directors confirm that no material claims have been made in respect of any of our insurance policies during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENTAL MATTERS

Our Group’s operations at construction sites are subject to certain environmental requirements pursuant to the laws in Hong Kong, including primarily these relating to air pollution control, noise control and waste disposal. For details of the regulatory requirements, please refer to the section headed “Regulatory Overview — Laws and Regulations in relation to Environmental Protection in Hong Kong” in this prospectus.

Our Group is committed to minimise any negative impact on the environment which may be resulted from our business activities. Our Group has established an environmental management system and was certified by SGS to be in compliance with the requirements of ISO 14001:2004 since 2009.

Our Group adopts the following environmental protection measures in order to ensure proper management of environmental protection and compliance with statutory requirements (details of which are set out in the section headed “Regulatory Overview — Laws and Regulations in relation to Environmental Protection in Hong Kong” in this prospectus) in our daily operation:

- setting environmental goals and objectives and periodically reviewing such goals and objectives;
- giving priority to minimising environmental impacts and setting environmental friendly construction processes when devising the construction plans;
- the project manager shall monitor all site operations which have significant environmental impact and ensure compliance with environmental legislations, regulations and requirements to which our Group subscribes;

BUSINESS

- encouraging the reduction in disposal and emission of construction wastes, dusts, noise and water pollution at sites;
- taking into account previous environmental performance of our sub-contractors and suppliers when selecting the appropriate sub-contractors and suppliers to be engaged;
- providing education and training to our workers, sub-contractors and suppliers to ensure that they conduct their operations in an environmentally friendly and responsible manner; and
- encouraging feedbacks and suggestions from our customer, workers, sub-contractors, suppliers and public for improvements in our environmental management system.

During the Track Record Period and up to the Latest Practicable Date, our Group had no material non-compliance or violations on any laws and regulations in relation to environmental protection.

OCCUPATIONAL HEALTH AND SAFETY

Our Group is committed to provide our employees and the employees of our sub-contractors a safe and healthy working environment. Under our IMS, we have adopted an occupational health and safety system as required by the relevant occupational health and safety laws, rules and regulations (details of which are set out in the section headed “Regulatory Overview — Laws and Regulations in relation to Labour, Health and Safety in Hong Kong” to this prospectus) and managed by our safety and environmental department for the benefit of our employees and that of our sub-contractors. Our occupational health and safety system has been certified by SGS to be in compliance with the requirements of OHSAS18001:2007 standards since 2009.

Our Group has implemented the following measures to ensure workplace safety:

- a safety management committee comprising our top management is formed, where bi-monthly meetings are held to plan, monitor, improve and review our occupational health and safety performance of our Group and annual meetings are held to review our safety management system and policies;
- our general manager is allocated with the responsibility for setting and reviewing our safety objectives and policies and ensuring that our safety management system is properly implemented in all locations and spheres of our operation;
- safety policies, objectives and safety records are documented, maintained and displayed in each site, workshop and office. Our sub-contractors are contractually required to observe and obey all of our safety policies and measures, breach of which will result in fines at a prescribed rate;

BUSINESS

- all employees are required and are provided with the necessary authority to carry out their safety and health responsibilities in accordance with our safety and health objectives, project plans and requirements set out in our IMS manual;
- an adequate budget that commensurate with our size of operations is set aside for establishing, implementing and maintaining our safety management system;
- arrangements and promotions are made to dismantle occupational health and safety information and both regular and ad hoc safety meetings are held with workers and sub-contractors to raise their awareness as to work safety;
- all personnel, including our sub-contractors, are required to participate in toolbox talks, safety activities and to attend regular safety trainings organised by our Group; and
- annual safety audit is performed to ensure that our occupational health and safety management system complies with OHSAS18001:2007 requirements.

Our administrative department is responsible for recording details of and handling claims for accidents and injuries in relation to our projects. In addition, it is responsible for liaising with the claimant and insurance company and obtaining external legal advises where our management considers necessary and appropriate. To ensure proper recording and handling of personal injuries claims, our safety officers are required to notify the project manager and general manager any incident of injuries suffered at the construction site immediately. Our safety officers are also responsible for carrying out necessary investigations and follow-up measures in accordance with our internal safety guidelines and applicable procedures required by the relevant laws and regulations. Our Group will also report to our insurance company pursuant to the terms of the relevant insurance policies.

For further details of the material personal injuries sustained by the employees of our Group and our sub-contractors, please refer to the paragraph headed “Litigation and Potential Claim” in this section. Our Directors confirmed that during the years ended 31 March 2014 and 2015, and from the period from 1 April 2015 up to the Latest Practicable Date, our Group has recorded one, one and nil “reportable accidents” (see Notes below) respectively, all involving injuries to workers who were either employed by our Group or by our sub-contractors 0.2, 0.4 and 0.0 accident respectively, which were significantly lower than the industry average of 38.7 accident in the calendar year 2014 according to the Ipsos Report.

Notes:

1. “Reportable accidents” means workplace accidents that are required to be reported to an occupational safety officer of the Labour Department. For any accident that results in an employee being incapacitated from working for at least three days, the accident should be reported in writing within seven days after the date of accident. For more serious accidents that involve death or serious bodily injury to an employee, the employer has to notify the Labour Department within 24 hours after the accident.
2. Our Group’s accident rate is calculated as the number of reportable accidents during the financial year divided by average number of employees of our Group and our sub-contractors for the relevant period times 1,000.

BUSINESS

Our Group's lost time injury frequency rate ("LTIFR") was approximately 0.12, 0.17 and 0.37 per million of working hours for the years ended 31 March 2014 and 2015 and for the period from 1 April 2015 up to the Latest Practicable Date, respectively. LTIFR is calculated as number of lost time injuries in a year divided by total hours worked by all employees of our Group and our sub-contractors during the relevant period and multiplied by 1,000,000 hours of work. Lost time injuries refers to on-the-job injuries that require a person to stay away from work for more than 24 hours. Total hours worked by all employees is calculated as average number of employees of our Group and our sub-contractors during the year multiplied by 12 months per year and 22 working days per month and eight working hours per day.

Having considered the above and that none of the accidents has resulted in fatal injury, our Directors are of the view that our occupational health and safety management system is effective.

MARKET AND COMPETITION

Building Construction Works Contracting Industry

According to the Ipsos Report, from 2010 to 2014, due to the public construction projects initiated by the Government, the building construction works contracting industry in Hong Kong experienced a significant growth. The gross output value of overall construction works performed by main contractors at construction sites for both the private and public sector in Hong Kong grew from approximately HK\$61.5 billion in 2010 to approximately HK\$122.8 billion in 2014, at a CAGR of approximately 18.9%. In addition, with announced plans to continue increasing supply of affordable public housing, it is expected that a strong growth in construction works for the public sector will sustain.

The revenue of the building construction work contracting industry in Hong Kong increased from approximately HK\$46.8 billion in 2010 to approximately HK\$86.2 billion in 2014, at a CAGR of approximately 16.5%. Such an increase was primarily attributable to the robust demand from the large scale and complex multi-disciplinary building construction work projects in Hong Kong in the past five years. Supported by the Government's housing policy, it is expected that the revenue of the building construction work contracting industry will have a substantial growth from approximately HK\$99.8 billion by the end of 2015 to approximately HK\$188.1 billion in 2019, at a CAGR of about 17.2%.

RMAA Contracting Services Industry

According to the Ipsos Report, the RMAA contracting service industry in Hong Kong under the "building services installation and maintenance" category is one of the five major contracting services in Hong Kong amongst the construction of buildings, civil engineering, demolition and site preparation and building finishing and other specialised construction activities.

As stated in the Ipsos Report, due to the fact that ageing residential buildings has been a growing concern in Hong Kong, the Government has implemented policies to stimulate urban renewal plans with an aim to support building owners in improving building safety by providing

BUSINESS

subsidies to property owners to habitually carry out building repair and maintenance works, which in turn leads to an increase in the number of RMAA work. According to the Ipsos report, the revenue of RMAA services experienced a positive growth from around HK\$31.0 billion in 2010 to around HK\$51.4 billion in 2014 at a CAGR of around 13.5%, and is expected to increase moderately from around HK\$54.6 billion in 2015 to around HK\$58.4 billion in 2019, at a CAGR of approximately 1.7%, mainly due to rising construction costs which will lead to an increase in the project value.

Competitive Analysis

The building construction market in Hong Kong is consolidated while the RMAA market in Hong Kong is fragmented. According to the Ipsos Report, there were around 922 approved main contractors in the building construction works contracting industry in Hong Kong and around 340 main contractors in the RMAA service industry in Hong Kong in 2014. The respective top five players of the building construction services contracting industry and the RMAA services contracting industry in Hong Kong in 2014, the details of which are set out in the section headed “Industry Overview — Top 5 main contractors engaged in the building construction services contracting industry in Hong Kong in 2014” and “Industry Overview — Top 5 main contractors engaged in the RMAA services contracting industry in Hong Kong in 2014” in this prospectus respectively, only contributed approximately 23.0% and 8.9% of the total revenue of the respective markets in Hong Kong.

According to the Ipsos Report, expertise and knowledge, operational experience and capital required for providing construction contracting services represent the key entry barriers for new construction contracting service providers. Please refer to the section headed “Industry Overview — Competitive landscape — Entry Barriers” in this prospectus for further details.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group has applied for registration of two trademarks in Hong Kong. We have also registered two domain names. Further details of our intellectual property portfolio, including our trademark and domain names, are provided in the paragraph headed “B. Further information about our business — 2. Intellectual property” in Appendix IV to this prospectus.

As at the Latest Practicable Date, we were not involved in any proceedings with regard to, and we have not received notice of any claims of, infringement of any intellectual property rights that may be threatened or pending in which we may be involved either as a claimant or respondent.

PROPERTY

As at the Latest Practicable Date, we have leased one property with gross floor area of approximately 453.18 sq.m. at Unit A to F, 2/F, Centre 600, No. 82 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong for office use and three car park lots in Lai Chi Kok (the “**Properties**”) from Popstate.

BUSINESS

The Properties are leased for a term of two years commencing on 13 March 2015 and ending on 12 March 2017 (both days inclusive) at a monthly rental of HK\$108,500 (exclusive of utility charges, building management fee and tax). As Mr. Lam is a connected person of our Group, the transaction contemplated under the relevant lease agreement therefore constitutes continuing connected transaction (within the meaning of Chapter 20 of the GEM Listing Rules) for our Group. No registration of the tenancy agreement is required under the laws of Hong Kong. Our Directors confirmed that the rent paid by us to Mr. Lam in relation to the above-mentioned property was determined on an arm's length basis and reflected the prevailing market rent at the time, and further details of which are set out in the section headed "Connected Transactions — Exempt Continuing Connected Transactions" to this prospectus.

In addition, our Group has leased one property from an Independent Third Party with gross floor area of approximately 1,118 sq.m. at Unit C, 21st Floor, Kings Tower, No. 111 King Lam Street, Kowloon, Hong Kong for office use (the "New Premises"). The New Premises are leased for a term of one year commencing on 15 August 2015 and ending on 14 August 2016 (both days inclusive) at a monthly rental of HK\$22,360 (exclusive of government rent, rates and management fees). No registration of the tenancy agreement is required under the laws of Hong Kong.

As at the Latest Practicable Date, no single property interest forming part of our Group's non property activities had a carrying amount of 15% or more of our total assets. Thus, 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 prospectus is exempted from compliance with the requirements of Section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance with respect to the requirement of the inclusion of a property valuation report in this prospectus. Our Directors confirm that none of our property interests is individually material to our Group in terms of rental expenses.

Please refer to the paragraph headed "Legal Compliance — Non-compliance of our Group" in this section for non-compliance issues in relation to our leased properties.

RESEARCH AND DEVELOPMENT

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

LEGAL COMPLIANCE

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, our Group has obtained all necessary approvals, permits, licenses and certificates that are material to our business operations from the relevant Government authorities and such approvals, permits, licenses and certificates remain valid as at the Latest Practicable Date. For details of the requisite approvals, permits, licenses and certificates required for our business operation, please refer to the section headed "Regulatory Overview — Laws and Regulations in relation to Contractor Licensing Regime in Hong Kong" in this prospectus. Save as disclosed in the paragraph below and as confirmed by our Directors, our Group has been in compliance in all material respects with the applicable laws and regulations in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

Non-compliance of our Group

The following table sets forth our non-compliance incidents during the Track Record Period and measures we have adopted to prevent recurrence of non-compliance incidents in the future:

Non-compliance with Government leases and occupation permit

Particulars of the non-compliance	Reason for the non-compliance	Legal consequences and potential maximum penalties	Remedial action
<p>Breach of the land use restrictions set out in the relevant Government lease of premises located at Unit A to F, 2/F, Centre 600, No. 82 King Lam Street, Lai Chi Kok, Kowloon (the “Premises”), the land use conditions set out in the relevant occupation permit and section 25(1) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) for failure to notify the Buildings Authority regarding the change of land use. Techoy Construction, as a tenant, rented the Premises as its office during the period from 13 March 2015 to 12 March 2017 where land use of the Premises is restricted to industrial purpose under the Government lease and for workshops and ancillary accommodation for non-domestic use under the relevant occupation permit.</p>	<p>At the time when Popstate first leased the Premises to Techoy Construction in 2004, Popstate had three Shareholders comprising Mr. Lam and two Independent Third Parties, who were also the then existing directors. The breach was not willful and was due to (i) both the then existing shareholders of Popstate as well as the Construction inadvertently oversaw the relevant land use restrictions of the Premises in the course of preparing the relevant tenancy agreement for the hasty relocation of Techoy Construction from its old office to the Premises; and (ii) the absence of professional advice at the material time. Upon Mr. Lam acquiring all the shares from the other two then existing shareholders and becoming the sole shareholder and director of Popstate, Mr. Lam continued to lease the Premises to Techoy Construction for office use since there was no circumstances which prompted Mr. Lam the issue of breach of land use restrictions. The breach was only identified and made known to our Directors during the course of the preparation of the Listing application.</p>	<p>Under section 40(2) and section 40(6) of the Buildings Ordinance, our Group is liable to a maximum fine of HK\$100,000 and our Directors are liable to a maximum fine of HK\$100,000 and imprisonment of two years maximum.</p> <p>According to the relevant Government lease, the Government is entitled to re-enter the Premises and claim damages against the respective owners. If the occupier does not quit the Premises upon receiving notice of re-entry from the Government, he may also be liable to civil claim by the Government.</p>	<p>Given that (i) the likelihood of any immediate risk of enforcement against Techoy Construction and the likelihood of prosecution under the Buildings Ordinance were low according to the Legal Counsels (for reasons detailed below); and (ii) sufficient time was required for our Group to identify the appropriate new premises of reasonable size that could accommodate all of our employees for our office use and negotiate the terms and conditions of the relevant tenancy agreement(s) with the landlord(s), Techoy Construction continued to use the Premises for our office use up to the Latest Practicable Date.</p>
<p>The Premises is also subject to a deed of mutual covenant which sets out that the building at where the Premises is located is restricted to industrial and/or godown purposes</p>	<p>As at the Latest Practicable Date, Techoy Construction had not received any notice of re-entry from the Government in relation to the Premises.</p> <p>For the breach of the relevant deed of mutual covenant, the incorporated owners of the building could claim against Techoy Construction for an injunction restraining the use of Premises as an office by Techoy Construction.</p>	<p>As at the Latest Practicable Date, the incorporated owners of the building has not raised any complaint as to such breach against Techoy Construction, and there were no subsisting disputes between the incorporated owners and Techoy Construction which demands the rectification of the breach nor termination of the said tenancy agreement no re-entrance of the Premises.</p>	<p>To rectify such non-compliance and to avoid any possible legal consequences, Techoy Construction had on 13 August 2015 entered into tenancy agreement with an Independent Third Party to lease one property with gross floor area of approximately 1,118 square feet at Unit C, 21st Floor, Kings Tower, No.111 King Lam Street, Kowloon, Hong Kong (the “New Premises”) for office use. The New Premises shall be leased for a term of one year commencing from 15 August 2015 to 14 August 2016 at a monthly rental of HK\$22,360 (exclusive of government rent, rates and management fees), and Techoy Construction shall be entitled to renew the lease for an additional term of one year at the then prevailing market rent.</p>

Particulars of the non-compliance	Reason for the non-compliance	Legal consequences and potential maximum penalties	Remedial action
			<p>As at the Latest Practicable Date, Techoy Construction has commenced decoration of the New Premises. The decoration is expected to be completed in mid-October 2015, upon which our Group will relocate all our staff from the Premises to the New Premises. The Premises will be used for storage of documents and furniture only. In the event that our Group is able to identify alternative premises of suitable size that suit our storage needs, we will relocate all the remaining documents and furniture to such premises and terminate the existing tenancy agreement for the Premises thereafter.</p> <p>The Controlling Shareholders have agreed to indemnify our Group for all relocation costs incurred. In addition, Popstate, as the landlord of the Premises, has agreed to waive the payment by our Group of any compensation for early termination of the existing tenancy agreement.</p>

BUSINESS

As advised by our Legal Counsels, although the present use of the Premises as an office appears to constitute a breach of the restriction against any use of the Premises for non-industrial purposes, there is a low likelihood that this should present any immediate risk of enforcement against Techoy Construction, mainly because, although the Government is entitled to re-enter and repossess the subject Premises:

- (i) the normal practice seems to be that when a breach of the Government lease is discovered through an inspection of the subject premises by the District Lands Office, a warning will first be issued, giving the subject owner a period of 28 days within which to cure the said breach. A forbearance fee may be chargeable if the breach is not cured within the said period;
- (ii) as an illustration, under its lease enforcement policy, the Government set forth a system of priority having regard to the severity of the breach of lease conditions whereby (a) for high priority cases, warning letters will be issued by the Lands Department to the parties concerned, requesting them to purge the breaches immediately; and (b) for low priority cases, advisory letters will be issued by the Lands Department to the owners of the premises, requesting their cooperation to rectify the breaches as soon as possible. In December 2006, there were only limited number of outstanding cases subject to lease enforcement actions (about 8,700 with 800 given a high priority each year, against the background of there being over two million domestic and non-domestic units);
- (iii) the owner of a subject premises may apply to the relevant government department for a change of use and an application to regularize the non-conforming use. Where this takes place, the Government may consider withholding lease enforcement action for the time being subject to payment of a forbearance fee; and
- (iv) there does not appear, by reason of the breach of the deed of mutual covenant, to be any discernible damage suffered on the part of the incorporated owners of the building concerned.

In so far as criminal liability is concerned, our Legal Counsels are of the view that the likelihood of prosecution under section 40(2) and custodian sentence is reasonably remote since:

- (i) absence of direct case law on section 25(1) of the Buildings Ordinance in the context of a criminal prosecution is indicative (though not necessarily conclusive) of a rare occurrence of prosecution under section 40(2) of the Buildings Ordinance;
- (ii) since the use of the Premises as an office does not constitute serious danger to life or property or which constitutes serious environmental nuisance, a relatively low priority would be accorded to the present case and therefore the likelihood of actual prosecution should be correspondingly low; and

- (iii) in the document entitled “Prosecutions Instigated under the Buildings Ordinance, Fire Safety (Commercial Premises) Ordinance and Fire Safety (Buildings) Ordinance”, all summonses in relation to offences under the relevant ordinances (including, without limitation, the Buildings Ordinance) come under the broad header “Non-compliance with statutory orders/directions”, suggesting that non-compliance with the Buildings Ordinance does not automatically lead to criminal prosecution; it is only upon the failure to comply with a relevant order or direction (to, e.g. remove unauthorised building works) which could give rise to prosecution.

Views of our Directors and the Sole Sponsor

For the non-compliance incident in respect of the Premises, as at the Latest Practicable Date, there had not been any prosecution initiated against our Group or our then or current Directors, nor had any of them been subject to any re-entry notice or fine relating to the above non-compliances. Having considered that the estimated fines and penalty, if applicable, are immaterial, and that, based on the opinions of the Legal Counsels, prosecution and/or claim under such circumstances is reasonably remote, no provision for the fines has been made by our Directors in our Group’s financial statements. In addition, our Group does not rely on the Premises to generate profits and any commercial premises with reasonable size can be used as an office of our Group, there will not be any difficulties for our Group to relocate to a new premises within a reasonable period of time should the circumstances require.

In light of the above, such non-compliance matter shall not have any material impact on the operations or financial position of our Group.

Our Directors are also of the view that the abovementioned non-compliance matters would not affect the suitability of our executive Directors under Rule 5.01, 5.02 and 11.07 of the GEM Listing Rules or the suitability of listing of our Company under Rule 11.06 of the GEM Listing Rules and that the various internal control measures adopted by us are adequate and effective under Rule 6A.15(5) of the GEM Listing Rules having taken into account the fact that (i) we had taken the abovementioned internal control measures to avoid recurrence of the non-compliance incidents; (ii) no additional material non-compliance incident has taken place since the measures are taken; and (iii) the above non-compliance incident were unintentional, did not involve any fraudulent act on the part of our executive Directors and did not raise any question as to the integrity of our executive Directors.

The Sole Sponsor, after considering the above and having reviewed the internal control measures, concurs with the view of our Directors that (i) the various internal control measures adopted by us are adequate and effective under Rule 6A.15(5) of the GEM Listing Rules; (ii) our executive Directors have the standard of integrity and competence commensurate with positions as directors of a listed issuer under Rules 5.01 and 5.02 of the GEM Listing Rules; and (iii) the abovementioned non-compliance matters would not affect the suitability of our Directors under Rules 5.01, 5.02 and 11.07 of the GEM Listing Rules and the suitability of Listing of our Company under Rule 11.06 of the GEM Listing Rules.

BUSINESS

LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and as at the Latest Practicable Date, our Group had been or is involved in a number of claims, litigations and potential claims against our Group. Set out below are the details of (i) the ongoing litigations against our Group as at the Latest Practicable Date; and (ii) the litigation against our Group settled (either by way of court judgment or settlement between parties) during the Track Record Period and up to the Latest Practicable Date.

Save as disclosed in the paragraph below, to the best knowledge of our Directors, as at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and our Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance against our Group that would have a material or adverse effect on our results of operations or financial condition.

Ongoing litigations against our Group as at the Latest Practicable Date

The table below sets forth details of the ongoing litigations against our Group as at the Latest Practicable Date:

<u>Date of the accident</u>	<u>Project site</u>	<u>Nature of the accident/claim</u>	<u>Identity of the injured worker/ capacity of the plaintiff(s)/ applicant(s)</u>	<u>Compensation claimed/amount settled</u>	<u>Insurance coverage</u>	<u>Status as at the Latest Practicable Date</u>
6 July 2012	Former Police Married Quarters on Hollywood Road, Central, Hong Kong	A worker alleged that her right elbow was injured by a wooden plank falling down.	Group's employee	An employees' compensation of HK\$275,700.00 was made. Personal injuries claim is in progress and the amount of claim is HK\$490,341.99 (excluding interest).	100%	Outstanding The employees' compensation claim was settled. The insurer has taken over the case and the case is still ongoing.
1 November 2012	Former Police Married Quarters on Hollywood Road, Central, Hong Kong	A worker sustained back injury whilst lifting up concrete in the course of work.	Group's employee	Personal injuries claim was received on 19 September 2015 and the amount of claim is HK\$2,429,571.41 plus interest.	100% ⁽¹⁾	Outstanding

Note 1: Based on the legal advice our Directors have obtained, as the plaintiff has just commenced the captioned proceedings, it is premature and hence there is no reasonable basis to assess the merits of the plaintiff's claim and the likely amount of our Group's liability (if any). In any event, based on our review of the insurance policy maintained by our Group and on the basis that the employees' compensation claim has been settled pursuant to the insurance policy, we see no reason why the plaintiff's claim is not going to be likewise covered by the insurance policy. Hence, it can be anticipated that the further conduct of the captioned proceedings will soon be taken over by the lawyers to be appointed by the insurer. It should also be noted that the limit of indemnity under the insurance policy is sufficient to fully cover the amount claimed by the plaintiff in the relevant statement of claim.

BUSINESS

Litigations against our Group settled (either by way of court judgment or settlement during the Track Record Period and up to the Latest Practicable Date)

The table below sets forth details of the litigations against our Group settled (either by way of court judgment or settlement between parties) during the Track Record Period and up to the Latest Practicable Date:

<u>Name of our Group company(ies)</u>	<u>Particulars of the claim</u>	<u>Total amount settled</u> (HK\$)	<u>Judgment/ settlement date</u>	<u>Insurance coverage/ indemnity</u>
<i>Employees' compensation claims</i>				
Techoy Construction	On or about 31 May 2014, it was purported that the applicant, being an employee of our Group, sustained left eye injury while concreting in the course of work.	314,450.37	19 May 2015	100%
Techoy Construction	On or about 1 November 2012, it was purported that the applicant, being an employee of our Group, sustained back injury whilst lifting up concrete in the course of work.	227,894.95	12 May 2015	100%
Techoy Construction	On or about 6 July 2012, it was purported that the applicant, being an employee of our Group, sustained right elbow injury by a wooden plank falling down.	275,700.00	9 April 2015	100%
Techoy Construction	On or about 19 June 2013, it was purported that the applicant, being an employee of our Group, injured her back while cleaning crushed stone in the course of work.	14,732.69	17 January 2014	100%

BUSINESS

<u>Name of our Group company(ies)</u>	<u>Particulars of the claim</u>	<u>Total amount settled</u> (HK\$)	<u>Judgment/ settlement date</u>	<u>Insurance coverage/ indemnity</u>
Techoy Construction	On or about 11 March 2013, it was purported that the applicant, being an employee of our Group, lost his balance and fell on the ground while inspecting the construction site in the course of work.	68,529.00	22 November 2013	100%
Techoy Construction	On or about 25 July 2012, it was purported that the applicant, being an employee of our sub-contractor, sustained his left middle finger while transporting an i-steel in the course of work.	101,358.00	25 June 2013	100%
<i>Miscellaneous claims</i> Techoy Construction	The plaintiff, being a sub-contractor of our Group in a RMAA project in Ho Man Tin Hill Road, Hong Kong, claimed against Techoy Construction for purportedly outstanding sum in respect of work done under the relevant construction contract and damages purportedly caused to the plaintiff as a result of breach of contract by Techoy Construction.	366,770.89	10 June 2013	N/A

INTERNAL CONTROL

It is the responsibility of our Board to ensure that we maintain sound and effective internal controls to safeguard our Shareholders' investment and our assets at all times. In preparation of the Listing, we have engaged the Internal Control Adviser in May 2015 as our independent external adviser to undertake an assessment of internal controls over certain business processes of the Company. The Internal Control Adviser has performed internal control review in May 2015 and follow-up review in June 2015. The Internal Control Adviser has provided some recommendations for our management's consideration to enhance our internal control system. As confirmed by our Directors, all the remedial measures will be fully implemented by us upon the Listing.

BUSINESS

We have adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- ***Code of Conduct*** — Code of Conduct has been established by our management to govern the conduct of employees and management. The requirements have been acknowledged by each of our staff;
- ***Project Tendering and Management Policies and Procedures*** — Project Tendering and Management Policies and Procedures has been established by our management to governing project tendering, preparation, budgeting, completion, delivery, and reporting. The policies and procedures have been communicated to all relevant staff; and
- ***Suppliers and subcontractors appraisal*** — Suppliers and subcontractors appraisal policies have been established in our internal control policies. Performance appraisal of the suppliers and subcontractors will be conducted annually on a set of pre-determined evaluation criteria. Our general manager is responsible for supervising the suppliers and subcontractors appraisal.

In addition, our Group has adopted the following internal control policies and procedures to (i) prevent bid-rigging and offering bribes during the tendering process; and (ii) ensure that there have not and will not be any illegal workers at the construction sites:

Prevent bid-rigging and offering bribes

- appropriate training(s) from relevant organisations (e.g. ICAC) and legal professionals will be arranged for our management team and employees to enhance their awareness of the effect and consequences of bid-rigging/offering of bribes and to ensure compliance with the Competition Ordinance. Effective whistle blowing policy is also in placed to minimise the risk of fraudulent act, criminal offence or wrong doing in the work environment;
- checklists are created to help our Group in detecting signs which may suggest the occurrence of bid rigging during the tendering process. Items in the checklist include whether (i) the same subcontractor is often the lowest bidder; (ii) regular sub-contractor fail to bid on a tender they would normally be expected to bid for, but have continued to bid for other tenders; (iii) there is a geographic allocation of winning tenders; (iv) identical mistakes in the bid documents or letter submitted by different companies, such as spelling errors or miscalculations; (v) bids from different companies contain a significant number of identical estimates of the cost of certain items; (vi) there are sudden and identical increases in price or price ranges by bidders that cannot be explained by cost increases; and (vii) a sub-contractor's bid is much higher for a particular contractor than that sub-contractor's bid for another similar contract.

BUSINESS

- in addition, our Group conducts periodic comparative analyses of subcontracting fees, material costs and other overheads in tender proposals with those of projects with similar nature, which will allow our Group to detect whether suspectable bid rigging is undergoing. Furthermore, any evidence of bid rigging or other forms of anti-competitive behavior will be reported to the appropriate authorities;
- for government projects, a “Letter of Anti-collusion Undertaking” or “Confirmation Letter for Compliance with Anti-Collusion Clauses in Tender” will generally be signed by our Directors for and on behalf of our Group to the Government to express our acknowledgement and to confirm that we will comply with the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). We have to declare that we have read and fully understand the letter and the anti-collusion clause stated in the tender. We also have to warrant that we have not communicated and will not communicate to any person other than the Government the amount of the tender price or any part thereof. In addition, we have to agree that if any non-disclosure of information or bribery act is found, tender will be terminated and we will be held legally responsible;
- for non-government projects, a “Statement of ‘No Conflict of Interest’ by Tenderers” will generally be signed by our Directors for and on behalf of our Group to declare that we are not related to any company executing the works or services in the contract for the full duration. We also have to acknowledge that the tender submitted by us for the required works or services will not be further considered if any other company that is related to us has been awarded a contract or contracts;
- the abovementioned “Letter of Anti-collusion Undertaking”, “Confirmation Letter for Compliance with Anti-Collusion Clauses in Tender” and “Statement of ‘No Conflict of Interest’ by Tenderers” are required to be signed upon the request of the relevant customer; and
- probability of offering bribes by sub-contractors is minimised by having multiple layers of review and approval during the sub-contractor’s tendering process (i.e. by our tendering department, project manager and Director(s)). Regular sub-contractor’s evaluations are also conducted by our project management team to ensure that sub-contractors maintain an up-to-standard operating environment, healthy financial supports and sounded reputation;
- our internal control policies are clearly stipulated and made known to all staff. Moreover, we adopt a zero-tolerant attitude towards corruption and fraud;
- work procedures relating to our Group’s operation such as tendering procedures are laid down in a concise document for staff compliance;

BUSINESS

- to enhance checks and balances within the Group, major duties and functions, such as purchasing department, tendering department, and project department which handle subcontracting arrangement and purchase of building materials, that are susceptible to abuse corruption are segregated and assigned to different staff members;
- all tenders received are registered and are kept under lock as soon as they are received. Access to such tenders is restricted to authorised staff only;
- a gifts and hospitality policy which sets out guidelines and procedures for offering and/or accepting gifts and hospitality is in place and provided to all staff for compliance. All gifts and/or hospitality with a value over HK\$500, whether offered or accepted by an employee, must be recorded in the Company's gifts and hospitality register. Our general manager is designated with the responsibility to monitor all entries made in the register;
- all employees are required under their terms of employment to (i) undertake not to engage in any bribery and/or bid-rigging activities; (ii) disclose any external employment, engagement and/or business interest and to declare any conflict of interest. Potential conflicts of interest that may increase the risk of bribery and bid-rigging will be monitored by the appropriate senior officers;
- all employees who are involved in the tendering process, our general manager and Directors have entered into confidentiality agreements with our Group undertaking (i) to keep secret and confidential all business, financial (in particular the tender prices received from our sub-contractors or submitted by our Group to our customers) and technical information and know-how of our Group; (ii) not to discuss and/or communicate with any person other than our customer the amount of our tender price or any part thereof; and (iii) not to, save and except to their direct supervisor, our general manager and/or our Directors for the purpose of facilitating our Group in determining the tender price to be submitted to customers, discuss internally the tender prices submitted and/or received by our Group before any formal agreement is entered with our customers and/or sub-contractors (as the case may be);
- the final tender prices to be submitted by our Group to our customer were determined by our general manager and Directors and were not disclosed to any other employees before the results of tender were made known to us;
- a channel for complaints has been established for staff, customers and sub-contractors and made known to all concerned. Complaints will be handled promptly by designated staff and reported to the management of our Group. Our Directors will be informed of cases of serious complaints that may affect our Group's business or reputation; and
- to ensure our employees comply with all laid down rules and procedures, the management of our Group will conduct routine and surprise checks for any irregularities.

In respect of illegal workers at the construction sites

- all workers (both permanent and temporary) hired by our Group are required to show their registration name, registration number, date of registration and the expiry date of worker registration card to site supervisor when signing the contract. Moreover, they need to provide a copy of Hong Kong Identity Card and our administration department will verify whether the information is identical with the contract. The relevant project manager and/or our Director will also conduct site visit to ensure all site workers are comply with regulations and ensure that the site supervisor has perform his duty accordingly; and
- for workers hired by sub-contractors, relevant clause is included in the sub-contractor contract for these workers to agree that they understand and will comply with Hong Kong regulations on the employment of legal workers. The sub-contractor is solely responsible for legal actions or damages if any non-compliance is found. Our Group has the contractual right to check any Hong Kong Identity Card, worker registration card and green card of any employees of the sub-contractor.

Views of our Directors and the Sole Sponsor

Our Directors confirmed that, to their best knowledge, our Group did not engage in any bribery and/or bid-rigging activities during the Track Record Period and up to the Latest Practicable Date.

As set out in paragraph headed “Prevent bid-rigging and offering bribes” in this section, in order (i) to prevent our Group from involving in bid-rigging and offering bribes; and (ii) to ensure compliance with (a) the Competition Ordinance in which bid-rigging is an offence and (b) the Prevention of Bribery Ordinance, our Group has adopted internal control policies and procedures highlighted in the said paragraph in this section. Based on the assessment of internal controls by the Internal Control Adviser and the fact that there had not been any actual or pending investigations by any regulators or authorities during the Track Record Period and up to the Latest Practicable Date, our Directors believe, and the Sole Sponsor concurs that, these policies and procedures could effectively prevent our Group (i) from involving in bid-rigging and offering bribes; and (ii) ensure compliance with (a) the Competition Ordinance in which bid-rigging is an offence and (b) the Prevention of Bribery Ordinance.

Non-compliance with Government leases and occupation permit

For our non-compliance with Government leases and occupation permit, the Internal Control Adviser has reviewed our rectification measures and put forward recommendations to our Company. We have implemented the following rectification measures in order to prevent the above non-compliance in the future:

- (i) before rental or procurement of any premise, a detailed land search would be conducted to ensure that the exact purpose of the premise fits for our intended use; and
- (ii) in case of doubt as to the compliance with the relevant use of the premise, external advise from building surveyors and legal advisers would be seek.

Such non-compliance was not willful and was due to the inadvertent oversight of the responsible staff and the absence of timely professional advice at the material times. The inadvertent oversight did not involve any issue in the integrity, character or competence of our Directors.

Please refer to the paragraph headed “Legal Compliance — Non-compliance of our Group — Views of our Directors and the Sole Sponsor” in this section for the views of our Directors and the Sole Sponsor.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board currently consists of five Directors, comprising two executive Directors and three independent non-executive Directors. The following table sets out information about our Directors:

Name	Age	Position	Date of Appointment as Director	Date of joining our Group	Major role and responsibilities
Executive Director					
Mr. Lam Kin Wing Eddie (林健榮)	56	Executive Director, Chairman	28 May 2015	March 1995	Responsible for overall business strategy and major business decisions of our Group
Mr. Shut Yu Hang (薛汝衡)	50	Executive Director	30 June 2015	August 1998	Responsible for general management and day-to- day operation of the Group
Independent non-executive Director					
Mr. Tang Chi Wang (鄧智宏)	37	Independent non- executive Director	22 September 2015	22 September 2015	Supervise and provide independent judgment to our Board
Mr. Tse Ting Kwan (謝庭均)	40	Independent non- executive Director	22 September 2015	22 September 2015	Supervise and provide independent judgment to our Board
Mr. Wong Kwong On (黃廣安)	56	Independent non- executive Director	22 September 2015	22 September 2015	Supervise and provide independent judgment to our Board

Executive Directors

Mr. Lam Kin Wing Eddie (林健榮), aged 56, is an executive Director and our Chairman. Mr. Lam is also our Controlling Shareholder. He joined our Group as a director in March 1995 and is responsible for overall business strategy and major business decisions of our Group. He is currently the president of the Hong Kong Institute of Construction Managers and the chairman of the Building and Civil Engineering Training Board of Vocational Training Council.

Mr. Lam has over 38 years of experience in the building construction industry of Hong Kong and possesses extensive experience in planning, operating and managing construction projects of various sizes and nature. Prior to joining our Group, Mr. Lam worked in Hsin Chong Construction Co., Ltd as a construction technician from September 1977 to September 1981 and was later redesignated as a quantity surveyor from September 1981 to March 1985. From March 1985 to July 1986, he worked as an estimator for Gammon Building Construction Limited. From July 1986 to April 1989, he worked as a contracts quantity surveyor for Shiu On Building Contractors Ltd., and was later promoted and worked as a senior project quantity surveyor from April 1989 to April 1993.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lam qualified as a chartered builder and a registered professional surveyor (quantity surveying) in Hong Kong in March 1985 and in January 2004 and a BEAM Professionals from Hong Kong Green Building Council in December 2010. He was admitted as a member of the Hong Kong Institute of Construction Managers in May 1997 and became its fellow in December 2006, a member of the Chartered Institute of Building in March 1985 and became its fellow in September 2010 and a fellow of the Chartered Association of Building Engineers in May 2014. Mr. Lam was also admitted as a member of the following institutions:

- (i) Association of Cost Engineers (admitted in January 1990);
- (ii) Chartered Institute of Arbitrators (admitted in September 1999);
- (iii) The Royal Institution of Chartered Surveyors (admitted in September 2002); and
- (iv) The Hong Kong Institute of Surveyors (admitted in August 2003).

In addition, Mr. Lam has been serving the community and the construction industry by holding various positions in the following institutions and organisations:

<u>Position</u>	<u>Institution/Organisation</u>	<u>Service period</u>
Member of the Appeal Board Panel under the Electricity Ordinance	Environment Bureau Government Secretariat	July 2012 to July 2015
Member of the Management Committee of the Voluntary Sub-contractor Registration Scheme	Construction Industry Council	July 2012 to July 2015
Member to the Appeal Tribunal Panel under the Buildings Ordinance	Planning and Lands Branch Development Bureau Government Secretariat	December 2012 to November 2015
Member of the Review Panel under the Land (Miscellaneous Provisions) Ordinance	Secretary for Development	April 2013 to March 2016
Member Member of the Governing Council	Hong Kong Quality Assurance Agency	November 2013 to November 2015
President	Hong Kong Institute of Construction Managers	December 2014 to December 2015
Chairman	Building and Civil Engineering Training Board of Vocational Training Council	May 2014 to March 2016
Director	BEAM Society Limited	August 2014 to present
First Vice-President	Hong Kong Construction Association	April 2015 to April 2017

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lam obtained a Certificate of Proficiency in Industrial Safety in November 1983 and an associateship in Building Technology and Management in November 1984 from The Hong Kong Polytechnic (now renamed The Hong Kong Polytechnic University), a Postgraduate Diploma in Construction Management from the City Polytechnic of Hong Kong (now renamed the City University of Hong Kong) in November 1990, a Master of Business Administration (Executive) from the City University of Hong Kong in November 2001 and a Master of Science in Fire and Safety Engineering from The Hong Kong Polytechnic University in December 2006.

Mr. Lam was a director of the following companies which were incorporated in Hong Kong prior to their respective dissolution:

<u>Name of company</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>	<u>Reasons for dissolution</u>
Carte Costume Jewellery Company Limited	5 February 2000	creditor's voluntary winding up	ceased to carry out business
Dragon Plan Development Limited	8 February 2002	deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	has never commenced business
Wintech Construction Material Company Limited	8 February 2002	deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	ceased to carry out business
Tai Fook Enterprise (China) Limited	18 May 2002	member's voluntary winding up	ceased to carry out business
Cycle Links Engineering Company Limited	27 May 2005	deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	ceased to carry out business
Hon Wang Engineering Limited	16 August 2013	deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	ceased to carry out business
Centech Green Company Limited	22 November 2013	deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	ceased to carry out business
Well Yield Industrial Limited	7 March 2014	deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	ceased to carry out business

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Except Carte Costume Jewellery Company Limited and Tai Fook Enterprise (China) Limited, all the above companies were inactive immediately prior to their respective dissolution. Carte Costume Jewellery Company Limited and Tai Fook Enterprise (China) Limited were solvent immediately prior to their respective dissolution.

Mr. Lam confirmed that there is no wrongful act on his part leading to the dissolutions of the above companies and he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions of the above companies.

Mr. Shut Yu Hang (薛汝衡), aged 50, is an executive director. He joined our Group as a construction manager in August 1998 and was promoted as a general manager in January 2008 and is responsible for general management and day-to-day operation of the Group.

Mr. Shut has over 28 years of experience in the building construction industry of Hong Kong. Prior to joining our Group, Mr. Shut worked in Sanfield Building Contractors Ltd. as an assistant site engineer from July 1987 to July 1989. From September 1989 to May 1990, he worked as an assistant engineer for Phoon Lee Piling Co., Ltd. From June 1990 to December 1992, he worked as a project engineer for FELS China Limited. From March 1993 to April 1998, Mr. Shut worked as a quality control engineer for Chevalier (Construction) Company Limited, and was later promoted as an assistant project manager and subsequently became a project manager.

Mr. Shut was admitted as a graduate member of The Institution of Structural Engineers in November 1994, and a member of the Hong Kong Institute of Construction Managers in November 2014. Further, Mr. Shut was appointed as a committee member of the Contractors Registration Committee Panel and the Contractors Registration Committee by the Buildings Department in January 2011 for a term of two years, and was subsequently re-appointed in January 2015 for a term of two years.

Mr. Shut obtained a Diploma in Civil Engineering Studies from the Haking Wong Technical Institute (now renamed the Hong Kong Institute of Vocational Education (Haking Wong)) in July 1985, a Higher Diploma in Structural Engineering in November 1987, an Endorsement Certificate in Civil Engineering Project Management in November 1988 and an Endorsement Certificate in Environmental Technology in November 1990 from The Hong Kong Polytechnic (now renamed The Hong Kong Polytechnic University).

Mr. Shut was a director of Yiu Tai Engineering & Construction Services Company Limited prior to its dissolution by striking off pursuant to section 291 of the Predecessor Companies Ordinance on 9 December 2011 as the company was not carrying on business.

Mr. Shut confirmed that there is no wrongful act on his part leading to the dissolution of Yiu Tai Engineering & Construction Services Company Limited and he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolution of Yiu Tai Engineering & Construction Services Company Limited.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Independent non-executive Directors

Mr. Tang Chi Wang (鄧智宏), aged 37, was appointed as an independent non-executive Director of our Group in 22 September 2015. He is responsible for supervising and providing independent judgment to our Board.

Mr. Tang has over 18 years of experience in the building construction industry in Hong Kong. The following table sets out the previous professional experience of Mr. Tang:

<u>Company/ Organisation name</u>	<u>Principal business activities</u>	<u>Position</u>	<u>Responsibilities</u>	<u>Service period</u>
Housing Department	Develop and implement a public housing programme and deal with all housing-related policies and matters	Works Supervision I and II	Supervising projects of Housing Department	September 1996 to July 1999
Raymond Chan Surveyors Limited	Building surveying	Assistant Building Surveyor	Participating in projects including renovation works, condition survey, license application and fitting-out works	September 2000 to February 2002
Good Excel Consultants Ltd.	Property and maintenance management	Maintenance Officer	Contract administration, project management and maintenance management	February 2002 to May 2002
		Senior Maintenance Officer		May 2002 to February 2004
The Dairy Farm Company Limited	Retail chain store	Assistant Construction Manager	Leading the project team to complete several projects and participating in the special store design program	February 2004 to August 2004
		Project Manager		August 2004 to September 2007
ISG Asia (Hong Kong) Limited	Consultancy and Contracting	Project Manager	Managing additional and alteration, renovation and fitting out projects	September 2007 to September 2010
Green Solution Interior Design and Decoration Limited	Fitting out contractor	Project Manager	Overseeing fitting out projects, exploring business opportunities and assisting the preparation of ISO manual	September 2010 to March 2011
S&techs (Hong Kong) Limited	Project management consultancy	Project Manager	Managing design and build projects	March 2011 to November 2011
Advise Building Consultancy Limited	Building consultancy, expert witness and dispute resolution	Director	Overall management	April 2012 to present

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The table below sets out the professional qualifications possessed by Mr. Tang:

<u>Professional qualification</u>	<u>Granting authority</u>	<u>Year of grant</u>
Associate Value Specialist	SAVE International	September 2005
Fellow	The Chartered Institute of Arbitrators	July 2007
Member	The Hong Kong Institute of Surveyors	July 2008
Fellow	Hong Kong Institute of Arbitrators	July 2008
Professional Member	The Royal Institution of Chartered Surveyors	October 2008
LEED Accredited Professional	Green Building Certification Institution	May 2009
Registered Professional Surveyor — Building Surveying Division	Surveyors Registration Board	October 2009
BEAM Professionals	Hong Kong Green Building Council	July 2010
Registered Professional Surveyor — Property and Facility Management Division	Surveyors Registration Board	April 2012
Fellow	Hong Kong Institute of Construction Managers	December 2012
Chartered Fellow	Chartered Association of Building Engineers	February 2014
Voluntary Building Assessment Scheme Assessor (List 2A)	Hong Kong Quality Building Assessment Panel	July 2014

In addition, Mr. Tang is currently the vice president of the Hong Kong Institute of Construction Managers.

Mr. Tang obtained a diploma in Building Studies from the Morrison Hill Technical Institute (now renamed the Hong Kong Institute of Vocational Education (Morrison Hill)) in August 1996, a Higher Diploma in Surveying from the City University of Hong Kong in November 1999, a Bachelor of Science (Honours) degree in Building Surveying from the University of Northumbria at Newcastle in June 2000, a postgraduate diploma in Arbitration from The College of Estate Management in January 2005, a Bachelor of Laws (Honours) from the University of London in August 2008 and a Master of Public Administration from the Hong Kong Baptist University in November 2011.

Mr. Tang was a director of Galaxy Strategy & Development Limited prior to its dissolution by deregistration pursuant to section 291AA of the Predecessor Companies Ordinance on 1 April 2011 as the company has ceased to carry out business.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Tang confirmed that there is no wrongful act on his part leading to the dissolution of Galaxy Strategy & Development Limited and he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolution of Galaxy Strategy & Development Limited.

Mr. Tse Ting Kwan (謝庭均), aged 40, was appointed as an independent non-executive Director of our group in 22 September 2015. He is responsible for supervising and providing independent judgment to our Board.

Mr. Tse has over 17 years of experience in auditing, finance and accounting. From July 1997 to August 2006, Mr. Tse worked for Graham H. Y. Chan & Co. (Certified Public Accountants (Practising)) as a trainee accountant and was later promoted as an executive in the Assurance and Business Advisory Services Department. From October 2006 to December 2006, he worked as an audit manager of Ken Chan & Co. (Certified Public Accountants). Since December 2006, Mr. Tse has been working as the financial controller of Chinese People Holdings Company Limited, a company whose shares are listed on the Main Board (Stock Code: 681), and he is responsible for all accounting, finance and tax matters. In addition, since October 2012, Mr. Tse has been working as an independent non-executive director of JF Household Furnishings Limited, a company whose shares are listed on the Main Board (stock code: 776).

Mr. Tse obtained a bachelor of Business Administration from the Lingnan College (now renamed as the Lingnan University) in November 1997. He was admitted as a fellow of the Association of Chartered Certified Accountants in September 2006 and an associate member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in February 2002.

Mr. Wong Kwong On (黃廣安), aged 56, was appointed as an independent non-executive Director of our Group in 22 September 2015. He is responsible for supervising and providing independent judgement to our Board.

Mr. Wong has various experience in the building and civil construction industry of Hong Kong. From May 1990 to May 1995, Mr. Wong worked as a quantity surveyor for the following construction companies:

- (i) Shui On Construction Company Limited (from May 1990 to March 1991);
- (ii) Gitanes Engineering Company Limited (from March 1991 to November 1991); and
- (iii) Shui On Civil Contractors Limited (from November 1991 to February 1992 and from January 1993 to May 1995).

His responsibilities as a quantity surveyor included contract administration and provision of contractual advice to projects which he was involved in.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

From January 2001 to May 2011, he became the director of Consultant Associates (H. K.) Limited, a construction claim consultant company. Since May 2011, Mr. Wong started practising as a solicitor of Chan & Associates and since June 2013, he has been working as the principal of the law firm Wong & Lawyers (formerly known as Chan & Associates) and is responsible for overseeing the operation of the firm.

Mr. Wong was admitted, a member of The Hong Kong Institute of Surveyors in March 1986, a member of the Chartered Institute of Building in August 1994, a fellow of the Chartered Institute of Arbitrators in January 1995 and a solicitor of the High Court of Hong Kong in June 2000.

Mr. Wong obtained an Associateship in Building Technology and Management in November 1983 and a Diploma in Management Studies in November 1988 from The Hong Kong Polytechnic (now renamed The Hong Kong Polytechnic University), a Postgraduate Certificate in Hong Kong Law from the City Polytechnic of Hong Kong (now renamed the City University of Hong Kong) in November 1992, a Master of Arts in Arbitration and Dispute Resolution in November 1995 from City University of Hong Kong, a Bachelor of Laws from the University of Wolverhampton in October 1996 and a Postgraduate Certificate in Laws in June 1998 from the University of Hong Kong.

Disclosure of relationships and as required under Rule 17.50(2) of the GEM Listing Rules

Save as disclosed above, each of our Directors has confirmed that (i) he has no interests in the Shares within the meaning of Part XV of the SFO; (ii) he is independent from, and is not related to, any other Directors, members of senior management, Substantial Shareholders or Controlling Shareholders; (iii) he has not held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the Latest Practicable Date; and (iv) there is no other information which is required to be disclosed pursuant to any of the requirements under Rules 17.50(2)(h) to 17.50(2)(v) of the GEM Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders in connection with his appointment as a Director.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SENIOR MANAGEMENT

The following table set forth the information concerning our senior management:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of Appointment of current position</u>	<u>Date of joining our Group</u>	<u>Major roles and responsibilities</u>
Mr. Tsang Tsan Sum (曾燦森)	44	Quantity Surveying Manager	January 2008	October 1996	Contract administration; managing the quantity surveying department
Ms. Choi Yuen Fong (蔡婉芳)	45	Administration and Personnel Manager	March 1997	March 1997	Managing administrative matters
Ms. Chan Lap Yee (陳立儀)	53	Estimating Manager	January 2013	May 1997	Handling tendering matters
Ms. Chan Kwai Fong (陳桂芳)	43	Accounting Manager	March 1998	March 1998	Managing amounting matters
Mr. Lo Ming Fai (羅明輝)	44	Project Manager	January 2012	January 2012	Supervising and managing site works

Mr. Tsang Tsan Sum (曾燦森), aged 44, is currently a quantity surveying manager of the Group. He joined our Group in October 1996 as a site quantity surveyor and was promoted as a quantity surveyor manager in January 2008. Prior to joining our group, Mr. Tsang worked as an assistant site quantity surveyor for Chong & Li Associates from June 1995 to March 1996 and was responsible for (i) site measurement; (ii) contract administration and (iii) payment application. He then worked as a quantity surveyor for South Pacific Engineering Limited from June 1996 to September 1996.

Mr. Tsang was admitted as a member of the Chartered Institute of Building in January 2003, an associate of The Australian Institute of Quantity Surveyors in August 2007 and a member of the Chartered Association of Building Engineers in January 2014.

Mr. Tsang obtained a Higher Diploma in Building from the City University of Hong Kong in December 1996 and a Bachelor of Applied Science in Construction Management and Economics from the Curtin University of Technology in conjunction with the Professional Development Centre in April 2001.

Mr. Tsang does not have any current or past directorships in any listed companies in the three years immediately preceding the Latest Practicable Date.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Choi Yuen Fong (蔡婉芳), aged 45, is currently an administration and personnel manager of the Company. She joined our Group in March 1997. Prior to joining our Group, Ms. Choi worked as a secretary for Newey & Eyre (Hong Kong) Ltd. (now renamed Tamco Electrical & Electronics (H. K.) Ltd.) from April 1992 to March 1997.

Ms. Choi obtained an Advanced Diploma in Administrative Management from The Institute of Administrative Management in February 1997, a Diploma in Accounting from The University of Hong Kong School of Professional and Continuing Education in November 2000 and a Master of Science in Administrative and Information Management from the Napier University in collaboration with The University of Hong Kong School of Professional and Continuing Education in January 2007.

Ms. Choi does not have any current or past directorships in any listed companies in the three years immediately preceding the Latest Practicable Date.

Ms. Chan Lap Yee (陳立儀), aged 53, is currently an estimating manager of the Company. She joined our Group in May 1997 as an estimator and was later promoted as a senior estimator in January 2013. Prior to joining our Group, Ms. Chan worked as a quantity surveyor for Lee Shing Yue Construction Co., Ltd. from March 1985 to August 1986, a quantity surveyor for Hsin Chong Construction Co., Ltd. from September 1986 to January 1990 and an estimator for Sun Fook Kong Construction Limited from January 1990 to May 1997.

Ms. Chan was admitted as a member of the Association of Cost Engineers in August 1993. She obtained a bachelor degree in Civil Engineering from the National Chung Hsing University in June 1984 and a Diploma in Surveying — Quantity Surveying from the College of Estate Management in February 1999.

Ms. Chan does not have any current or past directorships in any listed companies in the three years immediately preceding the Latest Practicable Date.

Ms. Chan Kwai Fong (陳桂芳), aged 43, is currently an accounting manager of the Company. She joined our Group in March 1998. Prior to joining our Group, Ms. Chan worked as an assistant accountant in Ameroll Metal Products Co., Ltd. from April 1991 to August 1993, an accounting clerk in Superior Trading Company from September 1993 to March 1995 and a senior accounts clerk in Freyssinet Hong Kong Ltd. from March 1995 to March 1998, performing accounting duties which include keeping accounts payable records and preparing corresponding payments, keeping accounts receivable records and chasing payments, preparing journals, preparing monthly and ad hoc management reports and schedules and handling full set of books of a subsidiary of Freyssinet Hong Kong Ltd.

Ms. Chan was awarded a LCCI Level 3 Certificate in Accounting in March 1997 and a LCCI Level 3 Certificate in Cost Accounting in February 1998.

Ms. Chan does not have any current or past directorships in any listed companies in the three years immediately preceding the Latest Practicable Date.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lo Ming Fai (羅明輝), aged 44, is currently a project manager of the Company. He joined our Group on 3 January 2012. Prior to joining our Group, Mr. Lo worked as a graduate engineer of Shui On Construction Co. Ltd. from July 1994 to June 1998 and was later promoted as an engineer from July 1998 to April 1999. From April 1999 to May 2001, Mr. Lo worked as an engineer of Shui On Building Contractors Ltd. From May 2001 to March 2003, Mr. Lo worked as an engineer of Pacific Extend Ltd., and was redesignated as a site agent from April 2003 to March 2007 and subsequently became a works manager from April 2007 to November 2011.

Mr. Lo obtained a Bachelor of Science in Building Technology and Management from The Hong Kong Polytechnic (now renamed The Hong Kong Polytechnic University) in November 1994. In addition, Mr. Lo was admitted as a member of the Hong Kong Institute of Construction Managers in February 2014.

Mr. Lo does not have any current or past directorships in any listed companies in the three years immediately preceding the Latest Practicable Date.

COMPANY SECRETARY

Ms. Ngan Chui Wan Judy (顏翠雲), aged 47, was appointed as the company secretary of the Company on 15 June 2015.

Ms. Ngan obtained a bachelor degree in arts awarded by the National Chengchi University in June 1992, a certificate in Business English from the University of Hong Kong School of Professional and Continuing Education in September 1999 and a master degree in Practising Accounting from the Monash University in April 2007. Ms. Ngan is an associate member of Institute of Chartered Secretaries and Administrators and an associate member of Hong Kong Institute of Chartered Secretaries.

Ms. Ngan was the company secretary of (i) United Energy Group Limited (stock code: 467) from March 2007 to April 2008; (ii) Xingye Copper International Group Limited (stock code: 505) from May 2008 to June 2009; (iii) Gemini Investments (Holdings) Limited (stock code: 174) from October 2010 to May 2013; and (iv) Green International Holdings Limited (stock code: 2700) from March 2015 to 1 July 2015. Ms. Ngan has also been appointed as company secretary of Come Sure Group (Holdings) Ltd (stock code: 794) since January 2015.

BOARD COMMITTEES

Audit Committee

The Company has established an Audit Committee on 22 September 2015 with written terms of reference in compliance with Rules 5.28 of the GEM Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee has three members comprising Mr. Wong Kwong On, Mr. Tang Chi Wang and Mr. Tse Ting Kwan, of whom Mr. Tse Ting Kwan has been appointed as the chairman of the Audit Committee.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Remuneration Committee

The Company has established a Remuneration Committee on 22 September 2015 with written terms of reference in compliance with Rules 5.34 of the GEM Listing Rules. The Remuneration Committee comprises Mr. Wong Kwong On, Mr. Tse Ting Kwan and Mr. Lam Kin Wing Eddie. Mr. Wong Kwong On is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and to make recommendation to the Board on the Group's policy and structure for all remuneration of the Directors and senior management.

Nomination Committee

The Company has established a Nomination Committee on 22 September 2015 with written terms of reference in compliance with the Corporate Governance Code in Appendix 15 to the GEM Listing Rules. The Nomination Committee comprises Mr. Tang Chi Wang, Mr. Shut Yu Hang and Mr. Tse Ting Kwan. Mr. Tang Chi Wang has been appointed as the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for reviewing the structure, size, composition and diversity of the Board and make recommendations to the Board on the appointment of our Directors and management of Board succession.

COMPLIANCE OFFICER

Mr. Shut Yu Hang was appointed as the compliance officer (Rule 5.19 of the GEM Listing Rules) of our Company on 30 June 2015. Please refer to the paragraph headed "Executive Directors" of this section for details of the qualification and experience of Mr. Shut Yu Hang.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

During the two financial years ended 31 March 2014 and 31 March 2015, total remuneration (including salaries and bonus, housing allowances, and pension costs) paid by us to our Directors amounted to approximately HK\$2.9 million and HK\$3.2 million respectively.

Total remuneration (including salaries and bonus, and pension costs) paid to the five highest paid individuals of our Group, excluding our Directors, during the two financial year ended 31 March 2014 and 31 March 2015 was approximately HK\$2.5 million and HK\$2.7 million respectively.

Under the arrangements currently in force, the aggregate remuneration and benefits in kind of our Directors payable (excluding any commission or discretionary bonus) in respect of the year ending 31 March 2016 is estimated to be approximately HK\$3.6 million.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

REMUNERATION POLICY

Our remuneration policy takes into account the position, duties and performance of our employees in determining the amount of remuneration to be paid. The remuneration of our employees may include salary, overtime allowance, bonus and various subsidies. We conduct performance appraisal under the supervision of Mr. Lam Kin Wing Eddie, our executive Director, on an annual basis. The overall remuneration structure and policy of our Group is expected to remain the same upon Listing, except that the remuneration committee will perform such duties as stated under the paragraph headed “Remuneration committee” in this section.

SHARE OPTION SCHEME

Our Group has conditionally adopted the Share Option Scheme. The principal terms of the scheme are summarised under the section headed “Appendix IV — D. Share Option Scheme” in this prospectus.

COMPLIANCE ADVISER

We will appoint Anglo Chinese Corporate Finance, Limited as our compliance adviser in accordance with Rule 6A.19 of the GEM Listing Rules to provide us with services including providing guidance and advice in connection with compliance with requirements under the GEM Listing Rules. The term of appointment shall commence on the Listing Date and shall end on the publication date of our financial results for the second full financial year after the Listing in compliance with Rule 18.03 of the GEM Listing Rules. Our Company will pay to Anglo Chinese Corporate Finance, Limited an agreed fee for its provision of services with the scope required under the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, we will consult with and, if necessary, seek advice from the compliance adviser in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues or share repurchase;
- (iii) where we propose to use the net proceeds from the Placing in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry to our Company concerning unusual movements in the price and trading volume of our shares and/or any other matters.

CORPORATE GOVERNANCE

Our Company will comply with the Corporate Governance Code in Appendix 15 to the GEM Listing Rules.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report, which will be included in our annual reports subsequent to the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following the completion of the Capitalisation Issue and the Placing (assuming that the Offer Size Adjustment Option is not exercised and without taking into account Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), Mr. Lam and Cheers Mate will control more than 30% of the issued share capital of our Company. For the purpose of the GEM Listing Rules, Mr. Lam and Cheers Mate are our Controlling Shareholders. Cheers Mate is an investment holding company owned as to 100% by Mr. Lam, and as at the Latest Practicable Date, it had not commenced any substantial business activities. For details of the shareholding of the Controlling Shareholders in each of the Group companies, please refer to the section “History and development”.

INDEPENDENCE OF OUR GROUP

Having considered the following factors, our Directors believe that our Group is capable of carrying on our Group’s business independently from our Controlling Shareholders and their close associates after the Listing.

Management and administrative independence

The Board comprises two executive Directors, namely Mr. Lam and Mr. Shut Yu Hang, and three independent non-executive Directors namely Mr. Tang Chi Wang, Mr. Wong Kwong On and Mr. Tse Ting Kwan. Mr. Lam is the sole director of Cheers Mate which is the Controlling Shareholder and the investment vehicle of Mr. Lam in holding the Shares. Save as disclosed above, none of our Directors or senior management serves any executive or management role in our Controlling Shareholder or any of its respective associates.

Each of our Directors is aware of his fiduciary duties as a Director which requires, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meetings of the Board in respect of such transactions and shall not be counted in the quorum. In addition, the senior management team of our Group is independent from our Controlling Shareholders. The three independent non-executive Director will also bring independent judgment to the decision-making process of the Board.

Most members of the senior management of our Group have, for all or substantially all of the Track Record Period, undertaken senior management supervisory responsibilities in the business of our Group. The responsibilities of the senior management team of our Group include dealing with operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategy of our Group. This ensures the independence of the daily management and operations of our Group. Further details of our senior management are set out in the section “Directors, Senior Management and Employees” in this prospectus.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Financial independence

Our Company has an independent financial system and makes financial decisions according to our Group's own business needs. We have sufficient capital to operate our business independently, and have adequate internal resources and credit profile to support our daily operations. During the Track Record Period and as at the Latest Practicable Date, we had unutilised bank facilities secured by personal guarantee of HK\$1.5 million provided by Mr. Lam. Such guarantee provided by our Mr. Lam will be released on or before the Listing and replaced by a corporate guarantee provided by our Company. Please refer to the section "Financial information — Indebtedness" in this prospectus for further details. Our Directors are of the view that our Group is capable of obtaining financing from independent third parties, if necessary, without reliance on our Controlling Shareholders, and accordingly is able to operate financially independently from our Controlling Shareholders after the Listing.

Operational independence

The registered general building contractor license of Techoy Construction is material to our business operations in Hong Kong and for the purpose maintaining such license, there must be a technical director at Techoy Construction who is also a director of Techoy Construction. Mr. Lam has been the only technical director in respect of the registered general building contractor license of Techoy Construction during the Track Record Period and up to the Latest Practicable Date. In the event that Mr. Lam ceases to act as a technical director for Techoy Construction and no acceptable replacement could be appointed by our Group within a reasonable period of time, our Group must suspend all our building works immediately. The Buildings Department does not provide any definition on "reasonable period of time". To the best knowledge and belief of our Directors, a period of around three to six months is generally allowed by the Buildings Department for appointing acceptance replacement.

In order to operate independently from Mr. Lam, our Group has submitted an application to the Buildings Department for the addition of Mr. Shut Yu Hang, another executive Director, as a new technical director of our Group in addition to Mr. Lam. It is expected that the approval process will take approximately three to four months. Our Directors believe that Mr. Shut Yu Hang can fulfill the requirements as stipulated in the Buildings Ordinance and our Group is not made aware of any impediment for Mr. Shut Yu Hang's application. Therefore, our Directors are of the view that our Group is able to operate independently from the Controlling Shareholders after the Listing.

In addition, our Group has established our own organisational structure made of individual departments, each with specific areas of responsibilities. Our Group did not share our operational resources, such as contractors, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their close associates during the Track Record Period. Our Group has also established a set of internal controls to facilitate the effective operation of our business. Our Group's customers and suppliers are all independent from our Controlling Shareholders, save for providing management services to Popstate on cost basis, details of which has been disclosed in the section headed "Connected Transactions" of this prospectus. Our Group

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

does not rely on our Controlling Shareholders or their respective close associates and has our independent access to customers and suppliers. Our Directors are of the view that our Group is able to operate independently from the Controlling Shareholders after the Listing.

Independence of major sub-contractors and/or suppliers

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective associates have any relationship with the major sub-contractors and/or suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

Independence of major customers

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective associates have any relationship with the top five customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

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

RULE 11.04 OF THE GEM LISTING RULES

Each of our Controlling Shareholders, our Directors, our Substantial Shareholders and their respective close associates do not have any interest in a business apart from our Group's business which competes and is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 11.04 of the GEM Listing Rules.

NON-COMPETITION UNDERTAKINGS

Mr. Lam and Cheers Mate (each the “**Covenantor**” and collectively the “**Covenantors**”) entered into a deed of non-competition dated 22 September 2015 in favour of our Company and our subsidiaries (the “**Deed of Non-competition**”). Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and for the benefit of our subsidiaries) that, save and except as disclosed in this document, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of our Group) not to carry on or be engaged, concerned or interested, or otherwise be involved, directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of our Group and any business of our Group may engage in from time to time within Hong Kong and such other parts of the world where any member of our Group may operate from time to time, save for the holding of not more than 5% shareholding interests (individually or with his/its close associates) in any company listed on a recognised stock exchange and at any time the relevant

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

listed company shall have at least one shareholder (individually or with his/its close associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor (individually or with his/its close associates).

Each of the Covenantors further undertakes that if he/it or his/its close associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/it shall procure that his/its close associates to promptly notify our Group in writing and our Group shall have a right of first refusal to take up such opportunity. Our Group shall, within 30 days after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) whether our Group will exercise the right of first refusal.

Our Group shall only exercise the right of first refusal upon the approval of all independent non-executive Directors who do not have any interest in such opportunity. The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Our Company will adopt the following procedures to monitor that the Deed of Non-competition is being observed:

- (a) our independent non-executive Directors shall review on an annual basis the above undertakings from the Covenantors and to evaluate the effective implementation of the Deed of Non-competition;
- (b) each of the Covenantors undertakes to provide any information as is reasonably required by our Group or our independent non-executive Directors, as a basis to decide whether to exercise the right of first refusal by our Company from time to time; and
- (c) each of the Covenantors undertakes to provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition, and to provide an annual confirmation on the compliance of the non-competition undertaking for inclusion in the annual report of our Company.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Division granting approval for the Listing of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreement having been fulfilled (or where applicable, waived) and the Underwriting Agreement not having been terminated in accordance with its terms. If any such condition is not fulfilled on or before the date specified in the Underwriting Agreement (unless such conditions are waived on or before such date) or in any

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

event on or before the date falling 30 days after the date of this document, the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate on the date on which (i) in relation to any Covenantors, when he/it together with his/its close associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company provided that the Deed of Non-competition shall continue to be in full force and effect as against the other Covenantors; or (ii) our Shares cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

As our Controlling Shareholders have given non-competition undertakings in favour of our Company, and other than members of our Group, none of them have interests in other businesses that compete or are likely to compete with the business of our Group, our Directors are of the view that we are capable of carrying on our business independently of our Controlling Shareholders following the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of the Shareholders:

- (a) the Articles provide that a Director shall disclose the nature of his interest in any contract or transaction in which he is interested at or prior to its consideration and any vote thereon;
- (b) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- (c) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (d) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of our Controlling Shareholders in the annual reports of our Company;
- (e) our Controlling Shareholders will make an annual declaration on compliance with the Deed of Non-competition in the annual report of our Company;
- (f) our independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his/its close associates to involve or participate in any business in competition with or likely to be in competition with the existing business activity of any member of our Group within Hong Kong and such other parts of the world where any member of our Group may operate from time to time and if so, any condition to be imposed; and
- (g) our independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the Deed of Non-competition or connected transaction(s) at the cost of our Company.

Further, any transaction that is proposed between our Group and/or our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

With the corporate governance measures including the measures set out above in this paragraph, our Directors believe that the interest of our Shareholders will be protected.

CONNECTED TRANSACTIONS

During the Track Record Period, our Group entered into a number of related party transactions, details of which are set out in Note 27 to the Accountants' Report of our Company set out in Appendix I. Save as described below, these related party transactions were discontinued before the Latest Practicable Date.

Following the Listing, the following transactions will continue between our Group and Popstate and will constitute continuing connected transactions under the GEM Listing Rules. Popstate is a company incorporated in Hong Kong with limited liability and is principally engaged in property holding and investment and is owned as to 100% by Mr. Lam (our executive Director and one of our Controlling Shareholders). As such, Popstate is a connected person pursuant to the GEM Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Tenancy Agreement

During the Track Record Period, Techoy Construction (as tenant) leased the following properties from Popstate (as landlord):

<u>Address</u>	<u>Gross floor area</u>	<u>Use of property</u>
Unit A to F, 2/F., Centre 600, No. 82 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong.	453.18 sq.m.	For office use
Car park L4, P4 and P5	N/A	For car parking

On 13 March 2015, Techoy Construction (as tenant) and Popstate (as landlord) entered into a tenancy agreement, pursuant to which we agreed to rent the aforesaid properties for a term of two years commencing on 13 March 2015 at an aggregate monthly rent of HK\$108,500 (exclusive of utility charges, building management fee and tax), which was agreed after arm's length negotiations between the parties with regard to the prevailing market rates. The monthly rent is payable in advance on the first day of each and every successive calendar month. The total annual rent payable by us under the tenancy agreement shall be HK\$1,302,000 per annum.

For the years ended 31 March 2014 and 2015, the aggregate amount of rents paid by us to Popstate for the lease of the aforesaid properties amounted to approximately HK\$600,000 and approximately HK\$1,302,000, respectively.

Upon Listing, the Tenancy Agreement will constitute a continuing connected transaction of our Company under the GEM Listing Rules. The tenancy agreement was entered into on normal commercial terms where each of the relevant percentage ratios (other than the profits ratio) calculated for the purpose of Chapter 20 of the GEM Listing Rules is less than 5% while the total annual rent payable by us under the Tenancy Agreements is less than HK\$3.0 million. As such,

CONNECTED TRANSACTIONS

pursuant to Rule 20.74(1)(c) of the GEM Listing Rules, the tenancy agreement is fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Services Agreement

On 31 March 2011, Techoy Construction entered into a services agreement with Popstate, pursuant to which Techoy Construction agreed to provide management services to Popstate with effect from 1 April 2011. Such management services including department charges such as administration, personnel, accounting services, and provision of stationery, courier, electricity and water in the office (but excluding direct expenses incurred by Popstate). The monthly charge payable by Popstate to Techoy Construction is HK\$10,000.

For the years ended 31 March 2014 and 2015, the aggregate amount of management fees received by Techoy Construction from Popstate amounted to approximately HK\$120,000 and HK\$120,000, respectively.

Upon Listing, the services agreement will constitute a continuing connected transaction of our Group under the GEM Listing Rules. Since the costs of Techoy Construction for providing the management services to Popstate are identifiable and are allocated to Popstate on a fair and equitable basis, the transactions contemplated under the services agreement fall within the ambit of Rule 20.96 of the GEM Listing Rules and accordingly are fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Placing (without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<u>Name of Shareholder(s)</u>	<u>Capacity/ Nature of interest</u>	<u>Number of Shares held^(L) (Note 1)</u>	<u>Approximate percentage of shareholding</u>
Cheers Mate	Beneficial owner	600,000,000 ^L	75%
Mr. Lam ^(Note 2)	Interest of a controlled corporation	600,000,000 ^L	75%
Ms. Cheng, Pui Wah Theresa ^(Note 2)	Interest of spouse	600,000,000 ^L	75%

Notes:

1. The letter “L” denotes the person’s long position in the Shares.
2. Cheers Mate is wholly-owned by Mr. Lam. Accordingly, Mr. Lam is deemed to be interested in the Shares held by Cheers Mate, Ms. Cheng, Pui Wah Theresa, as the spouse of Mr. Lam, is deemed to be interested in the same number of Shares in which Mr. Lam is deemed to be interested under the SFO.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Placing (without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

SUBSTANTIAL SHAREHOLDERS

UNDERTAKINGS

Each of the Controlling Shareholders has given certain undertakings in respect of the Shares held by them to our Company, the Sole Sponsor, the Joint Global Coordinators (for themselves and on behalf of the Joint Underwriters) and the Stock Exchange. Our Controlling Shareholders have also given undertakings to our Company and the Stock Exchange as required by Rule 13.19 of the GEM Listing Rules and are bound by the non-disposal restrictions as imposed by Rule 13.16A of the GEM Listing Rules. Further details of such undertakings are set out under the paragraph headed “Underwriting — Undertakings to the Stock Exchange” in this prospectus.

SHARE CAPITAL

SHARE CAPITAL OF OUR COMPANY

The authorised share capital of our Company is as follows:

	HK\$
<i>Authorised share capital</i>	
2,000,000,000 Shares of par value HK\$0.01 each	20,000,000

Without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the share capital immediately following the Capitalisation Issue and the Placing will be as follows:

	HK\$
100 Shares in issue immediately prior to the Placing	1
170,000,000 Shares to be issued under the Placing	1,700,000
<u>629,999,900</u> Shares to be issued under the Capitalisation Issue	<u>6,299,999</u>
<u>800,000,000</u> Total	<u>8,000,000</u>

RANKING

The Placing Shares will rank *pari passu* in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalisation Issue.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of our issued share capital in the hands of the public (as defined in the GEM Listing Rules).

SHAREHOLDERS' GENERAL MEETING

Please refer to Appendix III in this prospectus in respect of circumstances under which general meeting is required.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed “Structure and conditions of the Placing — Conditions of the Placing” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Placing; and
- (b) the aggregate nominal value of the share capital of our Company repurchased by our Company, if any under the general mandate to repurchase Shares referred to in the paragraph headed “General mandate to repurchase Shares” below.

The allotment and issue of Shares under a rights issue, script dividend scheme or similar arrangement in accordance with the Articles do not generally require the approval of the Shareholders in general meeting and the aggregate nominal value of the Shares which our Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of such Shares.

This general mandate will expire at the earliest of:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company is required by applicable laws or the Articles to hold its next annual general meeting; and
- (c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “A. Further Information about our Company and our subsidiary — 3. Written resolutions of our then sole Shareholder passed on 22 September 2015” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed “Structure and conditions of the Placing — Conditions of the Placing” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue following completion of the Capitalisation Issue and the Placing.

SHARE CAPITAL

This mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), which are made in accordance with all applicable laws and requirements of the GEM Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the section headed “A. Further information about our Company and our subsidiary — 6. Repurchase by our Company of its own securities” in the “Statutory and General Information” section in Appendix IV in this prospectus.

This general mandate will expire at the earliest of:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company is required by applicable laws or the Articles to hold its next annual general meeting; and
- (c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “A. Further Information about our Company and our subsidiary — 3. Written resolutions of our then sole Shareholder passed on 22 September 2015” in the “Statutory and General Information” section in Appendix IV to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the section headed “D. Share Option Scheme” in Appendix IV to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles of the Company. For details, please refer to the section headed “Summary of the Constitution of the Company and the Companies Law” as set out in Appendix III in this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our combined financial statements, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus. Our Company's combined financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"). You should read the entire Accountants' Report and not merely rely on the information contained in this section.

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

OVERVIEW

We are principally engaged as a main contractor in Hong Kong in the provision of (i) building construction services; and (ii) RMAA works services. As a main contractor, we are responsible for the overall management, implementation and supervision of our projects. On award of contracts from our customers, we generally sub-contract the works to our sub-contractors by trade on a back-to-back basis of the main contract. We primarily focus on project management, devising detailed work programmes, procurement of major construction materials, site operation, co-ordination with the customers or their consultants and the quality control of the works carried by the sub-contractors.

As a main contractor, we normally secure our projects through a tendering process. We usually identify Government projects through reviewing the tender invitations from various Government departments published on the Gazette. As for projects from non-Government customers, we are generally invited by the customers by way of invitation letters to submit a tender for a potential project.

Our Group holds various construction related license and qualifications granted by the respective Government departments that enable us to bid for and carry out Government contracts. Our Group is listed on the Contractor List and the Specialist List maintained by the WBDB. The Contractor List and the Specialist List are lists of contractors approved by the WBDB who are eligible to tender for Government contracts. Our Group achieved listing as a Group C (confirmed) contractor for "Buildings" category in the Contractor List since June 2009. Group C (confirmed) contractors are the highest ranking contractors in the Contractor List in terms of tender limit, and are eligible to tender for public works contracts of any values exceeding HK\$185.0 million.

FINANCIAL INFORMATION

In addition, our Group is one of the contractors registered under the “Repair and Restoration of Historic Buildings” category of the Specialist List and is allowed to carry out works in relation to repair and restoration of Western-style historic buildings in Hong Kong. During the Track Record Period, we acted as the main contractor and completed various revitalisation projects, including the PMQ Project. For further details of the major licenses and qualifications held by our Group as at the Latest Practicable Date, please refer to the paragraph headed “Business — Legal Compliance — License and Qualifications” in this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

The major factors affecting our business, financial condition and results of operations are set out below.

(i) Government’s level of spending on construction projects in Hong Kong

During the Track Record Period, we derived the majority of our revenue from construction projects in the public sector. For the years ended 31 March 2014 and 2015, revenue derived from the Government and quasi-Government organisations accounted for approximately 90.8% and 74.0% of our total revenue. Public construction projects are non-recurring in nature and thus the level of the Government’s spending budget may change from year to year. Accordingly, any substantially reduction or delay in the level of spending on public construction works by the Government may adversely affect our business, financial condition and results of operation.

(ii) Pricing of our projects

Our ability to compete for and continually secure sizeable and profitable construction contracts is one of the major factors affecting our growth and future profitability. All of our revenue during the Track Record Period is derived from our projects obtained by means of tender. Our Group adopts an estimated project costs plus profit margin pricing policy in determining our tender price. Given the keen competition of the construction industry, we have to ensure that we have set a competitive tender price for our project while maintaining adequate profit margin. During the years ended 31 March 2014 and 2015, the gross profit margins of our business amounted to approximately 14.1% and 14.5% respectively. Our failure to strike a balance between pricing our projects competitively and maintaining an adequate profit margin or price our tenders accurately will affect our financial performance and results of operations.

Our customer may issue instructions ordering variation to the design, quality or quantity of the works in the course of our performance of the relevant contracts. Where the work for variation is not similar in character to work prescribed in the contract, we estimate the costs of each variation order and may negotiate with our customers for charge of additional costs incurred. As such, disagreements with our customers may arise in respect of the fees, costs and scope of the variation works. Where our customers and our Group fail to reach an

FINANCIAL INFORMATION

agreement on the price at which the variation works are performed, our customers are entitled to fix the price which, is in their opinion, reasonable. Contractual disputes with our customers may arise if we do not agree with such price, and in such event our results of operations and financial position may be adversely affected.

The following sensitivity analysis illustrates the impact of hypothetical changes of revenue on our profit before taxation for the years ended 31 March 2014 and 2015, with reference to the historical fluctuation of our revenue from 2014 to 2015:

	Impact on profit before taxation	
	For the year ended 31 March	
	2014	2015
	HK\$'000	HK\$'000
Revenue fees change by:		
+20%	34,444	41,406
+10%	17,222	20,703
+5%	8,611	10,351
-5%	(8,611)	(10,351)
-10%	(17,222)	(20,703)
-20%	(34,444)	(41,406)

(iii) Fluctuations in our sub-contracting fees

Our major direct costs include (i) sub-contracting fees; (ii) materials costs; (iii) labour costs; and (iv) site overhead. During the years ended 31 March 2014 and 2015, sub-contracting fees constitute the largest component of our direct costs, amounting to approximately 67.1% and 70.0% of our total direct costs. Our Group adopts a cost-plus pricing model for setting our tender price. For the purpose of preparing the tender price, we may obtain preliminary quotations from our sub-contractors in order to have a more accurate estimation for the project cost to be involved. However, the actual sub-contracting fees will not be determined until after we have entered into agreements with our sub-contractors, which generally take place subsequent to our Group having entered into the construction agreement with our customer. Our profitability therefore relies heavily on our ability to control and manage our sub-contracting fees. Any fluctuations in the sub-contracting fees after tendering and our ability to include an appropriate cost estimate in the tender will have an impact on our profitability. Please refer to the section headed “Financial Information — Results of Operations — Direct Costs” in this prospectus for the sensitivity analysis on our sub-contracting fees.

(iv) Timing of collection of our trade receivables and retention receivables

We receive progress payment from our customers pursuant to the respective contractual terms. Our Group normally submits payment applications to our customers on a monthly basis. If the customer is satisfied with the payment application, a payment certificate will be issued to us and payment will subsequently be made. There can be no assurance that we will be paid on time.

FINANCIAL INFORMATION

As at 31 March 2015, our trade receivables amounted to approximately HK\$20.7 million and our retention receivables amounted to approximately HK\$8.8 million. Any failure by our customers to make payment to our Group on a timely basis may have an adverse effect on our liquidity and financial position.

BASIS OF PRESENTATION

Our Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 28 May 2015. Before the completion of the Reorganisation, Techoy Construction is wholly owned by Mr. Lam. In preparation of the Listing, the companies comprising our Group underwent the Reorganisation, further details of which are explained in the section headed “History and Development — Reorganisation” to this prospectus.

Pursuant to the completion of Reorganisation, on 22 September 2015, our Company has become the holding company of the companies now comprising our Group. Our Group comprising our Company and our Subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the combined financial statements has been prepared as if our Company had always been the holding company of our Group.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period and the statements of financial position as at 31 March 2014 and 2015 as set out in Section A of the Accountants’ Report in Appendix I to this prospectus are prepared as if the current group structure had been in existence throughout the Track Record Period.

When necessary, adjustments are made to the financial statements of our Subsidiaries to bring their accounting policies into line with our Group’s accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of our Group are eliminated in full on combination.

CRITICAL ACCOUNTING POLICIES

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable.

Revenue from construction contracts is based on the stage of completion at the end of the reporting period. The percentage of completion is determined using methods that measure reliably the work performed. The methods used include reference to surveys of work performed or the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective

FINANCIAL INFORMATION

interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment loss on tangible assets

At the end of the reporting period, our Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, our Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

FINANCIAL INFORMATION

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, measured based on the proportion that revenue recognised with reference to surveys of work performed to date relative to the estimated total contract revenue or the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts billed for work performed but not yet paid by the customer are included in the combined statements of financial position under trade receivables.

Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Our Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

FINANCIAL INFORMATION

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, amounts due from a related company and a director, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on trade receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

FINANCIAL INFORMATION

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Financial liabilities

Our Group's financial liabilities including trade and bills payables, other payables and accrued charges and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Our Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

FINANCIAL INFORMATION

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Our Group derecognises financial liabilities when, and only when, our Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of our Group's accounting policies, which are described in Note 3 in the Accountants' Report of our Company set out in Appendix I to this prospectus, our management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Construction contract

Our 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 our management on the basis of quotations from time to time provided by our major contractors, suppliers or vendors involved and the experience of our management. In order to keep the budget accurate and up-to-date, our 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.

Recognised amounts of construction contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following table sets out our Group's consolidated statements of profit or loss and other comprehensive income for the years end 31 March 2014 and 2015. This information is derived and should be read in conjunction with the consolidated financial information contained in the Accountant's Report in Appendix I to this prospectus.

	For the year ended 31 March	
	2014	2015
	HK\$'000	HK\$'000
Revenue	172,221	207,031
Direct costs	(147,970)	(176,953)
Gross profit	24,251	30,078
Other income	120	212
Other gains and losses	(108)	165
Administrative expenses	(8,949)	(8,940)
Finance costs	(465)	(203)
Profit before taxation	14,849	21,312
Income tax expense	(2,503)	(3,516)
Profit and total comprehensive income for the year attributable to the owners of the Company	<u>12,346</u>	<u>17,796</u>

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, our Group's revenue was principally generated from the provision of building construction services and RMAA works services in Hong Kong. The following table sets forth a breakdown of our revenue and the percentage contribution to our total revenue by business segment and by source of projects for the periods indicated:

	Revenue for the year ended 31 March			
	2014		2015	
	HK\$'000	%	HK\$'000	%
Building construction ^(Note 1)	143,540	83.3	134,281	64.9
RMAA works ^(Note 1)	<u>28,681</u>	<u>16.7</u>	<u>72,750</u>	<u>35.1</u>
Total	<u><u>172,221</u></u>	<u><u>100.0</u></u>	<u><u>207,031</u></u>	<u><u>100.0</u></u>

Note:

- For each of the year ended 31 March 2014 and 2015, revenue was recorded from both building construction and RMAA parts of our PMQ Project. The relevant amount from each segment of works under the PMQ Project during the particular financial year was calculated separately in accordance with the classification in the table above.

	Revenue for the years ended 31 March			
	2014		2015	
	HK\$'000	%	HK\$'000	%
Government departments and quasi-Government organisations ^(Note 1)	161,185	93.6	154,052	74.4
Private customers (including but not limited to universities, schools, incorporated owners of private buildings and other private customers)	<u>11,036</u>	<u>6.4</u>	<u>52,979</u>	<u>25.6</u>
Total	<u><u>172,221</u></u>	<u><u>100.0</u></u>	<u><u>207,031</u></u>	<u><u>100.0</u></u>

Note:

- Quasi-Government organisations shall include a statutory body in Hong Kong with focus on housing development, a statutory body in Hong Kong with focus on managing all the public hospitals and institutes and a statutory body in Hong Kong with focus on promoting safety and health at work and sustaining the workforce.

We recognise revenue from our construction contracts based on the stage of completion of the contracts. The stage of completion is established by reference to construction works certified. The following table sets forth a breakdown of our revenue by building construction contracts and RMAA works contracts during the Track Record Period.

FINANCIAL INFORMATION

	For the year ended 31 March			
	2014		2015	
	HK\$'000	%	HK\$'000	%
Project Site				
Building construction				
PMQ Project	143,540	83.3	28,402	13.7
A hospital located at Argyle Street, Kowloon ("Argyle Street Project")	—	—	105,879	51.1
RMAA works				
An international secondary school at Nam Long Shan Road, Aberdeen ("Nam Long Shan Road Project")	—	—	29,766	14.4
PMQ Project	50	0.1	14,941	7.2
A primary school at Kwong Lee Road, Sham Shui Po ("Kwong Lee Road Project")	—	—	10,378	5.0
A monument for the university located at Pok Fu Lam, Hong Kong ("Pok Fu Lam Project I")	1,949	1.1	9,269	4.5
A public housing estate at Tin Sau Road, Tin Shui Wai ("Tin Sau Road Project")	5,332	3.1	2,637	1.3
A building of the Faculty of Business and Economics of the university located at Pok Fu Lam, Hong Kong ("Pok Fu Lam Project II")	4,590	2.7	1,611	0.8
Choi Hung Estate, Shun Tin Estate, Ping Shek Estate and Kai Tin Estate in Kowloon East region ("Kowloon East Region Project")	4,374	2.5	312	0.2
Two buildings of a public housing estate at Healthy Street East, North Point ("Healthy Street East Project")	3,468	2.0	970	0.5
A technology hub and learning centre in the library of the university located at Pok Fu Lam, Hong Kong ("Pok Fu Lam Project III")	2,386	1.4	—	—
A 24-classroom primary school in So Kwun Wat, Tuen Mun ("So Kwun Wat Project")	1,560	0.9	—	—
A 6-storey primary school to training centre located at Chung Mei Road, Tsing Yi ("Chung Mei Road Project")	1,294	0.8	319	0.1
Other ^(Note)	<u>3,678</u>	<u>2.1</u>	<u>2,547</u>	<u>1.2</u>
	<u>172,221</u>	<u>100.0</u>	<u>207,031</u>	<u>100.0</u>

Note: Others mainly represent those RMAA projects contributing revenue of HK\$1.0 million or less to our Group for each of the financial years.

FINANCIAL INFORMATION

Our Group generally adopts a cost-plus pricing model in setting our tender price for our construction contracts. Our pricing policy takes into account various factors including: (i) the nature, scope and complexity of the project; (ii) estimated direct labour costs; (iii) estimated sub-contracting charges; (iv) estimated type and number of machinery required; (v) estimated type and amount of materials needed; (vi) expected project timetable provided by customer; (vii) prevailing market condition; and (viii) relationship with and background of our customer.

Changes in our project mix

Our Group had a total of 10 and 11 major projects with contract value larger than HK\$1.0 million contributing to our revenue during the years ended 31 March 2014 and 2015, respectively. While the total number of projects remained relatively stable during the Track Record Period, our overall revenue recorded an increase by approximately HK\$34.8 million or 20.2% from year ended 31 March 2014 to year ended 31 March 2015. The increase was primarily attributable to our expansion into RMAA segment during the same period to capture the growth in RMAA industry in Hong Kong and to broaden our customer base.

According to the Ipsos Report, the revenue of RMAA contracting services experienced a positive growth from around HK\$31.0 billion in 2010 to around HK\$51.4 billion in 2014 at a CAGR of around 13.5%. The main reasons for the upward trend include (i) the Government has implemented various policies to stimulate urban renewal plans with aim to support owners to improve building safety; and (ii) increasing number of commercial building owners adopting RMAA works to enhance appearance and durability of office and retail spaces for potential tenants and customers. To capture such growth, our Directors decided to broaden our revenue basis and expand further into RMAA segment in 2013.

The amount of revenue contributed by our building construction segment remained at a similar level during the two years ended 31 March 2014 and 2015, while the revenue contributed by our RMAA segment significantly increased by approximately HK\$44.1 million or 153.7% during the year ended 31 March 2015. We recorded lower revenue of approximately HK\$28.7 million from the RMAA segment in the year ended 31 March 2014 since (i) we adopted a competitive pricing approach in setting a tender price at cost such that we can expand and strengthen our market share and reputation in the RMAA services industry in Hong Kong; and (ii) we tendered for smaller and less complex RMAA projects with smaller contract sum to solidify our capability and experience in the RMAA industry.

Leveraging the award of our qualification in the “Repair and Restoration of Historic Buildings” category under the Specialist List in 2013, our proven capability in providing quality RMAA services and the continued increasing demand in RMAA services, we adjusted our pricing and tendering approach in the year ended 31 March 2015 by tendering for RMAA contracts of larger contract sum and setting a tender price that allow us to attain a higher gross profit margin comparing to that in the year ended 31 March 2014. As a result, the revenue contribution from the RMAA segment increased to approximately HK\$72.8 million in the year ended 31 March 2015. The average revenue recognised per major RMAA contract increased from approximately HK\$2.8 million for the year ended 31 March 2014 to approximately HK\$7.8 million for the year ended 31 March 2015 respectively.

FINANCIAL INFORMATION

Going forward, our Group shall continue to keep track of the tenders in both business segments. In deciding whether or not to bid for a specific tender, our Group would take into consideration several principal factors including, but not limited to, the profitability of the project, complexity and technicality involved, our capacity during the contract period and availability of suitable sub-contractors and workers. For further details of our business strategies, please refer to the section headed “Business — Business Strategies” to this prospectus.

Direct costs

Our direct costs primarily represent costs directly associated with the provision of our building construction and RMAA works services. The table below sets forth a breakdown of our direct costs by nature and percentage contribution to total direct costs for the periods indicated:

	For the year ended 31 March			
	2014		2015	
	HK\$'000	% to direct costs	HK\$'000	% to direct costs
Sub-contracting fees	99,257	67.1	123,835	70.0
Material costs	2,671	1.8	12,501	7.1
Direct staff costs	13,466	9.1	17,242	9.7
Site overhead	<u>32,576</u>	<u>22.0</u>	<u>23,375</u>	<u>13.2</u>
Total	<u>147,970</u>	<u>100.0</u>	<u>176,953</u>	<u>100.0</u>

Being the largest component of our direct costs during the Track Record Period, sub-contracting fee represents services fees we paid to our sub-contractors for various services. Material costs primarily include costs of procuring materials such as stainless steel and concrete for construction projects. Direct staff costs primarily include the salaries, wages and other benefits provided for our workers such as site agents, safety officers and foreman who are directly involved in the construction projects. Site overhead primarily include, but not limited to, (i) insurance expenses for contractors' all risks insurance and employees' compensation insurance; (ii) costs of miscellaneous site expenditure such as hiring of plant and machinery and establishment of temporary site officers; and (iii) others such as parts and consumables, electricity and water, parts and consumables, transportation and dumping charges.

We recorded an increase in our direct costs by approximately 19.6% from approximately HK\$148.0 million for the year ended 31 March 2014 to approximately HK\$177.0 million for the year ended 31 March 2015, which was in line with the increase in our revenue by approximately 20.2% during the same period. During the Track Record Period, sub-contracting fees constitute the largest component of our direct costs, amounting to approximately 67.1% and 70.0% of our total direct costs.

FINANCIAL INFORMATION

The table below sets forth a breakdown of our direct costs and the percentage contribution to our total direct costs for the period indicated by business segment and by source of projects.

	For the year ended 31 March			
	2014		2015	
	HK\$'000	% to direct costs	HK\$'000	% to direct costs
Building construction	119,369	80.7	118,084	66.7
RMAA works	28,601	19.3	58,869	33.3
Total	<u>147,970</u>	<u>100.0</u>	<u>176,953</u>	<u>100.0</u>

	For the years ended 31 March			
	2014		2015	
	HK\$'000	%	HK\$'000	%
Government departments and quasi-Government organisations	135,966	91.9	129,513	73.2
Private customers (including but not limited to universities, schools, incorporated owners of private buildings and other private customers)	12,004	8.1	47,440	26.8
Total	<u>147,970</u>	<u>100.0</u>	<u>176,953</u>	<u>100.0</u>

The following sensitivity analysis illustrates the impact of hypothetical changes of sub-contracting fees, material costs, direct staff costs and site overhead on profit before taxation for the years ended 31 March 2014 and 2015, with reference to the historical fluctuation of our direct costs from 2014 to 2015:

	Impact on profit before taxation	
	For the year ended 31 March	
	2014	2015
	HK\$'000	HK\$'000
Sub-contracting fees change by:		
+20%	(19,851)	(24,767)
+10%	(9,926)	(12,384)
+5%	(4,963)	(6,192)
-5%	4,963	6,192
-10%	9,926	12,384
-20%	19,851	24,767

FINANCIAL INFORMATION

	Impact on profit before taxation	
	For the year ended 31 March	
	2014	2015
	HK\$'000	HK\$'000
Material costs change by:		
+20%	(534)	(2,500)
+10%	(267)	(1,250)
+5%	(134)	(625)
-5%	134	625
-10%	267	1,250
-20%	534	2,500

	Impact on profit before taxation	
	For the year ended 31 March	
	2014	2015
	HK\$'000	HK\$'000
Direct staff costs change by:		
+20%	(2,693)	(3,448)
+10%	(1,347)	(1,724)
+5%	(673)	(862)
-5%	673	862
-10%	1,347	1,724
-20%	2,693	3,448

	Impact on profit before taxation	
	For the year ended 31 March	
	2014	2015
	HK\$'000	HK\$'000
Site overhead change by:		
+20%	(6,515)	(4,675)
+10%	(3,258)	(2,338)
+5%	(1,629)	(1,169)
-5%	1,629	1,169
-10%	3,258	2,338
-20%	6,515	4,765

FINANCIAL INFORMATION

Gross Profit

The following table sets forth our gross profits and gross profit margins by business segment and by source of projects for the periods indicated.

	For the year ended 31 March			
	2014		2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%
Building construction	24,171	16.8	16,197	12.1
RMAA works	80	0.3	13,881	19.1
Total	24,251	14.1	30,078	14.5

	For the year ended 31 March			
	2014		2015	
	Gross profit (loss)	Gross profit (loss) margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%
Government departments and quasi-Government organisations	25,219	15.6	24,539	15.9
Private customers (including but not limited to universities, schools, incorporated owners of private buildings and other private customers)	(968)	(8.8)	5,539	10.5
Total	24,251	14.1	30,078	14.5

During the years ended 31 March 2014 and 2015, our gross profit was approximately HK\$24.3 million and HK\$30.1 million and our gross profit margins were 14.1% and 14.5% for the years ended 31 March 2014 and 2015 respectively. Our gross profit margin is mainly driven by our tender price of the projects which stemmed from various factors, including but not limited to (i) the nature, scope and complexity of the project; (ii) estimated direct labour costs; (iii) estimated sub-contracting charges; (iv) estimated type and number of machinery required; (v) estimated type and amount of materials needed; (vi) expected project timetable provided by our customer; (vii) prevailing market condition; and (viii) relationship with and background of our customer. Accordingly, for all of our projects, be they building construction or RMAA, Government or non-Government, our Directors are of the view that no clear benchmark of profit margin based on our two business segments could be established. It is our Directors' objective to maximise gross profit margin for each project. Our overall gross profit margin remained stable during the years ended 31 March 2014 and 2015 primarily because the decrease in gross profit of our building construction business was offset by the increase in the gross profit of our RMAA business.

FINANCIAL INFORMATION

Other income

Other income represents management fee received from Popstate for the provision of administrative and accounting services by our Group to such company, and bank interest income. The following table sets forth the breakdown of other income for the years ended 31 March 2014 and 2015:

	For the year ended 31 March			
	2014		2015	
	HK\$'000	%	HK\$'000	%
Management fee received from Popstate	120	100.0	120	56.6
Bank interest income	—	—	92	43.4
Total	<u>120</u>	<u>100.0</u>	<u>212</u>	<u>100.0</u>

Other gains and losses

Other gains and losses are principally net loss on disposal/dissolution of subsidiaries and gain on disposal of plant and equipment. During the Track Record Period, we recorded other losses of approximately HK\$108,000 in the year ended 31 March 2014 and other gains of approximately HK\$165,000 in the year ended 31 March 2015. Our other losses of approximately HK\$108,000 for the year ended 31 March 2014 was primarily resulted from the loss on disposal of a subsidiary, Techoy Engineering Company Limited, which was partially set off by the gain on dissolution of a subsidiary Well Yield Industrial Limited. Our other gains of approximately HK\$165,000 for the year ended 31 March 2015 was primarily resulted from net gains arising from the trade-in of motor vehicles.

Administrative expenses

Administrative expenses mainly include staff costs, rental, depreciation, entertainment and others. During the years ended 31 March 2014 and 2015, the administrative expenses amounted to approximately HK\$8.9 million and HK\$8.9 million respectively.

FINANCIAL INFORMATION

The following table sets forth the breakdown of our administrative expenses during the Track Record Period:

	For the year ended 31 March			
	2014		2015	
	HK\$'000	%	HK\$'000	%
Staff costs	6,162	68.8	5,257	58.8
Rental	600	6.7	1,302	14.6
Depreciation	499	5.6	664	7.4
Entertainment	725	8.1	578	6.5
Others	963	10.8	1,139	12.7
Total	8,949	100.0	8,940	100.0

Staff cost primarily includes salaries, wages and bonuses, contributions to defined contribution retirement plan and directors' remuneration. Depreciation mainly represents depreciation charges for the motor vehicles. Others mainly includes staff welfare, travelling expenses, general expenses on machinery and equipment, and other sundry expenses.

Our staff costs decreased by approximately HK\$0.9 million or 14.7% from approximately HK\$6.2 million in the year ended 31 March 2014 to approximately HK\$5.3 million in the year ended 31 March 2015, primarily because we allocated more of our employees to our project teams in the year ended 31 March 2015 and hence the remuneration paid to such employees are regarded as remuneration paid to employees who are directly involved in the construction projects and are charged to the direct staff costs under our direct costs instead.

Our rental increased by approximately HK\$0.7 million or 117.0% from approximately HK\$0.6 million in the year ended 31 March 2014 to approximately HK\$1.3 million in the year ended 31 March 2015, primarily due to the renewal of the tenancy agreement with the landlord Popstate, in relation to our leased office in Lai Chi Kok in the year ended 31 March 2015 to reflect the increase in market value of the property, which resulted in the increase in rental payable under the relevant lease.

FINANCIAL INFORMATION

Finance costs

Finance costs represent interest on bank borrowings and obligations under finance leases wholly repayable within five years. The table below sets forth the total finance costs of our Group and amount charged to profit or loss of our Group during the Track Record Period.

	For the year ended 31 March	
	2014	2015
	HK\$'000	HK\$'000
Interest on:		
— Bank borrowings wholly repayable within five years	411	150
— Obligations under finance leases in relation to motor vehicles wholly repayable within five years	54	53
	<u>465</u>	<u>203</u>

Income tax expenses

Our Group was not subject to any income tax in the Cayman Islands and BVI during the Track Record Period. The provision for Hong Kong profit tax was calculated at 16.5% of our estimated assessable profits for the Track Record Period.

Period to period comparison of results of operations

Year ended 31 March 2014 compared to year ended 31 March 2015

Revenue

The overall revenue of our Group increased by approximately HK\$34.8 million or 20.2% from HK\$172.2 million for the year ended 31 March 2014 to approximately HK\$207.0 million for the year ended 31 March 2015, which was primarily due to increase in revenue derived from our RMAA business.

1. Building construction and RMAA projects

Building construction

Our building construction revenue decreased by approximately HK\$9.3 million or 6.5%, from approximately HK\$143.5 million for the year ended 31 March 2014 to approximately HK\$134.3 million for the year ended 31 March 2015, representing approximately 83.3% and 64.9% of our total revenue respectively. Such decrease was primarily due to the decrease in revenue recognised by approximately HK\$115.1 million for the PMQ Project, as a greater portion of this project was completed during the year ended 31 March 2014 and contributed revenue of approximately HK\$143.5 million for that year, while only approximately HK\$28.4 million of revenue was recognised for the year ended 31 March 2015. The decrease was

FINANCIAL INFORMATION

partially offset by the commencement of the Argyle Street Project in the year ended 31 March 2015, which contributed revenue of approximately HK\$105.9 million for that year, while no revenue was recognised for the year ended 31 March 2014.

RMAA works

Our RMAA works revenue increased by approximately HK\$44.1 million or 153.7%, from approximately HK\$28.7 million for the year ended 31 March 2014 to approximately HK\$72.8 million for the year ended 31 March 2015, representing approximately 16.7% and 35.1% of our total revenue respectively. The increase was primarily attributable to:

- (i) the change in our project mix as a result of our Group shifting focus to RMAA projects during the Track Record Period. When our Group expanded into the RMAA industry in 2013, in order to secure contracts and increase our market share, we generally targeted smaller RMAA contracts and submitted tenders with at cost pricing. Most of these projects lasted until the year ended 31 March 2014, which led to the low revenue contribution from our RMAA segment in the same year. Upon the strengthening of our experience and capability in the RMAA industry, our Group began targeting larger RMAA projects and submitted higher tender prices with a view to optimise our profits and to counter the anticipated inflation rate. The average revenue recognised per major RMAA contract increased from approximately HK\$2.8 million for the year ended 31 March 2014 to approximately HK\$7.8 million for the year ended 31 March 2015 respectively. Since the number of RMAA projects that contributed to our revenue remained relatively stable during the Track Record Period, the increase in scale and contract sum of RMAA contracts undertaken by our Group in the year ended 31 March 2015 contributed to the increase in our RMAA works revenue in the same period;
- (ii) the recognition of revenue for the year ended 31 March 2015 in the amount of approximately HK\$29.8 million from the Nam Long Shan Road Project, which commenced and had a substantial portion of the related work completed during the year ended 31 March 2015. Since such project had yet to be commenced during the year ended 31 March 2014, no revenue was recognised for that year; and
- (iii) an increase in revenue recognised by approximately HK\$32.6 million in aggregate for three of our RMAA projects, namely the PMQ Project, Pok Fu Lam Project I, and Kwong Lee Road Project, which had a substantial portion of work completed during the year ended 31 March 2015 and contributed an aggregate revenue of approximately HK\$34.6 million for that year. Since these projects were still at their early stages during the year ended 31 March 2014, they only contributed an aggregate of approximately HK\$2.0 million of our revenue for that year.

Such increase in revenue during the year ended 31 March 2015 was partially offset by the decrease in revenue recognised by approximately HK\$14.7 million for another five of our RMAA projects, namely the Tin Sau Road Project, Pok Fu Lam Project II, Healthy Street East

FINANCIAL INFORMATION

Project, Pok Fu Lam Project III and Kowloon East Region Project, which had a substantial portion of work completed during the year ended 31 March 2014, with approximately HK\$20.2 million of revenue was recognised during the year ended 31 March 2014 while only approximately HK\$5.5 million of revenue was recognised during the year ended 31 March 2015 in aggregate.

2. Government, quasi-Government and private projects

Government and quasi-Government projects

During the Track Record Period, our building construction projects were primarily awarded by the Government and quasi-Government organisations. Our revenue from Government and quasi-Government projects remained relatively stable at approximately HK\$161.2 million and HK\$154.1 million for the year ended 31 March 2014 and 2015, respectively, primarily attributable to the decrease in revenue recognised from the building construction part of the PMQ Project, which was awarded by the Architectural Services Department, by approximately HK\$115.1 million for the year ended 31 March 2015 was largely offset by (i) the Argyle Street building construction project, which was awarded by a statutory body with focus on managing all public hospitals and institutes, which commenced and substantially completed during the year ended 31 March 2015 with revenue contribution of approximately HK\$105.9 million; and (ii) the increase in revenue from Government and quasi-Government RMAA projects by approximately HK\$2.1 million during the year ended 31 March 2015.

Private projects

During the Track Record Period, our private projects were primarily RMAA in nature. Our revenue from private projects increased by approximately HK\$42.0 million or 380.1% from approximately HK\$11.0 million in the year ended 31 March 2014 to approximately HK\$53.0 million in the year ended 31 March 2015, primarily due to (i) the commencement of the Nam Long Shan Road RMAA project, which was awarded by an international secondary school, with revenue contribution of approximately HK\$29.8 million for the year ended 31 March 2015 while no revenue was recognised for the year ended 31 March 2014; (ii) the increase in revenue from Pok Fu Lam Project I, which was awarded by an university, during the year ended 31 March 2015, by approximately HK\$7.3 million; and (iii) the increase in revenue from Kwong Lee Road project, which was awarded by a school, by approximately HK\$10.4 million. The increase was partially offset by the decrease in revenue contribution from Pok Fu Lam Project II and Pok Fu Lam Project III, which were both awarded by an university, by approximately HK\$5.4 million.

Direct costs

Our direct costs increased by approximately HK\$29.0 million or 19.6%, from approximately HK\$148.0 million for the year ended 31 March 2014 to approximately HK\$177.0 million for the year ended 31 March 2015. Such increase was in line with the increase in our revenue by

FINANCIAL INFORMATION

approximately 20.2% during the same period. The increase was primarily due to (i) the increase in sub-contracting fees by approximately HK\$24.6 million or 24.8% in the year ended 31 March 2015; and (ii) the increase in material costs by approximately HK\$9.8 million or 368.0% in the year ended 31 March 2015. The significant increase in material costs in the year ended 31 March 2015 was primarily attributable to our Argyle Street Project commenced in the year ended 31 March 2015 where we were contractually required to provide a substantive portion of construction materials required, in particular steel and concrete.

Gross profit and gross profit margin

In line with the increase in our revenue, our gross profit increased by approximately HK\$5.8 million or 24.0%, from approximately HK\$24.3 million for the year ended 31 March 2014 to approximately HK\$30.1 million for the year ended 31 March 2015. Our gross profit margin was approximately 14.1% and 14.5% in the year ended 31 March 2014 and 2015 respectively. The gross profit margin stabilised at about the same level primarily because the decrease in gross profit of our building construction business was offset by the increase in the gross profit of our RMAA business.

Gross profit margin of building construction and RMAA projects

Gross profit margin of our building construction business decreased from approximately 16.8% in the year ended 31 March 2014 to approximately 12.1% in the year ended 31 March 2015. Our gross profit from building construction business in the year ended 31 March 2014 was entirely attributable to our PMQ Project. Given the size, complexity, tight schedule and the requirement of expertise in heritage revitalisation in the PMQ Project, we were in a better position to tender with a higher margin. For the year ended 31 March 2015, revenue from the PMQ Project amounted to only approximately 21.2% of the total revenue from our building construction business. The decrease in our gross profit margin from building construction business in the year ended 31 March 2015 was primarily attributable to our Argyle Street Project which has a lower profit margin when comparing to the PMQ Project.

Gross profit margin of our RMAA business increased significantly from approximately 0.3% for the year ended 31 March 2014 to approximately 19.1% for the year ended 31 March 2015. We recorded a particularly low profit margin of our RMAA business in 2014 since we adopted a competitive pricing approach in setting a tender price at cost for our RMAA projects such that we can expand and strengthen our market share and reputation in the RMAA services industry in Hong Kong. The improvement in the gross profit margin of our RMAA business over the Track Record Period was attributable to the improved quotation and higher margins charged by our Group and accepted by our customers. Capitalising the award of the qualification under the “Repair and Restoration” category of the Specialist List in 2013 and our proven capability in executing RMAA projects, our Group submitted higher tender prices for RMAA contracts with a view to optimise our profits. The effects of successful high margin tenders resulted in improved gross profit margins. In addition, the increase in our mark ups outweighed the increase in our sub-contracting fees, which resulted in the improvement in the gross profit margin of our RMAA business in 2015.

FINANCIAL INFORMATION

Gross profit margin of Government, quasi-Government and private projects

Gross profit margin of our Government and quasi-Government projects remained relatively stable at approximately 15.6% and 15.9% for the year ended 31 March 2014 and 2015 respectively, mainly because the decrease in gross profit of our Government and quasi-Government building projects were largely offset by the increase in gross profit of our Government and quasi-Government RMAA projects.

We recorded gross loss of approximately HK\$1.0 million and gross loss margin of 8.8% for our private projects for the year ended 31 March 2014, which was primarily attributable to the loss of approximately HK\$1.0 million incurred by our Group in a private RMAA project that had practically completed before the Track Record Period. Loss in such contract occasioned since our Group was in dispute with one of our sub-contractor under the RMAA project regarding the works performed by such sub-contractor. The loss of approximately HK\$1.1 million comprises damages of approximately HK\$367,000 being awarded against our Group and legal fees of approximately HK\$771,000 incurred by our Group in regards of the litigation involved. For further details in relation to the contractual dispute with our sub-contractor under such project, please refer to the section headed “Business — Litigation and Potential Claims — Litigations against our Group settled (either by way of court judgment or settlement during the Track Record Period and up to the Latest Practicable Date)” to this prospectus.

For the year ended 31 March 2015, the gross profit for our private customers increased to approximately HK\$5.5 million and our gross profit margin for our private customers increased to approximately 10.5%. Since our RMAA projects constitute a large portion of our private projects, the increase in gross profit and gross profit margin in our private projects was in line with the increase in gross profit and gross profit margin in our RMAA projects.

Other income

Other income increased by approximately HK\$92,000 or 76.7%, from approximately HK\$120,000 for the year ended 31 March 2014 to approximately HK\$212,000 for the year ended 31 March 2015. The increase was mainly contributed by the increase in interest income yielded from fixed deposit held at a bank.

Other gains and losses

We recorded other losses of approximately HK\$108,000 for the year ended 31 March 2014 and other gains of approximately HK\$165,000 for the year ended 31 March 2015. Our other losses of approximately HK\$108,000 for the year ended 31 March 2014 was primarily resulted from the loss on disposal of a subsidiary, Techoy Engineering Company Limited, which was partially set off by the gain on dissolution of a subsidiary Well Yield Industrial Limited. Our other gains of approximately HK\$165,000 for the year ended 31 March 2015 was primarily resulted from net gains arising from the trade-in of motor vehicles.

FINANCIAL INFORMATION

Administrative expenses

Our administrative expenses amounted to approximately HK\$8.9 million and HK\$8.9 million for the years ended 31 March 2014 and 2015 respectively. The administrative expenses remained stable since the increase in rental, depreciation and other in the amount of approximately HK\$0.7 million, HK\$0.2 million and HK\$0.2 million respectively in the year ended 31 March 2015 was largely offset by the decrease in staff costs and entertainment in the amount of approximately HK\$1.0 million and HK\$0.1 million respectively.

Finance costs

Finance costs decreased by approximately HK\$262,000 or 56.3%, from approximately HK\$465,000 for the year ended 31 March 2014 to approximately HK\$203,000 for the year ended 31 March 2015, which was primarily attributable to the decrease in the average outstanding balance of our bank borrowings during the year ended 31 March 2015.

Income tax

Income tax increased by approximately HK\$1.0 million or 40.5%, from approximately HK\$2.5 million for the year ended 31 March 2014 to approximately HK\$3.5 million for the year ended 31 March 2015, which was consistent with the increase in profit before taxation for the year ended 31 March 2015 as compared to the year ended 31 March 2014.

Profit for the year

As a result of the foregoing, the profit for the year of our Group increased by approximately HK\$5.5 million or 44.1%, from approximately HK\$12.3 million for the year ended 31 March 2014 to approximately HK\$17.8 million for the year ended 31 March 2015. The net profit margin of our Group increased from approximately 7.2% for the year ended 31 March 2014 to approximately 8.6% for the same period of 2015. The increase in our Group's profit for the year was mainly due to increase in our gross profit as discussed above while partially offset by the increase in income tax expenses.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are mainly to finance our operations and satisfy our capital expenditure needs. During the Track Record Period, our principal sources of liquidity and capital resources were cash flow generated from operations and financing activities.

FINANCIAL INFORMATION

Cash flows

The following table sets forth the selected cash flow data from the consolidated statements of cash flows for the period as indicated. This information should be read together with the consolidated financial information contained in the Accountant's Report in Appendix I to this prospectus.

	For the year ended 31 March	
	2014	2015
	HK\$'000	HK\$'000
Net cash from operating activities	14,677	28,441
Net cash (used in) from investing activities	(11,343)	231
Net cash used in financing activities	(23,086)	(7,996)
Net (decrease) increase in cash and cash equivalents	(19,752)	20,676
Cash and cash equivalents at beginning of the year	54,674	34,922
Cash and cash equivalents at end of the year	34,922	55,598

Net cash from operating activities

Net cash from operating activities primarily consisted of profit before taxation adjusted for non-cash items, such as depreciation of plant and equipment, gain on disposal of plant and equipment, loss on disposal/dissolution of subsidiaries, finance costs and the effect of changes in working capital.

Cash flow generated from operating activities is the major source of funds of our Group during the Track Record Period. We primarily derive our cash inflows from the receipt of payments from contract work. Our cash used in operations principally comprises payment of sub-contracting fees, purchases of construction materials, staff costs and insurance expenses.

For the year ended 31 March 2014, our net cash from operating activities was approximately HK\$14.7 million, primarily as a result of the combined effects of (i) approximately HK\$15.9 million operating cash flows before movements in working capital; (ii) the increase in net amounts due to customers of contract work of approximately HK\$6.1 million; (iii) the decrease in trade receivables of approximately HK\$9.3 million; and (iv) the increase in trade and bills payables of approximately HK\$3.9 million. This was partially offset by (i) the increase in other receivables, deposits and prepayments of approximately HK\$0.4 million; (ii) the decrease in other payables and accrued charges of approximately HK\$19.3 million and (iii) the income tax paid of approximately HK\$0.8 million.

For the year ended 31 March 2015, our net cash from operation activities was approximately HK\$28.4 million, primarily as a result of the combined effects of (i) approximately HK\$21.9 million operating cash flows before movements in working capital; and (ii) the increase in other payables and accrued charges of approximately HK\$39.8 million. This was partially offset by (i) decrease in amounts due to customers of contract work of approximately HK\$6.1 million; (ii) the increase in trade receivables of approximately HK\$13.0 million; (iii) the increase in other

FINANCIAL INFORMATION

receivables, deposits and prepayments of approximately HK\$7.3 million; (iv) the decrease in trade and bills payables of approximately HK\$5.4 million and the income tax paid of approximately HK\$1.5 million.

Net cash used in or from investing activities

For the year ended 31 March 2014, our net cash used in investing activities was approximately HK\$11.3 million. The amount was mainly attributable to the advance to related companies of approximately HK\$27.5 million, the advance to a director of approximately HK\$34.4 million and placement of pledged bank deposits of approximately HK\$3.0 million, and partially offset by the repayment from a related company of approximately HK\$19.6 million and repayment from a director of approximately HK\$34.2 million.

For the year ended 31 March 2015, our net cash from investing activities was approximately HK\$0.2 million, mainly attributable to the repayment from a director of approximately HK\$10.0 million and repayment from related companies of approximately HK\$77.8 million, and partially offset by the advance to a director of approximately HK\$9.9 million and advance to a related company of approximately HK\$77.6 million.

Net cash used in financing activities

For the year ended 31 March 2014, our net cash used in financing activities was approximately HK\$23.1 million, mainly attributable to repayment to a related company of approximately HK\$16.0 million, payment of dividend to our executive Director, Mr. Lam, of approximately HK\$5.0 million, and repayment of bank borrowings of approximately HK\$1.2 million.

For the year ended 31 March 2015, our net cash used in financing activities was approximately HK\$8.0 million, mainly attributable to the payment of dividend to our executive Director, Mr. Lam, of approximately HK\$9.0 million and the repayment of bank borrowings of approximately HK\$1.1 million, and partially offset by the increase in issued share capital of Techoy Construction by 2,800,000 shares at an aggregate subscription price of HK\$2.8 million.

FINANCIAL INFORMATION

NET CURRENT ASSETS

The table below sets forth our current assets and current liabilities as at 31 March 2014 and 2015 and as at 31 July 2015.

	As at 31 March		As at 31 July
	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)
Current assets			
Trade receivables	7,733	20,693	12,352
Other receivables, deposits and prepayments	5,078	12,430	11,503
Amounts due from customer for contract work	760	—	—
Amounts due from a director	130	—	—
Amount due from a related company	33,719	33,520	—
Pledged bank deposits	3,000	3,024	3,024
Bank balances and cash	34,922	55,598	52,767
	<u>85,342</u>	<u>125,265</u>	<u>79,646</u>
Current liabilities			
Trade and bills payables	6,586	1,215	1,054
Other payables and accrued charges	12,188	52,010	39,581
Amounts due to customers for contract work	17,522	10,660	11,518
Tax payable	4,648	6,646	7,686
Obligations under finance leases	400	581	442
Bank borrowings	1,068	—	—
	<u>42,412</u>	<u>71,112</u>	<u>60,281</u>
Net current assets	<u>42,930</u>	<u>54,153</u>	<u>19,365</u>

Our current assets mainly included trade receivables, other receivables, deposits and prepayments, amounts due from customer for contract work, amounts due from a director, amount due from a related company, pledged bank deposits and bank balances and cash. Our current liabilities mainly included trade and bill payables, other payables and accrued charges, amounts due to customers for contract work, tax payable, obligations under finance leases and bank borrowings.

We recorded net current assets of approximately HK\$42.9 million and HK\$54.2 million as at 31 March 2014 and 2015, respectively. The increase in the net current assets was mainly due to (i) an increase of approximately HK\$13.0 million in trade receivables; (ii) an increase of approximately HK\$7.3 million in other receivables, deposits and prepayments; (iii) an increase of approximately HK\$20.7 million in bank balances and cash; (v) a decrease of approximately HK\$5.4 million in trade and bills payables; (vi) a decrease of approximately HK\$6.1 million in net amounts due to customers for contract work; and (vii) a decrease of approximately HK\$1.1 million in bank borrowings. The change in the net current assets was partially offset by (i) an increase of approximately HK\$39.8 million in other payables and accrued charges; (ii) an increase of approximately HK\$2.0 million in tax payable.

FINANCIAL INFORMATION

As at 31 July 2015, being the latest practicable date for ascertaining our Group's net current assets of approximately HK\$19.4 million. The decrease in our net current assets as at 31 July 2015 to that as at 31 July 2014 was mainly due to full settlement of the amount due from a related company by setting off against the special dividend of HK\$33.5 million declared in April 2015.

Trade receivables

Our trade receivables primarily represent amounts receivable from our customers under our building construction contracts and RMAA contracts. We generally submit interim payment applications to our customers on a monthly basis containing a statement setting out our estimate of the gross valuation of the work we have performed in the preceding month. Upon receiving our interim payment application, the architect of our customer usually verify such valuation of work performed and issue an interim certificate within 21 days. Normally our customer will make payment within 21 days after the issue of the interim certificate, deducting any retention money in accordance with the contract.

As at 31 March 2014 and 2015, the balance of our trade receivables was HK\$7.7 million and HK\$20.7 million, respectively. The increase in our trade receivables was in line with the increase in our revenue during the same period and was primarily attributable to one of our major Government building construction project, which has large sum of billing just raised to our customer for certified work performed by our Group in March 2015. As at the Latest Practicable Date, 95.6% of the trade receivables as at 31 March 2015 were subsequently settled.

Ageing analysis of trade receivables

The following table sets forth a summary of aged analysis of trade receivables presented based on the invoice date, which is after our customer having issued the interim certificate, at each reporting dates:

	<u>As at 31 March</u>	
	<u>2014</u>	<u>2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
0 – 30 days	7,420	20,370
31 – 60 days	—	323
61 – 90 days	305	—
Over 90 days	<u>8</u>	<u>—</u>
Total trade receivables	<u><u>7,733</u></u>	<u><u>20,693</u></u>

Over 95% of our trade receivables are aged within 30 days at all the balance sheet dates, reflecting a healthy trade receivable aging analysis of our Group.

FINANCIAL INFORMATION

Trade receivables turnover days

The table below sets forth our turnover days of trade receivables for the period indicated:

	For the year ended 31 March	
	2014	2015
Turnover days of trade receivables <i>(Note 1)</i>	26	25

Note:

1. The turnover days of trade receivables is calculated based on the average of the beginning and ending balance of trade receivables for the year divided by revenue during the year and multiplied by 365 days for the year ended 31 March 2014 and 2015.

For the years ended 31 March 2014 and 2015, our Group maintained a stable trade receivables turnover days at approximately 26 days and 25 days respectively. The relatively low and stable trade receivables turnover days was primarily attributable to our efforts in maintaining stringent credit controls and high credibility of our Government customers.

Other receivables, deposits and prepayments

Other receivables, deposits and prepayments consist primarily of deposits, retention receivables and prepayments. The following table sets out a summary of our other receivables, deposits and prepayments as at the dates indicated:

	As at 31 March	
	2014	2015
	HK\$'000	HK\$'000
Deposits	123	2,727
Retention receivable	4,837	8,839
Prepayments	118	864
Total trade and other receivables	5,078	12,430

FINANCIAL INFORMATION

Deposits mainly represent (i) the deposits we placed with a bank or insurance company for issuance of surety bonds for our project; and (ii) in lieu of surety bond, the deposits retained by our client as security of due performance for our project. The surety bonds provided by our Group during the Track Record Period are generally in an amount not exceeding 10% of the contract sum. The following table sets forth the details of the surety bonds in issue as at 31 March 2014 and 2015:

	As at 31 March	
	2014	2015
Aggregate value of surety bonds in issue (HK\$'000)	—	4,593
Number of projects that required issuance of surety bond	—	1
Aggregate contract value of the projects that required issuance of surety bond (HK\$'000)	—	45,927

Since none of our projects in progress as at 31 March 2014 required surety bond as security for our performance, no deposit was placed with banks or insurance companies for issue of any surety bond. Our deposits of approximately HK\$0.1 million as at 31 March 2014 were primarily attributable to deposits for miscellaneous items. Our deposits rocketed to approximately HK\$2.7 million as at 31 March 2015 mainly because (i) deposits of approximately HK\$1.38 million was required to be placed with an insurance company for the issue of surety bond in respect of a RMAA project that were in progress as at 31 March 2015; and (ii) as agreed between the customer and our Group, in lieu of the issue of surety bond, deposits of approximately HK\$1.16 million was retained by the relevant customer as security of our due performance.

Retention receivable represents the retention money required by our customers to secure our due performance of the contracts. It is common industry practice that a portion of progress payment is held up by our customers to secure the due performance of our Group. As for Government projects, our customers normally withhold 1% of the interim payment payable to us as retention money. As for private projects, our customers normally withhold 5–10% of the interim payment payable to us as retention money. In general, the retention money will be released to us after the expiry of the defect liability period subject to the confirmation from our customers regarding satisfaction with our works. In line with the progress of our construction projects, our retention receivable increased from approximately HK\$4.8 million as at 31 March 2014 to approximately HK\$8.8 million as at 31 March 2015. Our Directors confirm that all retention receivable were attributable to construction projects in progress but within defective liability periods and therefore not overdue.

The balance of prepayments as at 31 March 2014 and 2015 were approximately HK\$0.1 million and HK\$0.9 million, respectively. The increase in our prepayments was primarily attributable to the upfront compensation paid by our Group for personal injuries of our employees and the employees of our sub-contractors sustained in the course of their employment with us or with our sub-contractors, before reimbursement was sought from the insurance companies. For further details of the personal injury claims against our Group, please refer to the section headed “Business - Litigation and Potential Claims” in this prospectus.

FINANCIAL INFORMATION

Amount due from customer for contract work

We recognise our revenue from construction contracts based on the stage of completion of the contracts as certified by the architects of our customers and these architects issue interim certificate which our billing bases upon. Amount due to customers for contract work represents surplus derived from the contract costs incurred plus net recognised profits/losses which exceed progress billings owing to the difference between the actual contract work performed and the contract work certified by architects of our customer on any specific date.

The following table sets forth our Group's amounts due from customers for contract work as at the reporting dates:

	As at 31 March	
	2014	2015
	HK\$'000	HK\$'000
Amounts due from customers for contract work	760	—

The amounts due from customers for contract work decreased from approximately HK\$0.8 million as at 31 March 2014 to HK\$nil as at 31 March 2015. The amounts due from customers for contract work are usually affected by the volume and value of construction works we performed close to the end of each reporting period and the timing of receiving interim certificates, and thus vary from period to period.

Amount due from a director

The amount due from our Director is unsecured, interest-free and repayable on demand. The amount due from a director amounted to approximately HK\$0.1 million as at 31 March 2014 and was fully settled during the year ended 31 March 2015.

Amount due from a related company

The amount due from our related company, which is non-trade nature, was unsecured, interest-free and repayable on demand. The amount due from our related company was approximately HK\$33.7 million and HK\$33.5 million as at 31 March 2014 and 2015, respectively. The amount due from our related company primarily represents advance to Popstate, a wholly-owned company of Mr. Lam, for acquisition from an Independent Third Party of certain assets, including but not limited to several investment holding companies, car park lots and a property. The amount due from our related company as at 31 March 2015 has been subsequently settled in full in April 2015.

Pledged bank deposits

Our pledged bank deposits represent deposit pledged to banks to secure the banking facilities granted to our Group. The balances of our pledged bank deposits were approximately HK\$3.0 million and HK\$3.0 million as at 31 March 2014 and 2015, respectively.

FINANCIAL INFORMATION

Bank balances and cash

Our bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less. Bank balances and cash amounted to approximately HK\$34.9 million and HK\$55.6 million as at 31 March 2014 and 2015, respectively. The increase in bank balances and cash was primarily due to increase in cash generated from operations, increase in repayment from related companies and decrease in payment to a related company.

Trade and bills payables

Our trade and bills payables mainly comprise trade payables and bills payables. The following table sets forth the trade and bills payables as of the dates indicated:

	As at 31 March	
	2014	2015
	HK\$'000	HK\$'000
Trade payables	930	1,215
Bills payables	5,656	—
Total trade and bills payables	6,586	1,215

Our trade and bill payables primarily represent amounts payable to our sub-contractors and suppliers of construction materials. Settlement is generally made in accordance with the terms specified in the contracts governing the relevant transactions. The trade and bill payables are generally affected by, including but not limited to, the amounts of works performed by our sub-contractors, materials provided by our suppliers, timing of payment invoices received from our sub-contractors and/or suppliers, and credit periods granted by our sub-contractors and/or suppliers. The credit period granted by our sub-contractors is normally 30 to 45 days after issuance of invoice.

Our trade and bill payables decreased from approximately HK\$6.6 million as at 31 March 2014 to approximately HK\$1.2 million as at 31 March 2015. The decrease was primarily due to decrease in use of bank bills to settle the trade payables during the year ended 31 March 2015. Such trade payables were mainly settled by our cash generated from our operating activities in 2015. As at the Latest Practicable Date, all of the trade payables as at 31 March 2015 were subsequently settled.

The following table sets forth the turnover days of trade payables for the period indicated:

	For the year ended 31 March	
	2014	2015
Turnover days of trade payables ^(Note 1)	4	2

Note:

- The turnover days of trade payables is calculated based on the average of the beginning and ending balance of trade payables for the year divided by direct costs during the year and multiplied by 365 days for the year ended 31 March 2014 and 2015.

FINANCIAL INFORMATION

Our turnover days of trade payables (comprising our payables to suppliers and payables to sub-contractors) were approximately 4 days and 2 days as at 31 March 2014 and 2015, respectively. Since our Group does not pay any deposit to our sub-contractors before their works commence, in order to secure sufficient labour supply in the booming construction market and to attract sub-contractors to charge us favourable sub-contracting fees, we generally try to settle the payments to our sub-contractors as soon as possible once our quantity surveyor certified the value of works completed by the relevant sub-contractors against their payment applications. In addition, we generally settle the payment in the middle and approaching the end of each month. As sub-contracting fee is the major portion of direct cost and is settled twice per month, the payable balances as at each month end were lower than the rest in a particular month, resulting in short payable turnover period calculated at the end of each year. According to Ipsos, payment time by main contractors to sub-contractors can be flexible, and it is not uncommon that main contractors may settle the invoices of sub-contractors well ahead of the payment due dates in order to maintain good relationship with them. The decrease in our trade payables turnover days was primarily attributable to the increase in our sub-contracting fees from approximately HK\$99.3 million in the year ended 31 March 2014 to approximately HK\$123.8 million in the year ended 31 March 2015 while our trade payables were remained stable.

The following table sets forth the aged analysis of our trade and bills payables as at the dates indicated:

	As at 31 March	
	2014	2015
	HK\$'000	HK\$'000
Trade payables		
0 – 30 days	826	1,215
31 – 60 days	89	—
Over 60 days	15	—
	930	1,215
Bills payables		
0 – 30 days	639	—
31 – 60 days	186	—
61 – 90 days	4,831	—
	5,656	—
Total trade and bills payables	6,586	1,215

FINANCIAL INFORMATION

Other payables and accrued charges

The following table sets forth the other payables and accrued charges as at the dates indicated:

	<u>As at 31 March</u>	
	<u>2014</u>	<u>2015</u>
	HK\$'000	HK\$'000
Accrued charges	1,939	32,416
Deposits received	97	97
Retention payables	<u>10,152</u>	<u>19,497</u>
	<u>12,188</u>	<u>52,010</u>

Accrued charges mainly represented the costs incurred for constructions works performed by the subcontractors but no invoices are received by us yet. We normally settle the accrued charges within the credit period of 30 days to 45 days from the date of the receipt of the invoices.

There were substantial orders for variations on the project designs stated in the initially signed contract of the PMQ Project which bore a total contract sum of approximately HK\$354.1 million and spanned from January 2012 to December 2013. All such variation orders in relation to the PMQ Project had been practically completed by our Group during the Track Record Period and we had made payment application for the value of works performed under the variation orders. As the maintenance period for the PMQ Project was not yet completed as at 31 March 2014, we recorded significant balance of amount due to customers for contract work of approximately HK\$17.5 million as at 31 March 2014.

During the year ended 31 March 2015, the maintenance period for the PMQ project was completed in December 2014. As at 31 March 2015, the PMQ Project had approximately HK\$25.7 million construction costs incurred by us but not yet received invoices from the relevant subcontractors and resulted in a significant increase in the balance of accrued charges from approximately HK\$ 1.9 million as at 31 March 2014 to approximately HK\$32.4 million as at 31 March 2015. As at the Latest Practicable Date, approximately 31.6% of the accrued charges as at 31 March 2015 were subsequently settled. Our Directors believe that substantial amount of the relevant accrued charges will be settled in cash before the end of the calendar year 2015.

Retention payables mainly represent the amounts we withhold from progress payments to our sub-contractors in the range of 5% to 10% of the respective payment amount. Such retention money is released to our sub-contractors upon completion of the defect liability period in accordance with the terms and conditions of the relevant sub-contract. Therefore, a significant portion of retention payables remained outstanding as at each balance sheet date. In line with the progress of our construction projects and the increase in our retention receivables, our retention payables increased from approximately HK\$10.2 million as at 31 March 2014 to approximately HK\$19.5 million as at 31 March 2015. As at the Latest Practicable Date, 42.5% of the other payables and accrued charges as at 31 March 2015 were subsequently settled.

FINANCIAL INFORMATION

Amounts due to customers for contract work

Amount due to customers represents surplus derived from progress billings which exceed the contract costs incurred plus net recognised profits/losses. The balance were approximately HK\$17.5 million as at 31 March 2014 and decreased to approximately HK\$10.7 million as at 31 March 2015. The amount of approximately HK\$17.5 million at 31 March 2014 due to customers for contract work were primarily in relation to the PMQ Project. The amount of approximately HK\$10.7 million at 31 March 2015 due to customers for contract work were primarily in relation to the Argyle Street building construction project and Nam Long Shan Road RMAA project.

Tax payable

The tax payable balances of our Group were approximately HK\$4.6 million and HK\$6.6 million as at 31 March 2014 and 2015, respectively. The increase in tax payable was mainly due to the increase in the overall profit before tax in 2015.

INDEBTEDNESS

Obligations under finance leases

We leased certain of our motor vehicles under finance leases. As at 31 March 2014 and 2015 and 31 August 2015, the obligations under finance leases (including current and non-current portions) were approximately HK\$681,000, HK\$956,000 and HK\$656,000 respectively. Set out below are our obligations under finance leases as at the end of the respective reporting dates:

	Minimum lease payments		
	As at 31 March		As at
	2014	2015	31 August 2015
	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Amount payable under finance leases			
Within one year	430	618	439
In the second to fifth years inclusive	287	415	276
	717	1,033	715
Less: Future finance charges	(36)	(77)	(59)
Present value of lease obligations	681	956	656

Interest rates underlying all obligations under finance leases were fixed at respective contract dates at 2.50% per annum as at 31 March 2014 and 2.93% per annum in average as at 31 March 2015. Our unguaranteed obligations under finance leases were secured by charges over the leased assets.

FINANCIAL INFORMATION

Bank borrowings

Our Group had bank borrowings of approximately HK\$1.1 million, HK\$nil and HK\$nil as at 31 March 2014 and 2015 and 31 August 2015 respectively. Our Group's bank borrowings were primarily used in financing the initial working capital requirement of our operations. Most of our construction projects as at 31 March 2015 had commenced for a period of time and we have started receiving progress payments from the relevant customers for construction works done, which lessened our cash flow requirement. With the increase in cash flow from operating activities and the decrease in cash flow requirement due to projects progresses, our Group settled all bank borrowings in 2015, which led to the decrease in our bank borrowings as at 31 March 2015. The bank borrowings are at floating rate which carry interest in one-month Hong Kong Interbank Offered rate plus 3% per annum.

During the Track Record Period, the bank borrowing agreements were entered into with the lenders under normal standard terms and conditions and do not contain any special restrictive covenants. During the Track Record Period and as of the Latest Practicable Date, none of our lenders have claimed default against us under any of the terms in the bank borrowing agreements.

As at the Latest Practicable Date, our Group has unutilised bank facilities of HK\$6.0 million, which were secured by personal guarantee of HK\$1.5 million provided by Mr. Lam and by Government guarantee of HK\$4.8 million. Our Directors confirm that the personal guarantee provided by Mr. Lam will be released and replaced by a corporate guarantee provided by the Company upon Listing.

Our Directors confirm that our Group has not experienced any difficulty in obtaining bank borrowings, default in payment on bank borrowings or breach of finance covenants during the Track Record Period and up to the Latest Practicable Date and that they do not foresee any difficulty in obtaining bank borrowing after the Latest Practicable Date.

Save as aforesaid or otherwise disclosed herein, we did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, finance lease obligations or material contingent liabilities or guarantees outstanding as on 31 August 2015.

CAPITAL EXPENDITURE

During the Track Record Period, we incurred capital expenditures for the purchase of motor vehicles. Our capital expenditures were approximately HK\$nil million and HK\$1.1 million for the years ended 31 March 2014 and 2015 respectively. The increase during the year 2015 was for the purchase of motor vehicles of approximately HK\$1.1 million during the year ended 31 March 2015.

FINANCIAL INFORMATION

We expect to meet future capital expenditure requirements through our available cash and cash equivalents, cash generated from our operations and bank borrowings, as well as net proceeds from the Placing. Where our Directors consider appropriate and necessary, we may raise additional funds on terms that are acceptable to us.

COMMITMENTS

Operating lease commitments

During the Track Record Period, our Group leases a premise under operating lease. The lease runs for an initial period of two years. None of the leases includes contingent rentals. The following table sets forth our Group's commitments for operating lease payments under non-cancellable operating lease with a related party, Popstate Limited, as at the dates indicated:

	As at 31 March	
	2014	2015
	HK\$'000	HK\$'000
Within one year	47	1,302
In the second to fifth year inclusive	—	1,302
	<u>47</u>	<u>2,604</u>

The increase in our operating leases commitment as at 31 March 2015 was primarily due to the renewal of our lease for the property in Lai Chi Kok, Kowloon in the year ended 31 March 2015 with Popstate to reflect the increase in market value of the property, which resulted in the increase in rental payable under the relevant lease.

CONTINGENT LIABILITIES

As at the end of each of the year ended 31 March 2014 and 2015, our Group did not have any material contingent liabilities.

SUBSEQUENT EVENTS

For significant events that took place subsequent to 31 March 2015, please refer to “(B) — Subsequent Events” to the Accountants' Report set forth in Appendix I to this prospectus.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, our Group had not entered into any material off-balance sheet commitments and arrangement.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in note 27 of section (A) to the accountants' report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to us than terms available from Independent Third Parties and were fair and reasonable and in the interest of the Shareholders as a whole.

SELECTED KEY FINANCIAL RATIOS

The following table sets forth our selected key financial ratios during the Track Record Period:

	<u>As at/for the year ended 31 March</u>	
	<u>2014</u>	<u>2015</u>
Gross profit margin ^{Note 1}	14.1%	14.5%
Net profit margin ^{Note 2}	7.2%	8.6%
Gearing ratio ^{Note 3}	4.0%	1.7%
Current ratio ^{Note 4}	2.0x	1.8x
Return on equity ^{Note 5}	30.7%	35.9%
Return on assets ^{Note 6}	13.0%	16.7%

Notes:

1. The gross profit margin is calculated by dividing the gross profit by the revenue for the respective year multiplied by 100%.
2. The net profit margin is calculated by dividing the net profit by the revenue for the respective year multiplied by 100%.
3. The gearing ratio is calculated by dividing total obligations under finance leases and total bank borrowings with total equity as at the end of respective periods multiplied by 100%.
4. The current ratio is calculated by dividing current assets with current liabilities as at the end of the respective periods.
5. Return on equity equals the net profit attributable to Shareholders divided by the average balance of total equity as at the end of the respective periods multiplied by 100%.
6. Return on assets is calculated by the net profit for the year divided by the average balance of total assets as at the end of the respective periods multiplied by 100%.

Gross profit margin

Gross profit margin is our gross profit for the year as a percentage of our total revenue for each financial year.

FINANCIAL INFORMATION

Our gross profit margin remained relatively stable at approximately 14.1% and 14.5% for the years ended 31 March 2014 and 2015. For further information in relation to our gross profit margin, please refer to the paragraph headed “Description of Selected Items from Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross Profit” in this section.

Net profit margin

Net profit margin is our net profit for the year as a percentage of our total revenue for each financial year.

Our net profit margin increased from approximately 7.2% for the year ended 31 March 2014 to approximately 8.6% for the year ended 31 March 2015, primarily due to the change in our project mix and the increase in gross profit resulted from our RMAA segment from approximately HK\$80,000 to HK\$13.9 million during the same period. For further details of our change in project mix during the Track Record Period, please refer to the paragraph headed “Description of Selected Items from Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue — Changes in our project mix” in this section to the prospectus.

Gearing Ratio

Gearing ratio is the total amount of our loans and borrowings as a percentage of total equity as at the end of each financial period.

Our gearing ratio decreased from approximately 4.0% as at 31 March 2014 to 1.7% as at 31 March 2015 mainly because of the decrease in bank borrowings from approximately HK\$1.1 million as at 31 March 2014 to HK\$nil million as at 31 March 2015 owing to settlement of bank borrowings by our Group.

Current ratio

Current ratio is derived by dividing our current assets by our current liabilities at the end of each financial period.

Our current ratio decreased from approximately 2.0 times as at 31 March 2014 to approximately 1.8 times as at 31 March 2015, primarily due to the increase in other payables and accrued charges of approximately HK\$39.8 million, which mainly attributable to the elongated timeframe in finalising accounts with our customer for the PMQ Project.

Return on equity

Our return on equity is our profit for the year as a percentage of our equity for each financial year.

Our return on equity increased from approximately 30.7% for the year ended 31 March 2014 to approximately 35.9% for the year ended 31 March 2015, primarily because of the higher net profit of approximately HK\$17.8 million for the year ended 31 March 2015 when compared with

FINANCIAL INFORMATION

approximately HK\$12.3 million for the year ended 31 March 2014 as a result of (i) the significant increase in revenue contribution from our RMAA projects in the year ended 31 March 2015; and (ii) in line with the construction progress, larger portion of revenue from the Argyle Street project was recognised in the year ended 31 March 2015 as compared to the year ended 31 March 2014.

Return on asset

Return on asset is our profit for the year as a percentage of our total assets for each financial year.

Our return on asset increased from approximately 13.0% for the year ended 31 March 2014 to approximately 16.7% for the year ended 31 March 2015, primarily due to the increase in our net profit for the year ended 31 March 2015 as detailed above.

FINANCIAL RISK MANAGEMENT

During our conduct of business, we are exposed to various types of market risks including credit risk, liquidity risk and interest rate risk.

Credit risk

Our Group's credit risk is primarily attributable to trade receivables, other receivables and bank balances.

Our Group's maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position at the end of the reporting period.

Our Group's customers are mainly Government departments and/or organisations and thus credit risk is considered to be low. Except for the customers of Government departments and/or organisations which we consider of good quality, we adopted a policy on providing credit facilities to new customers. A credit investigation, including assess to financial information, advice from business partners in relation to potential customers and credit search, would be required to be launched. The level of credit granted must not exceed a predetermined level set by our management and approvals must be documented in writing. Credit evaluation is performed on a regular basis. Any excess over credit limits must be approved by our management in writing and there is a team of staff we designated for collection of receivables.

Our Group has concentration of credit risks with exposure limited to certain customers. Top two customers amounting to approximately HK\$7.0 million and approximately HK\$17.9 million, respectively, comprised approximately 91% and 87% of our Group's trade receivables as at 31 March 2014 and 2015. Our Directors closely monitor the subsequent settlement of the customers. In this regard, our Directors consider that our Group's credit risk is significantly reduced.

FINANCIAL INFORMATION

As at 31 March 2014 and 2015, our Group has concentration of credit risk in respect of amount due from a related company. In order to minimise the credit risk on amount due from a related company, our management continuously monitors the credit quality and financial conditions of the related company and the level of exposure to ensure that follow-up action is taken to recover overdue debts. Our Group's related company represented an entity controlled by Mr. Lam. Under such circumstances, our management considers that our Group's credit risk is not material.

Liquidity risk

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance our Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details our Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which our Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Repayable on demand	Within 1 year	1-5 years	Total undiscounted cash flows	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>As at 31 March 2014</u>						
Non-derivative financial liabilities						
Trade and bills payable	N/A	—	6,586	—	6,586	6,586
Other payables and accrued charges	N/A	—	12,188	—	12,188	12,188
Bank borrowings — floating rate	3.21	1,068	—	—	1,068	1,068
Obligations under finance leases	2.50	—	430	287	717	681
		<u>1,068</u>	<u>19,204</u>	<u>287</u>	<u>20,559</u>	<u>20,523</u>

FINANCIAL INFORMATION

	Weighted average effective interest rate	Repayable on demand	Within 1 year	1–5 years	Total undiscounted cash flows	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>As at 31 March 2015</u>						
Non-derivative financial liabilities						
Trade payable	N/A	—	1,215	—	1,215	1,215
Other payables and accrued charges	N/A	—	52,010	—	52,010	52,010
Obligations under finance leases	2.93	—	618	415	1,033	956
		—	53,843	415	54,258	54,181

Bank borrowings with a repayment on demand clause are included in the “repayable on demand” time band in the above maturity analysis. As at 31 March 2014, the aggregate carrying amounts of these bank borrowings amounted to approximately HK\$1.1 million. Taking into account our Group’s financial position, our Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Our management believes that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows would amount to approximately HK\$1.3 million for bank borrowings as at 31 March 2014 which will be repaid within one year from the end of the respective reporting period.

Interest rate risk

Our Group is exposed to fair value interest rate risk in relation to its obligations under finance lease.

Our Group’s cash flow interest rate risk primarily relates to the pledged bank deposits and bank balances as at 31 March 2014 and 2015 as well as floating-rate bank borrowings as at 31 March 2014.

Our Group has not used any interest rate swaps to mitigate our exposure associated with interest rate risk. However, our management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Our Group’s cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Dollar Prime rate arising from our Group’s HK\$ denominated bank borrowings.

FINANCIAL INFORMATION

DIVIDEND POLICY AND DISTRIBUTABLE RESERVES

For the years ended 31 March 2014 and 2015 Techoy Construction declared and paid dividends of approximately HK\$5.0 million and, HK\$9.0 million, respectively to Mr. Lam. Subsequent to 31 March 2015, we have also declared and settled special dividends of HK\$33.5 million in April 2015 and declared and paid approximately HK\$1.5 million in July 2015 respectively to Mr. Lam. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future.

After completion of the Placing, while we currently have no plans to pay dividends to the Shareholders in the foreseeable future, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including but not limited to our results of operations, financial condition, working capital, capital requirements and other factors our Board may deem relevant.

We will re-evaluate our dividend policy annually. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

As at the Latest Practicable Date, our Company has no distributable reserves available for distribution to our Shareholders.

WORKING CAPITAL

Taking into account the estimated net proceeds from the Placing of New Shares, cash flows from our operations and existing indebtedness, our Directors are of the view, and the Sole Sponsor concurs, that working capital available to our Group is sufficient for our present requirements for at least the next 12 months commencing from the date of this prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma adjusted consolidated net tangible assets of our Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Placing as if it had taken place on 31 March 2015. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of our Group after the Placing or at any future dates.

FINANCIAL INFORMATION

	Audited combined net tangible assets of our Group attributable to the owners of our Company as at 31 March 2015	Estimated net proceeds from the Placing	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company per Share
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000	HK\$ (Note 3)
Based on Placing Price of HK\$0.30 per Share	<u>55,382</u>	<u>34,991</u>	<u>90,373</u>	<u>0.11</u>
Based on Placing Price of HK\$0.40 per Share	<u>55,382</u>	<u>51,481</u>	<u>106,863</u>	<u>0.13</u>

Notes:

- (1) The audited combined net tangible assets of our Group attributable to the owners of our Company is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the issue of the New Shares pursuant to the Placing are based on 170,000,000 New Shares at the Placing Price of lower limit and upper limit of HK\$0.30 and HK\$0.40 per Placing Share, respectively, after deduction of the underwriting commissions and fees and other related fees expenses incurred and to be incurred by our Company since 1 April 2015.

The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of Offer Size Adjustment Option, the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares".

- (3) The unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company per Share is calculated based on 800,000,000 Shares in issue immediately following the completion of the Placing and the Capitalisation Issue. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of Offer Size Adjustment Option, the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares".
- (4) Assuming that the dividends of HK\$33,520,000 declared in April 2015 and HK\$1,480,000 in July 2015 had been taken into account, the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share would have been HK\$0.07 and HK\$0.09 at the Placing Price of HK\$0.3 and Placing Price of HK\$0.4 respectively, which is calculated based on 800,000,000 Shares in issue immediately following the completion of the Placing and the Capitalisation Issue.

FINANCIAL INFORMATION

No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2015.

LISTING EXPENSES

Our financial performance for the year ending 31 March 2016 will be affected by the non-recurring expenses incurred in relation to the Listing. The Listing expenses to be borne by our Group are estimated to be approximately HK\$17.1 million (assuming the Offer Size Adjustment Options are not exercised and assuming the Placing Price of HK\$0.35 per Placing Share, being the midpoint of the indicative Placing Price range of HK\$0.3 to HK\$0.4 per Placing Share), of which (i) approximately HK\$4.8 million is directly attributable to the issue of Placing Shares which is to be accounted for as a deduction from equity; (ii) approximately HK\$11.4 million is to be charged to profit or loss of our Group for the year ending 31 March 2016 and (iii) approximately HK\$0.9 million is borne by our Selling Shareholder. Such cost is a current estimate and for reference only. The final amount to be recognised to the profit or loss of our Group or to be capitalised is subject to adjustment based on audit and the changes in variables and assumptions. No listing expense was incurred during the Track Record Period as the preparation of Listing had not yet begun. Prospective investors should note that the financial performance of our Group for the year ended 31 March 2016 would be significantly affected by the estimated Listing expenses mentioned above.

MATERIAL ADVERSE CHANGE

Save as disclosed in the paragraph headed “Listing Expenses” in this section and the paragraph headed “Recent Development” in the “Summary” section of this prospectus and the one-off special dividends of HK\$33.5 million declared and settled in April 2015 and of approximately HK\$1.5 million declared and paid in July 2015, our Directors confirmed that since 31 March 2015 and up to the prospectus date, (i) there had been no material adverse change in the market conditions or the industry and environment in which our Group operates that materially and adversely affect our financial and operating position; (ii) there was no material adverse change in the trading and financial position or prospect of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I in this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

As at the Latest Practicable Date, our Directors confirm that there were no circumstances that would give rise to a disclosure requirement under Rule 17.15 to 17.21 of the GEM Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Our objectives are to achieve sustainable growth in our current business and to create long-term shareholder's value. Please refer to section headed "Business — Business Strategies" for details of our strategies.

USE OF PROCEEDS

The net proceeds from the Placing to our Company (after deduction of underwriting fees and estimated expenses payable by us in relation to the Placing, and assuming a Placing Price of HK\$0.35 per Share, being the mid-point of the proposed Placing Price range of HK\$0.3 to HK\$0.4 and the Offer Size Adjustment Option is not exercised) are estimated to be approximately HK\$43.2 million. It is estimated that the total listing expenses of approximately HK\$17.1 million will be incurred.

Our Directors presently intend to apply such net proceeds as follows:

- approximately HK\$30.3 million or approximately 70% of the net proceeds will be used for further developing our building construction and RMAA business, including to finance the issue of surety bonds for future projects. Further details of the surety bonds are set out in the paragraph headed "Surety bonds" of the section titled "Business";
- approximately HK\$2.6 million or approximately 6% of the net proceeds will be used to employ additional staff and provide staff training in order to further strengthening our manpower;
- approximately HK\$3.0 million or approximately 7% of the net proceeds will be used to invest in BIM software and relevant staff training to improve our productivity;
- approximately HK\$3.0 million or approximately 7% of the net proceeds will be used to set up a "Design and Build" section to enable us to attract more business opportunities; and
- approximately HK\$4.3 million or approximately 10% of the net proceeds will be used for general working capital and general corporate purposes.

In the event that the Offer Size Adjustment Option is exercised in full, we estimate that we will receive additional net proceeds of approximately HK\$10.2 million, assuming an Placing Price of HK\$0.35 per Share, being the mid-point of the Placing Price range stated in this prospectus. We intend to apply the additional net proceeds to the above uses on a pro-rata basis.

FUTURE PLANS AND USE OF PROCEEDS

If the Placing Price is fixed at the high end or low end of the stated Placing Price range, and assuming that the Offer Size Adjustment Option is not exercised, our net proceeds will be increased or decreased by approximately HK\$8.2 million, respectively. In this event, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

To the extent that the net proceeds from the Placing are not immediately required for the above purposes, it is the present intention of our Directors that such proceeds will be placed on short-term interest bearing deposits with authorised financial institutions in Hong Kong.

Our Directors have drawn up an implementation plan for the period up to 30 September 2017 with a view to achieve our business objectives. Our Directors and the Sole Sponsor consider that the net proceeds to be received by us from the Placing of about HK\$43.2 million and our Group's internal resources will be sufficient to finance the business plans of our Group as scheduled up to 30 September 2017.

Investors should note that our implementation plan are formulated on the bases and assumptions referred to in the paragraph headed "Bases and Key Assumptions" in this section. These bases and assumptions are inherently subject to uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed "Risk Factors" in this prospectus. Our actual course of business may vary from the business objective set out in this prospectus. There is no assurance that our plans will materialise in accordance with our expected time frame or that our objective will be accomplished. Whilst the actual course of events may invariably encounter unforeseeable changes and fluctuations, we shall use our best endeavours to anticipate changes, yet allowing for flexibility to implement the following plans.

<u>Business strategies</u>	<u>Use of proceeds</u>	<u>Implementation plan</u>
<i>For the period from the Latest Practicable Date to 31 March 2016:</i>		
Further developing our building construction and RMAA business	HK\$14.2 million ●	To undertake more building construction and RMAA projects, in particular public housing construction, maintenance and renovation projects and heritage revitalisation projects in Hong Kong, with HK\$14.2 million reserved for satisfying potential customers' requirement for surety bonds
Further strengthening our manpower	HK\$0.4 million ●	<ul style="list-style-type: none">● To employ additional staff● To sponsor our staff to attend technical seminars and/or occupational health and safety courses organised by third parties

FUTURE PLANS AND USE OF PROCEEDS

<u>Business strategies</u>	<u>Use of proceeds</u>	<u>Implementation plan</u>
Investing in BIM software and provide required staff training	HK\$1.5 million	<ul style="list-style-type: none"> ● To purchasing the BIM software from third-party providers ● To arrange for training workshops or courses for our staff members in relation to the BIM software organised by third party
Developing “design and build” services	HK\$1.5 million	<ul style="list-style-type: none"> ● Study the feasibility of setting up the “Design and Build” section ● Form the new “Design and Build” team from existing staff and recruit new staff (such as designers) where necessary
General working capital	HK\$4.3 million	<ul style="list-style-type: none"> ● To increase working capital in order to secure Government contracts

For the six months ended 30 September 2016:

Further developing our building construction and RMAA business	HK\$2.5 million	<ul style="list-style-type: none"> ● To undertake more building construction and RMAA projects, in particular RMAA and building construction projects, public housing construction, maintenance and renovation projects and heritage revitalisation projects in Hong Kong, with HK\$2.5 million reserved for satisfying potential customers’ requirement for surety bonds
Further strengthening our manpower	HK\$0.6 million	<ul style="list-style-type: none"> ● To employ additional staff ● To sponsor our staff to attend technical seminars and/or occupational health and safety courses organised by third parties
Investing in BIM software and provide required staff training	HK\$0.5 million	<ul style="list-style-type: none"> ● To maintain and/or update the BIM software ● To arrange for training workshops or courses for our staff members in relation to the BIM software organised by third party

FUTURE PLANS AND USE OF PROCEEDS

<u>Business strategies</u>	<u>Use of proceeds</u>	<u>Implementation plan</u>
Developing “design and build” services	HK\$0.5 million	<ul style="list-style-type: none"> ● Recruit new staff to join the “Design and Build” team where necessary ● Review the remuneration of staff and candidates who will join the “Design and Build” team ● Provide subsidies to the “Design and Build” team and offer internal and external training programs to the team
<i>For the six months ended 31 March 2017:</i>		
Further developing our building construction and RMAA business	HK\$12.5 million	<ul style="list-style-type: none"> ● To undertake more building construction and RMAA projects, in particular public housing construction, maintenance and renovation projects and heritage revitalisation projects in Hong Kong, with HK\$12.5 million reserved for satisfying potential customers’ requirement for surety bonds
Further strengthening our manpower	HK\$0.8 million	<ul style="list-style-type: none"> ● To employ additional staff ● To sponsor our staff to attend technical seminars and/or occupational health and safety courses organised by third parties
Investing in BIM software and provide required staff training	HK\$0.5 million	<ul style="list-style-type: none"> ● To maintain and/or update the BIM software ● To arrange for training workshops or courses for our staff members in relation to the BIM software organised by third party
Developing “design and build” services	HK\$0.5 million	<ul style="list-style-type: none"> ● Recruit new staff to join the “Design and Build” team where necessary ● Review the remuneration of staff and candidates who will join the “Design and Build” team ● Provide subsidies to the “Design and Build” team and offer internal and external training programs to the team

FUTURE PLANS AND USE OF PROCEEDS

Business strategies

Use of proceeds

Implementation plan

For the six months ended 30 September 2017:

Further developing our building construction and RMAA business	HK\$1.1 million	●	To undertake more building construction and RMAA projects, in particular, public housing construction, maintenance and renovation projects and heritage revitalisation projects in Hong Kong, with HK\$1.1 million reserved for satisfying potential customers' requirement for surety bonds
Further strengthening our manpower	HK\$0.8 million	●	To employ additional staff
		●	To sponsor our staff to attend technical seminars and/or occupational health and safety courses organised by third parties
Investing in BIM software and provide required staff training	HK\$0.5 million	●	To maintain and/or update the BIM software
		●	To arrange for training workshops or courses for our staff members in relation to the BIM software organised by third party
Developing "design and build" services	HK\$0.5 million	●	Recruit new staff to join the "Design and Build" team where necessary
		●	Review the remuneration of staff and candidates who will join the "Design and Build" team
		●	Provide subsidies to the "Design and Build" team and offer internal and external training programs to the team

FUTURE PLANS AND USE OF PROCEEDS

For the period from the Latest Practicable Date to 30 September 2017, our Group's net proceeds from the Placing of New Shares will be used as follows:

	From the latest practical date to 31 March 2016	Six months ending		Total	Approximate percentage	
		30 September 2016	31 March 2017			30 September 2017
HK\$ Million						
Further developing our building construction and RMAA business	14.2	2.5	12.5	1.1	30.3	70%
Further strengthening our manpower	0.4	0.6	0.8	0.8	2.6	6%
Investing in BIM software and provide required staff training	1.5	0.5	0.5	0.5	3.0	7%
Developing "design and build" services	1.5	0.5	0.5	0.5	3.0	7%
General working capital	4.3	—	—	—	4.3	10%
	21.9	4.1	14.3	2.9	43.2	100%

REASONS FOR THE PLACING AND USE OF PROCEEDS

Our Directors believe that the Placing will enhance our profile, strengthen our competitiveness and financial position, and provide us with additional working capital to implement our future plans as set out in the sections headed "Business — Business Strategies" and "Future Plans and Use of Proceeds — Implementation Plan" in this prospectus.

The possible use of proceeds outlined above may change in light of our evolving business needs and conditions and management requirements. In the event of any material modification to the use of proceeds as described above, we will issue an announcement and make disclosure in our annual report for the relevant year as required by the Stock Exchange.

In respect of net proceeds from the Placing of New Shares which are not immediately required for the above purpose, it is the present intention of our Directors that such proceeds will be placed on short-term interest bearing deposits with authorised financial institutions.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the net proceeds to the Selling Shareholder from the sale of the Sale Shares (after deduction of proportional underwriting commission and estimated expenses and fees payable by our Selling Shareholder in relation to the Placing) will be approximately HK\$9.6 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

BASES AND KEY ASSUMPTIONS

We have adopted the following principal assumptions in the preparation of the future plans up to 30 September 2017:

General assumptions:

- there will be no material adverse change in the existing political, legal, fiscal, market or economic conditions in Hong Kong; and
- there will be no material change in the bases or rates of taxation and duties in Hong Kong.

Specific assumptions:

- we will have sufficient financial resources to meet the planned capital and business development requirements during the period to which the business objective relates;
- the Placing will be completed in accordance with and as described in the section headed “Structure and Conditions of the Placing” in this prospectus;
- our Directors and key senior management will continue to be involved in the development of our existing and future development and we will be able to retain our key management personnel;
- we will be able to recruit additional key management personnel and staff when required;
- there will be no change in the funding requirement for each of the business strategies described in this prospectus from the amount as estimated by our Directors;
- we will not be materially and adversely affected by the risk factors as set out in the section headed “Risk Factors” in this prospectus; and
- we will be able to continue our operations in substantially the same manner as we have been operating during the Track Record Period and we will also be able to carry out our implementation plans without disruptions.

UNDERWRITING

JOINT GLOBAL COORDINATORS

Innovax Capital Limited and South China Securities Limited

JOINT UNDERWRITERS, JOINT BOOKRUNNERS AND JOINT LEAD MANAGERS

Innovax Capital Limited and South China Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company will conditionally place the Placing Shares with institutional, professional and/or other investors at the Placing Price subject to the terms and conditions in the Underwriting Agreement and this prospectus. Subject to, among other conditions, (i) the Listing Division of the Stock Exchange granting the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus, (ii) the Price Determination Agreement being entered into on or before the Price Determination Date, and to certain other conditions set out in the Underwriting Agreement being fulfilled, the Joint Underwriters has agreed to subscribe for or procure subscribers for their respective applicable proportions of the Placing Shares on the terms and conditions under the Underwriting Agreement and in this prospectus.

Grounds for termination

The Joint Global Coordinators (for themselves and on behalf of the Joint Underwriters and the Sole Sponsor) shall have the absolute right upon giving a written notice to our Company (on behalf of the other parties thereto other than the Joint Underwriters and the Sole Sponsor) to terminate the Underwriting Agreement if any of the following events occur at any time prior to 8:00 a.m. on the Listing Date (which is expected to be on Friday, 9 October 2015):

- (a) there comes to the notice of the Sole Sponsor, the Joint Global Coordinators or the Joint Underwriters:
 - (i) that any statement contained in this prospectus, the formal notice in the agreed form to require to be published in connection with the Placing under Chapter 16 of the GEM Listing Rules (the “**Formal Notice**”) and any announcements issued by our Company in connection with the Placing (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respects, or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, as of its date, the Formal Notice and/or any announcements issued by our Company in connection with the Placing (including any supplement or amendment thereto) are not fair or honest, or based on reasonable assumptions, when taken as a whole; or

UNDERWRITING

- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus and having not been disclosed in this prospectus, constitute a material omission therefrom; or
 - (iii) any material breach of any of the obligations imposed upon any party to this Agreement (other than on the Joint Underwriters); or
 - (iv) any event, act or omission which gives rise to any liability of any of the indemnifying parties pursuant to the Underwriting Agreement; or
 - (v) any material adverse change or development involving a material prospective change (whether permanent or not) in the assets, liabilities, conditions, business affairs, prospects, profits, losses or financial or trading position or performance of any member of our Group to the extent such change or development is not disclosed in this prospectus, as of its date; or
 - (vi) any breach of, or any event rendering untrue or incorrect in any material respect in, any of the warranties set out in the Underwriting Agreement in any respects; or
 - (vii) approval by the Listing Division of the listing of, and permission to deal in, the Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of (I) the Offer Size Adjustment Option and (II) the option which may be granted under the Share Option Scheme) under the Placing is refused or not granted, other than subject to customary conditions, on or before the date of approval of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (viii) the Company withdraws this prospectus or the Placing; and
- (b) there shall develop, occur, exist or come into effect:
- (i) any event or series of events, in the nature of force majeure, including, without limitation, any acts of government, declaration of a national or international emergency, calamity, crisis, epidemic, pandemic, outbreak of infectious disease (including but not limited to SARS, MERS, H1N1 flu, H7N9, H5N1 and such other related/mutated forms), accident or interruption or delay in transportation, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, riots, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), outbreak or escalation of hostilities (whether or not war is declared) or acts of God in Hong Kong); or

UNDERWRITING

- (ii) any change or development involving a prospective change or any event or series of events likely to result in change in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions or any monetary or trading settlement system or matters and/or disaster (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, imposition or declaration of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the Shanghai Stock Exchange, or a devaluation of Hong Kong dollars or the United States dollars against any foreign currencies, or any general moratorium on banking activities or disruption in commercial banking activities or foreign exchange or securities settlement or clearance services or procedures in or affecting Hong Kong; or
- (iii) any general moratorium on commercial banking activities in Hong Kong which may affect the operation of our Group, or there is a disruption in commercial banking or securities settlement or clearance services in Hong Kong; or
- (iv) any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, BVI and the Cayman Islands; or
- (v) the imposition of economic or other sanctions, in whatever form, directly or indirectly, by, or for Hong Kong; or
- (vi) a change or development occurs involving a prospective change in taxation or exchange control, currency exchange conditions or foreign investment regulations (or the implementation of any exchange control) in Hong Kong, BVI and the Cayman Islands and adversely affecting an investment in the Shares; or
- (vii) any litigation or claim of any third party being threatened or instigated against any member of our Group; or
- (viii) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (ix) a contravention by any member of our Group of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law, the SFO, or the GEM Listing Rules, including any non-compliance of this prospectus or any aspect of the Placing with the GEM Listing Rules or any other applicable law or regulation; or

UNDERWRITING

- (x) a prohibition on our Company or our Selling Shareholder for whatever reason from allotting or selling the Shares (including any Shares which may be allotted and issued upon exercise of (I) the Offer Size Adjustment Option, or (II) the option which may be granted under the Share Option Scheme) pursuant to the terms of the Placing; or
- (xi) other than with the approval of the Joint Global Coordinators (for themselves and on behalf of the Joint Underwriters), the issue or requirement to issue by the Company of a supplementary prospectus (or any other documents used in connection with the Placing) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, or the GEM Listing Rules; or
- (xii) a petition is presented or an order is made for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group;

which, in any such case and in the sole opinion of the Joint Global Coordinators:

- (A) has or is likely to or will individually or in aggregate have a material adverse effect on the business, financial condition or trading position or prospects of our Group as a whole; or
- (B) has or is likely to or will have a material adverse effect on the success of the Placing or the level of interest under the Placing; or
- (C) makes or is likely to or will make it inadvisable or inexpedient or impracticable for the Placing to proceed or to market the Placing; or
- (D) has or would or will or is likely to have the effect of making any part of the Underwriting Agreement or the Placing (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Placing or pursuant to the underwriting thereof.

UNDERWRITING

Undertakings to the Stock Exchange

Undertakings by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company undertakes to the Stock Exchange that save as pursuant to the Placing (including the exercise of the Offer Size Adjustment Option) and the grant and exercise of the options under the Share Option Scheme, no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) will be issued by us, or form the subject of any agreement by us to such an issue, within six months from the date on which the Shares first commence dealing on the GEM (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except for the circumstances permitted pursuant to Rules 17.29(1) to (5) of the GEM Listing Rules.

Undertakings by our Controlling Shareholders

Each of the Controlling Shareholders undertakes to our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Underwriters and the Stock Exchange that, except for the circumstances permitted pursuant to Rule 13.18 of the GEM Listing Rules, he/it shall not, and shall procure that the relevant registered holder(s) shall not,

- (a) within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner; and
- (b) within the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder.

Each of the Controlling Shareholder further undertakes to our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Underwriters and the Stock Exchange that he/it shall, and shall procure that the relevant registered holder(s) shall,

- (c) in the event that he/it pledges or charges any direct or indirect interest in the Shares pursuant to a pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange

UNDERWRITING

pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the First Six-Month Period, inform our Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and

- (d) having pledged or charged any interest in the Shares under (c) above, inform our Company immediately in the event that he/it becomes aware that the pledgee or charge has disposed of or intends to dispose of such interest and of the number of Shares affected.

Our Company shall, upon being informed of any matter under (c) or (d) above, forthwith publish an announcement giving details of the same in accordance with the GEM Listing Rules.

Undertakings to the Sole Sponsor, the Joint Global Coordinators and the Joint Underwriters

Undertakings by our Company

Our Company undertakes to and covenants with the Sole Sponsor, the Joint Global Coordinators and the Joint Underwriters, and each of the Controlling Shareholders and the executive Directors undertakes to and covenants with the Sole Sponsor, Joint Global Coordinators and the Joint Underwriters to procure that, during the First Six-Month Period, save with the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Joint Underwriters and the Sole Sponsor) and in compliance with the GEM Listing Rules and the applicable laws, and save pursuant to the Placing, the exercise of (i) the Offer Size Adjustment Option; (ii) the options to be granted under the Share Option Scheme; or (iii) any other share option scheme of our Company adopted from time to time, neither our Company nor any member of our Group from time to time shall:

- (a) offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of our subsidiaries), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction;
- (b) except for using securities of our Company beneficially owned by the Controlling Shareholders as security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan or such other circumstances as permitted under the GEM Listing Rules, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly,

UNDERWRITING

conditionally or unconditionally, any Shares or other securities of our Company or any interest therein of the Controlling Shareholders (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company;

- (c) at any time within the Second Six-Month Period do any of the acts set out in paragraph (a) and (b) above such that each of the Controlling Shareholders, directly or indirectly, would cease to be a Controlling Shareholder; and
- (d) offer to or agree to do any of the foregoing or announce any intention to do so, other than the Placing Shares or any Shares to be issued pursuant to the Offer Size Adjustment Option or any Shares which may fall to be issued pursuant to the grant or the exercise of any options under the Share Option Scheme or any consolidation, sub-division or capital reduction of Shares or by way of scrip dividend schemes or other similar schemes in accordance with the articles of association of the Company and the GEM Listing Rules or otherwise approved by the Stock Exchange.

Total commission, fee and expenses

In connection with the Placing, the Joint Underwriters will receive an underwriting commission of 3% of the aggregate Placing Price of all the Placing Shares, out of which they will pay any sub-underwriting commissions. If any of Offer Size Adjustment Option is exercised, the underwriting commission will be calculated in the same manner with the Placing Shares initially available for subscription. In connection with the Listing, the Sole Sponsor will receive a sponsorship and documentation fee.

The aggregate commissions and estimated expenses, together with Listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Placing are estimated to be approximately HK\$16.8 million to HK\$17.4 million (assuming the Offer Size Adjustment Option is not exercised and the Placing Price ranging from HK\$0.30 to HK\$0.40 per Share) and are payable by our Company and our Selling Shareholder in proportion to the amount of the Placing Shares issued or sold by each of them under the Placing. Stamp duty (if any) payable in respect of the Sale Shares shall be borne by our Selling Shareholder.

Our Company has agreed to indemnify the Sole Sponsor, the Joint Global Coordinators and the Joint Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Underwriting Agreement, and any breach by our Company of the Underwriting Agreement.

UNDERWRITING

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

SOLE SPONSOR'S, JOINT GLOBAL COORDINATOR'S AND JOINT UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their interests and obligations under the Underwriting Agreement and the sponsorship fee payable to the Sole Sponsor in respect of the Listing, none of the Sole Sponsor, the Joint Global Coordinators and the Joint Underwriters are 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.

JOINT GLOBAL COORDINATOR'S AND JOINT UNDERWRITERS' INTEREST IN OUR COMPANY

The Joint Global Coordinators and the Joint Underwriters will receive an underwriting commission of 3% of the aggregate Placing Price payable for the Placing Shares. Particulars of these commissions and expenses are set forth in the sub-section headed "Total commission, fee and expenses" above in this section.

Save as disclosed above, none of the Joint Global Coordinators and the Joint Underwriters are interested legally or beneficially in shares of any of our Group's members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of its members nor any interest in the Placing.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the Placing.

STRUCTURE AND CONDITIONS OF THE PLACING

PLACING

Subject to the exercise of the Offer Size Adjustment Options, our Company is initially offering 170,000,000 New Shares for subscription by way of the Placing and our Selling Shareholder is offering for sale 30,000,000 Sale Shares by way of Placing, in aggregate representing approximately 25% of the issued share capital of our Company upon completion of the Placing. The Placing Shares will be fully underwritten by the Joint Underwriters pursuant to the Underwriting Agreement subject to the Placing Price being fixed by agreement between our Company (for ourselves and on behalf of our Selling Shareholder) and the Joint Global Coordinators (for themselves and on behalf of the Joint Underwriters) on the Price Determination Date.

The Joint Underwriters or agent(s) nominated by them on behalf of our Company will conditionally place the Placing Shares at the Placing Price plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% with professional, institutional and individual investors.

CONDITIONS OF THE PLACING

The Placing will be conditional upon, among others:

- (a) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus;
- (b) the Price Determination Agreement being entered into on or before the Price Determination Date; and
- (c) the obligations of the Joint Global Coordinators and the Joint Underwriters under the Underwriting Agreement becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Global Coordinators and the Joint Underwriters, and such obligations not having been terminated in accordance with the terms of the Underwriting Agreement),

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If these conditions are not fulfilled or (where applicable) waived by the Joint Global Coordinators and the Joint Underwriters on or before the day which is the 30th day after the date of this prospectus, the Placing shall lapse and the Stock Exchange will be notified immediately. Notice of lapse of the Placing will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.thelloy.com on the next business day after such lapse.

STRUCTURE AND CONDITIONS OF THE PLACING

PLACING PRICE

The Placing Price will not be more than HK\$0.40 per Share and not less than HK\$0.30 per Share. Investors, when investing for the Shares, shall pay the Placing Price plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% amounting to a total of HK\$3,232.25 for every board lot of 8,000 Shares.

The Placing Price will be fixed by an agreement expected to be entered into between our Company (for ourselves and on behalf of our Selling Shareholder) and the Joint Global Coordinators (for themselves and on behalf of the Joint Underwriters) on the Price Determination Date which is scheduled on or about Friday, 2 October 2015 (or such later date as may be agreed between our Company (for ourselves and on behalf of our Selling Shareholder) and the Joint Global Coordinators (for themselves and on behalf of the Joint Underwriters)). If our Company (for ourselves and on behalf of our Selling Shareholder) and the Joint Global Coordinators (for themselves and on behalf of the Joint Underwriters) are unable to reach an agreement on the Placing Price by the Price Determination Date or such later date as may be agreed, or the Price Determination Agreement is not signed, the Placing will not become unconditional and will lapse. Prospective investors of the Placing Shares should be aware that the Placing Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative range of the Placing Price as stated in this prospectus.

If, the Joint Global Coordinators and the Joint Underwriters with the consent of our Company consider it appropriate (for instance, if the level of interest is below the indicative Placing Price range), the indicative Placing Price range may be reduced below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company shall, as soon as practicable following the decision to make such reduction, and in any event not later than 9:00 a.m. on the Price Determination Date publish an announcement on the reduction of the indicative Placing Price range on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.thelloy.com. The level of indication of interests in the Placing and the basis of allocations of the Placing Shares will be announced on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.thelloy.com at or before 9:00 a.m. on Thursday, 8 October 2015.

BASIS OF ALLOCATION

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell his/her/its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole. In particular, the Placing Shares will be allocated in accordance with Rule 11.23(8) of the GEM Listing Rules such that not more than 50% of the Shares in public hands at the time of the Listing will be owned by the three largest public Shareholders. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

STRUCTURE AND CONDITIONS OF THE PLACING

Subject to prior written consent of the Stock Exchange, no allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on Friday, 9 October 2015. The Shares will be traded in board lot of 8,000 Shares each and are freely transferrable. The stock code for our Shares is 8122.

No temporary documents or evidence of title will be issued.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

OFFER SIZE ADJUSTMENT OPTION

In connection with the Placing, our Company granted to the Joint Global Coordinators (for themselves and on behalf of the Joint Underwriters) the Offer Size Adjustment Option to cover over-allocations under the Placing (if any). Pursuant to the Offer Size Adjustment Option, our Company may be required to allot and issue, at the final Placing Price, up to an aggregate of 30,000,000 additional new Shares, representing 15% of the Placing Shares initially available under the Placing. The Offer Size Adjustment Option can only be exercised by the Joint Global Coordinators (for themselves and on behalf of the Joint Underwriters) prior to the Listing Date; otherwise it will lapse. The Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option will not be used for price stabilisation purpose and are not subject to the Securities and Futures (Price Stabilising) Rules of the SFO (Chapter 571W of the Laws of Hong Kong).

If the Offer Size Adjustment Option is exercised in full, the additional Placing Shares will represent approximately 3.61% of the enlarged issued share capital of our Company in issue following completion of the Capitalisation Issue, the Placing and the exercise of the Offer Size Adjustment Option but without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.

STRUCTURE AND CONDITIONS OF THE PLACING

The additional net proceeds that we would receive if the Offer Size Adjustment Option is exercised in full (assuming the Placing Price of HK\$0.35 per Share (being the mid-point of the indicative Placing Price range)) are estimated to be approximately HK\$10.2 million, which would be applied to the respective uses as disclosed in the section headed “Future Plans and Use of Proceeds — Use of Proceeds” on a pro-rata basis.

We will disclose in the allotment results announcement whether the Offer Size Adjustment Option is exercised.



德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

30 September 2015

The Directors
Thelloy Development Group Limited

Innovax Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Thelloy Development Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the two years ended 31 March 2015 (the “Relevant Periods”), for inclusion in the prospectus of the Company dated 30 September 2015 in connection with the proposed listing of the Company’s shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Prospectus”).

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Cayman Companies Law on 28 May 2015. Through a group reorganisation as more fully explained in the section headed “History, Reorganisation and Corporate Structure” to the Prospectus (the “Reorganisation”), the Company became the holding company of the Group on 22 September 2015.

Particulars of the Company’s subsidiaries at the end of each reporting period and at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and full paid share capital	Attributable equity interest of the Group as at		date of this report	Principal activities
				31 March			
				2014	2015		
Techoy Holding Limited (“Techoy Holding”)	The British Virgin Islands (“BVI”) 28 May 2015	Hong Kong	US\$1	—	—	100%	Investment holding
Techoy Construction Company Limited (“Techoy Construction”)	Hong Kong 2 July 1982	Hong Kong	31 March 2014: HK\$16,000,000 31 March 2015: HK\$18,800,000	100%	100%	100%	Property construction in Hong Kong

All the companies comprising the Group have adopted 31 March as their financial year end date.

We have acted as the statutory auditor of Techoy Construction and undertaken an independent audit on the statutory financial statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the year ended 31 March 2015. The statutory financial statements of Techoy Construction for the year ended 31 March 2014 were audited by Alliance & Associate Certified Public Accountants, a firm of certified public accountants registered in Hong Kong. The statutory financial statements of Techoy Construction for the each of the two years ended 31 March 2015 (therein after referred to as the “Underlying Financial Statements”) are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

We examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements on the basis of presentation set out in note 1 of Section A below after making such adjustments as considered appropriate for the purpose of the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of Techoy Construction who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 March 2014 and 2015, and of the financial performance and combined cash flows of the Group for the Relevant Periods.

(A) FINANCIAL INFORMATION

Combined Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 March	
		2014	2015
		HK\$'000	HK\$'000
Revenue	7	172,221	207,031
Direct costs		<u>(147,970)</u>	<u>(176,953)</u>
Gross profit		24,251	30,078
Other income		120	212
Other gains and losses		(108)	165
Administrative expenses		(8,949)	(8,940)
Finance costs	9	<u>(465)</u>	<u>(203)</u>
Profit before taxation	10	14,849	21,312
Income tax expense	11	<u>(2,503)</u>	<u>(3,516)</u>
Profit and total comprehensive income for the year attributable to the owners of the Company		<u>12,346</u>	<u>17,796</u>

Combined Statements of Financial Position

	Notes	As at 31 March	
		2014	2015
		HK\$'000	HK\$'000
Non-current assets			
Plant and equipment	14	<u>1,137</u>	<u>1,604</u>
Current assets			
Trade receivables	15	7,733	20,693
Other receivables, deposits and prepayments	16	5,078	12,430
Amounts due from customers for contract work	17	760	—
Amount due from a director	18	130	—
Amount due from a related company	18	33,719	33,520
Pledged bank deposits	19	3,000	3,024
Bank balances and cash	19	<u>34,922</u>	<u>55,598</u>
		<u>85,342</u>	<u>125,265</u>
Current liabilities			
Trade and bills payables	20	6,586	1,215
Other payables and accrued charges	21	12,188	52,010
Amounts due to customers for contract work	17	17,522	10,660
Tax payable		4,648	6,646
Obligations under finance leases	22	400	581
Bank borrowings	23	<u>1,068</u>	<u>—</u>
		<u>42,412</u>	<u>71,112</u>
Net current assets		<u>42,930</u>	<u>54,153</u>
Total assets less current liabilities		<u>44,067</u>	<u>55,757</u>
Non-current liabilities			
Obligations under finance leases	22	<u>281</u>	<u>375</u>
Net assets		<u>43,786</u>	<u>55,382</u>
Capital and reserve			
Issued share capital	24	16,000	18,800
Accumulated profits		<u>27,786</u>	<u>36,582</u>
Equity attributable to owners of the Company		<u>43,786</u>	<u>55,382</u>

Combined Statements of Changes In Equity

	Attributable to owner of the Company			Non- controlling interests	Total
	Issued share capital	Accumulated profits	Total		
	HK\$'000	HK\$'000	HK\$'000		
At 1 April 2013	16,000	20,440	36,440	135	36,575
Profit and total comprehensive income for the year	—	12,346	12,346	—	12,346
Disposal of subsidiaries	—	—	—	(135)	(135)
Dividend paid (<i>note 12</i>)	—	(5,000)	(5,000)	—	(5,000)
At 31 March 2014	16,000	27,786	43,786	—	43,786
Profit and total comprehensive income for the year	—	17,796	17,796	—	17,796
Dividend paid (<i>note 12</i>)	—	(9,000)	(9,000)	—	(9,000)
Issue of shares	2,800	—	2,800	—	2,800
At 31 March 2015	<u>18,800</u>	<u>36,582</u>	<u>55,382</u>	<u>—</u>	<u>55,382</u>

Combined Statements of Cash Flows

	Year ended 31 March	
	2014	2015
	HK\$'000	HK\$'000
	Note	
OPERATING ACTIVITIES		
Profit before taxation	14,849	21,312
Adjustments for:		
Depreciation of plant and equipment	499	664
Gain on disposal of plant and equipment	—	(165)
Loss on disposal/dissolution of subsidiaries, net	108	—
Bank interest income	—	(92)
Finance costs	465	203
	<u>15,921</u>	<u>21,922</u>
Operating cash flows before movements in working capital	15,921	21,922
Increase (decrease) in amounts due to customers of contract work, net	6,087	(6,102)
Decrease (increase) in trade receivables	9,331	(12,960)
Increase in other receivables, deposits and prepayments	(419)	(7,352)
Increase (decrease) in trade and bills payables	3,888	(5,371)
(Decrease) increase in other payables and accrued charges	<u>(19,264)</u>	<u>39,822</u>
	15,544	29,959
Cash generated from operations	15,544	29,959
Income tax paid	<u>(867)</u>	<u>(1,518)</u>
	14,677	28,441
NET CASH FROM OPERATING ACTIVITIES	<u>14,677</u>	<u>28,441</u>

	Note	Year ended 31 March	
		2014	2015
		HK\$'000	HK\$'000
INVESTING ACTIVITIES			
Bank interest received		—	92
Purchases of plant and equipment		—	(331)
Proceeds from disposal of plant and equipment		—	165
Repayment from a director		34,246	10,017
Advance to a director		(34,376)	(9,887)
Advance to related companies		(27,504)	(77,619)
Repayment from related companies		19,592	77,818
Net cash outflow from disposal of a subsidiary	26	(301)	—
Placement of pledged bank deposits		(3,000)	(24)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(11,343)	231
FINANCING ACTIVITIES			
Interest paid		(465)	(203)
Issue of shares of Techoy Construction		—	2,800
Repayment of obligations under finance leases		(376)	(525)
Repayment of bank borrowings		(1,245)	(1,068)
Repayment to a related company		(16,000)	—
Dividend paid		(5,000)	(9,000)
NET CASH USED IN FINANCING ACTIVITIES		(23,086)	(7,996)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(19,752)	20,676
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		54,674	34,922
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		34,922	55,598

Notes to Financial Information

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on 28 May 2015. The address of the Company's registered office and the principal place of business is disclosed in the paragraph headed "Corporate Information" to the Prospectus.

Before the completion of the Reorganisation, Techoy Construction is wholly owned by Mr. Lam Kin Wing Eddie ("Mr. Lam").

In preparation of the listing of the Company's shares on the Growth Enterprise Market of the Stock Exchange (the "Listing"), the companies comprising the Group underwent the Reorganisation as described below.

1. On 28 May 2015, Cheers Mate Holding Limited ("Cheers Mate") was incorporated in the BVI as a limited liability company with an authorised share capital of 50,000 shares with no par value. At the time of incorporation, Cheers Mate was wholly-owned by Mr. Lam.
2. On 28 May 2015, the Company was incorporated as an exempted company with limited liability with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each under the laws of the Cayman Islands. Upon incorporation of the Company, one share was allotted and issued at par to a nominee company, Mapcal Limited, as the initial subscriber, which was then be transferred to Cheers Mate.
3. On 28 May 2015, Techoy Holding was incorporated in the BVI as a limited liability company with an authorised share capital of 50,000 shares with no par value. On 11 June 2015, one share of Techoy Holding was allotted and issued to the Company.
4. On 22 September 2015, through a share swap agreement, Mr. Lam transferred all his shares in Techoy Construction to Techoy Holding in consideration of and exchange for (i) the allotment and issue of a total of 99 shares in Techoy Holding, credited as fully paid to the Company; (ii) the allotment and issue of 99 shares in the Company, credited as fully paid at par, to Cheers Mate; and (iii) the allotment and issue of 99 shares in Cheers Mate, credited as fully paid to Mr. Lam. As a result, Techoy Construction became a direct wholly-owned subsidiary of Techoy Holding.
5. On 22 September 2015, the authorised share capital of our Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of 1,962,000,000 shares.

Pursuant to the Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group by interspersing the Company and Techoy Holding between Mr. Lam and Techoy Construction. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the combined financial statements have been prepared as if the Company had always been the holding company of the Group.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Relevant Periods and the combined statements of financial position as at 31 March 2014 and 2015 are prepared as if the current group structure had been in existence throughout the Relevant Periods.

The Financial Information is presented in HK\$, which is also the functional currency of companies comprising the Group.

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently adopted the HKFRSs issued by the HKICPA that are effective for the Group's financial year beginning on 1 April 2014 throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new and revised HKFRSs which are not yet effective.

HKFRS 9	Financial instruments ¹
HKFRS 14	Regulatory deferral accounts ⁶
HKFRS 15	Revenue from contracts with customers ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁴
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ⁴
Amendments to HKAS 1	Disclosure Initiative ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ⁴
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ⁴
Amendments to HKAS 19	Defined benefit plans: Employee contributions ²
Amendments to HKAS 27	Equity method in separate financial statements ⁴
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle ³
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle ²
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle ⁴

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 July 2014.

³ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

⁴ Effective for annual periods beginning on or after 1 January 2016.

⁵ Effective for annual periods beginning on or after 1 January 2017.

⁶ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

HKFRS 15 “Revenue from contracts with customers”

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company are in the process of assessing the impact of HKFRS 15 and consider that it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company anticipates that the application of other new and revised HKFRSs will have no material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis and in accordance with the following accounting policies which conform to HKFRSs issued by the HKICPA. In addition, the Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of Hong Kong Accounting Standards ("HKAS") 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of combination

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable.

Revenue from construction contracts is based on the stage of completion at the end of the reporting period. The percentage of completion is determined using methods that measure reliably the work performed. The methods used include reference to surveys of work performed or the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment loss on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, measured based on the proportion that revenue recognised with reference to surveys of work performed to date relative to the estimated total contract revenue or the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts billed for work performed but not yet paid by the customer are included in the combined statements of financial position under trade receivables.

Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and deposits, amounts due from a related company and a director, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on trade receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Financial liabilities

The Group's financial liabilities including trade and bills payables, other payables and accrued charges and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") as defined contribution plan are recognised as an expense when employees have rendered service entitling them to the contributions.

Leasing

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the combined statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Construction contract

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.

Recognised amounts of construction contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes bank borrowings as disclosed in note 23, and equity of the Group, comprising issued share capital and accumulated profits.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of borrowings or the repayment of the existing borrowings.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 March	
	2014	2015
	HK\$'000	HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	<u>84,464</u>	<u>124,401</u>
Financial liabilities		
Amortised cost	19,842	53,225
Obligations under finance leases	<u>681</u>	<u>956</u>

Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables and deposits, amounts due from a director and related companies, pledged bank deposits and bank balances and cash, trade and bills payables, other payables and accrued charges, obligations under finance leases and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group has limited currency exposure as both the sales and direct costs were denominated in the functional currency of the respective group entity. Accordingly, the management considers that the Group's exposure to foreign currency risk is minimal.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its obligations under finance lease (note 22).

The Group's cash flow interest rate risk primarily relates to the pledged bank deposits and bank balances (note 19) as at 31 March 2014 and 2015 as well as floating-rate bank borrowings (note 23) as at 31 March 2014.

The Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Dollar Prime rate arising from the Group's HK\$ denominated bank borrowings.

Sensitivity analysis

In the opinion of management of the Group, the expected change in interest rate will not have significant impact on the interest income or expenses on bank balances and bank borrowings, hence sensitivity analysis is not presented.

Credit risk

The Group's credit risk is primarily attributable to trade receivables, other receivables and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position at the end of the reporting period.

The Group's customers are mainly government departments/organisation and thus credit risk is considered to be low. Except for the customers of government departments/organisation which the management considers are of good credit quality, management adopted a policy on providing credit period to new customers. A credit investigation, including assess to financial information, advice from business partners in relation to potential customers and credit search, would be performed. The level of credit granted must not exceed a predetermined level set by the management and approvals must be documented in writing. Credit evaluation is performed on a regular basis. Any excess over credit limits must be approved by management in writing and there is a team of staff are designated for collection of receivables.

The Group has concentration of credit risks with exposure limited to certain customers. Top two customers amounting to HK\$7,002,000 and HK\$17,921,000, respectively, comprised approximately 91% and 87% of the Group's trade receivables as at 31 March 2014 and 2015. The directors closely monitor the subsequent settlement of the customers. In this regard, the directors consider that the Group's credit risk is significantly reduced.

As at 31 March 2014 and 2015, the Group has concentration of credit risk in respect of amount due from a related company. In order to minimise the credit risk on amount due from a related company, the Group's management continuously monitors the credit quality and financial conditions of the related company and the level of exposure to ensure that follow-up action is taken to recover overdue debts. The Group's related company represented an entity controlled by Mr. Lam. Under such circumstances, the Group's management considers that the Group's credit risk is not material.

The credit risk for pledged bank deposits and bank balances is considered as not material as such amounts are placed in banks with good reputations.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Repayable on demand	Within 1 year	1–5 years	Total undiscounted cash flows	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2014						
Non-derivative financial liabilities						
Trade and bills payable	N/A	—	6,586	—	6,586	6,586
Other payables and accrued charges	N/A	—	12,188	—	12,188	12,188
Bank borrowings — floating rate	3.21%	1,068	—	—	1,068	1,068
Obligations under finance leases	2.50%	—	430	287	717	681
		<u>1,068</u>	<u>19,204</u>	<u>287</u>	<u>20,559</u>	<u>20,523</u>

	Weighted average effective interest rate	Repayable on demand	Within 1 year	1–5 years	Total undiscounted cash flows	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2015						
Non-derivative financial liabilities						
Trade payable	N/A	—	1,215	—	1,215	1,215
Other payables and accrued charges	N/A	—	52,010	—	52,010	52,010
Obligations under finance leases	2.93%	—	618	415	1,033	956
		—	53,843	415	54,258	54,181

Bank borrowings with a repayment on demand clause are included in the “repayable on demand” time band in the above maturity analysis. As at 31 March 2014, the aggregate carrying amounts of these bank borrowings amounted to HK\$1,068,000. Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management believes that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows would amount to HK\$1,271,000 for bank borrowings as at 31 March 2014 which will be repaid within one year from the end of the respective reporting period.

Fair value of financial instruments

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from the construction contracts by the Group to external customers. The Group’s operations is solely derived from construction services in Hong Kong during the Relevant Periods. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive of the Group) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 3. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Geographical information

No geographical information is presented as the Group’s revenue are all derived from Hong Kong based on the location of services delivered and the Group’s plant and equipment amounting to HK\$1,137,000 and HK\$1,604,000 as at 31 March 2014 and 2015 respectively are all located in Hong Kong by physical location of assets.

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the Relevant Periods is as follows:

	<u>Year ended 31 March</u>	
	<u>2014</u>	<u>2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
The Government of the Hong Kong Special Administrative Region:		
— Architectural Services Department	146,576	43,162
— Hospital Authority	N/A	105,879
An international school in Hong Kong	<u>N/A</u>	<u>29,766</u>

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS**(a) Directors' and chief executive's emoluments**

During the Relevant Periods, the emoluments paid or payable by the entities comprising the Group to the Company's executive directors were as follows:

	<u>Mr. Lam</u>	<u>Mr. Shut Yu Hang ("Mr. Shut")</u>	<u>Total</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
	<u>(Note a)</u>	<u>(Note b)</u>	
Year ended 31 March 2014			
Fees	—	—	—
Other emoluments			
Salaries and other benefits	1,320	864	2,184
Bonus (<i>note c</i>)	500	220	720
Retirement benefit scheme contributions	<u>15</u>	<u>15</u>	<u>30</u>
Total emoluments	<u>1,835</u>	<u>1,099</u>	<u>2,934</u>
	<u>Mr. Lam</u>	<u>Mr. Shut</u>	<u>Total</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Year ended 31 March 2015			
Fees	—	—	—
Other emoluments			
Salaries and other benefits	1,470	915	2,385
Bonus (<i>note c</i>)	500	300	800
Retirement benefit scheme contributions	<u>13</u>	<u>18</u>	<u>31</u>
Total emoluments	<u>1,983</u>	<u>1,233</u>	<u>3,216</u>

Notes:

- (a) Mr. Lam was appointed as executive director of the Company on 28 May 2015 and he acts as chief executive of the Group. Mr. Lam is also the sole director of Techoy Construction during the Track Record Period.

- (b) Mr. Shut was appointed as executive director of the Company on 30 June 2015.
- (c) The discretionary bonus is determined by reference to their duties and responsibilities within the Group and the Group's performance.

During the Relevant Periods, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. The directors of the Company did not waive any remuneration during the Relevant Periods.

(b) Employees' emoluments

The five highest paid individuals included both directors of the Company whose emoluments are included in the disclosures in (a) above for the both years. The emoluments of the remaining three individuals for the year ended 31 March 2014 and 2015, respectively were as follows:

	<u>Years ended 31 March</u>	
	<u>2014</u>	<u>2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Salaries and other benefits	1,929	2,037
Bonus	535	640
Retirement benefit scheme contributions	45	52
	<u>2,509</u>	<u>2,729</u>

Their emoluments were within the following bands:

	<u>2014</u>	<u>2015</u>
	<u>Number of employees</u>	<u>Number of employees</u>
Nil to HK\$1,000,000	1	2
HK\$1,000,001 to HK\$1,500,000	<u>2</u>	<u>1</u>
	<u>3</u>	<u>3</u>

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. FINANCE COSTS

	<u>Year ended 31 March</u>	
	<u>2014</u>	<u>2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
The finance costs represent interest on:		
— bank borrowings wholly repayable within five years	411	150
— obligations under finance leases wholly repayable within five years	<u>54</u>	<u>53</u>
	<u>465</u>	<u>203</u>

10. PROFIT BEFORE TAXATION

	<u>Year ended 31 March</u>	
	<u>2014</u>	<u>2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	44	200
Depreciation of plant and equipment	499	664
Directors' remuneration (<i>note 8</i>)	2,934	3,216
Other staff costs		
Salaries and other benefits	16,081	18,589
Retirement benefits scheme contributions	613	694
Total staff costs	19,628	22,499
Lease payments under operating leases in respect of buildings	655	1,302
Bank interest income (included in other income)	—	(92)
Loss on disposal/dissolution of subsidiaries, net (included in other gains and losses)	108	—
Gain on disposal of plant and equipment (included in other gains and losses)	—	(165)
	<u>—</u>	<u>(165)</u>

11. INCOME TAX EXPENSE

	<u>Years ended 31 March</u>	
	<u>2014</u>	<u>2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Hong Kong Profits Tax:		
Current tax	(2,514)	(3,526)
Overprovision in prior years	11	10
	<u>(2,503)</u>	<u>(3,516)</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The tax charge for the Relevant Periods can be reconciled to the profit before taxation as follows:

	<u>Years ended 31 March</u>	
	<u>2014</u>	<u>2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Profit before taxation	<u>14,849</u>	<u>21,312</u>
Tax at the domestic income tax rate	(2,450)	(3,516)
Tax effect of expenses not deductible for tax purpose	(43)	(18)
Tax effect of income not taxable for tax purpose	7	15
Tax effect of deductible temporary differences not recognised	(28)	(7)
Overprovision in prior years	<u>11</u>	<u>10</u>
Tax charge for the year	<u>(2,503)</u>	<u>(3,516)</u>

12. DIVIDENDS

During the years ended 31 March 2014 and 2015, Techoy Construction declared and paid dividends of HK\$5,000,000 (HK\$0.3125 per share) and HK\$9,000,000 (HK\$0.5625 per share) to Mr. Lam, respectively.

13. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Reorganisation of the Group and the result of the Group for the Relevant Periods that is prepared on a combined basis as set out in note 1.

14. PLANT AND EQUIPMENT

	Leasehold Improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Office equipment	Computer equipment and software	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST							
At 1 April 2013	313	90	979	3,491	494	571	5,938
Disposals	—	—	—	(1,178)	—	—	(1,178)
At 31 March 2014	313	90	979	2,313	494	571	4,760
Additions	13	—	—	1,080	34	4	1,131
Disposals	—	—	—	(693)	—	—	(693)
At 31 March 2015	326	90	979	2,700	528	575	5,198
DEPRECIATION							
At 1 April 2013	270	90	970	1,911	494	567	4,302
Provided for the year	8	—	3	486	—	2	499
Eliminated on disposals	—	—	—	(1,178)	—	—	(1,178)
At 31 March 2014	278	90	973	1,219	494	569	3,623
Provided for the year	8	—	2	648	4	2	664
Eliminated on disposals	—	—	—	(693)	—	—	(693)
At 31 March 2015	286	90	975	1,174	498	571	3,594
CARRYING AMOUNTS							
At 31 March 2014	35	—	6	1,094	—	2	1,137
At 31 March 2015	40	—	4	1,526	30	4	1,604

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the shorter of the term of the lease or 10 years
Plant and machinery	3 ¹ / ₃ years
Furniture and fixtures	5 years
Motor vehicles	3 ¹ / ₃ years
Office equipment	5 years
Computer equipment and software	5 years

As at 31 March 2014 and 31 March 2015, the carrying amounts of motor vehicles included amounts of approximately HK\$1,094,000 and HK\$1,526,000 in respect of assets held under finance leases respectively.

15. TRADE RECEIVABLES

The Group's credit terms offered to the customers is 30 days from the date of invoices on progress payments of contract works. An aged analysis of the trade receivables presented based on the invoice date at the end of the reporting period.

	<u>As at 31 March</u>	
	<u>2014</u>	<u>2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
0–30 days	7,420	20,370
31–60 days	—	323
61–90 days	305	—
Over 90 days	<u>8</u>	<u>—</u>
	<u>7,733</u>	<u>20,693</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. Approximately 96% and 98% of trade receivables as at 31 March 2014 and 2015, respectively, that are neither past due nor impaired have no default of payment in the past and have good credit rating.

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectibility and ageing analysis of accounts and on management's judgement including the creditworthiness and the past collection history of each client.

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK\$313,000 and HK\$323,000 which are past due at 31 March 2014 and 2015, respectively, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 75 days and 45 days as at 31 March 2014 and 2015, respectively.

Ageing of trade receivables which are past due but not impaired

	<u>As at 31 March</u>	
	<u>2014</u>	<u>2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
31–60 days	—	323
61–90 days	305	—
Over 90 days	<u>8</u>	<u>—</u>
Total	<u>313</u>	<u>323</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The trade receivables past due but not provided for as at the end of the reporting period were either subsequently settled or no historical default of payments was noted by the respective customers. The directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The Group has concentration of credit risks with exposure limited to certain customers. Top two customers amounting to HK\$7,002,000 and HK\$17,921,000, respectively, comprised approximately 91% and 87% of the Group's trade receivables as at 31 March 2014 and 2015. The directors closely monitor the subsequent settlement of the customers. In this regard, the directors consider that the Group's credit risk is significantly reduced.

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<u>As at 31 March</u>	
	<u>2014</u>	<u>2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Deposits	123	2,727
Retention receivables (<i>Note</i>)	4,837	8,839
Prepayments	<u>118</u>	<u>864</u>
Total	<u><u>5,078</u></u>	<u><u>12,430</u></u>

Note: Retention monies withheld by customers of contract works are released after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts. As at 31 March 2014 and 2015, the retention receivables are aged within one year. The retention receivables as at 31 March 2014 and 2015 were neither past due nor impaired. These related to customers for whom there was no recent history of default.

17. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	<u>As at 31 March</u>	
	<u>2014</u>	<u>2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised loss	294,003	124,985
Less: Progress billings	<u>(310,765)</u>	<u>(135,645)</u>
Total	<u><u>(16,762)</u></u>	<u><u>(10,660)</u></u>
Analysed as:		
Amounts due from customers for contract work	760	—
Amounts due to customers for contract work	<u>(17,522)</u>	<u>(10,660)</u>
	<u><u>(16,762)</u></u>	<u><u>(10,660)</u></u>

18. AMOUNTS DUE FROM A DIRECTOR/A RELATED COMPANY

Amounts due from a director and a related company

Amounts are unsecured and interest-free and are repayable on demand.

In the opinion of directors of the Company, the amounts are expected to be repayable within twelve months from the end of the reporting periods and recovered before the listing of the Company's shares on the Stock Exchange.

Details of amounts due from related companies, which are non-trade nature, are as follows:

Name	Notes	As at 31 March		Maximum amount outstanding during the year ended 31 March	
		2014	2015	2014	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Centech Green Company Limited	(i)	—	—	10	—
Cycle Links Company Limited	(ii)	—	—	16,300	—
Double Tee Company Limited	(iii)	—	—	1	—
Popstate Limited	(iv)	33,719	33,520	46,300	67,598
		<u>33,719</u>	<u>33,520</u>		

Notes:

- (i) Centech Green Company Limited was 50% owned by Mr. Lam and deregistered on 2 July 2013.
- (ii) Cycle Links Company Limited was 50% owned by Mr. Lam and disposed by Mr. Lam on 2 July 2013.
- (iii) Double Tee Company Limited was 50% owned by Mr. Lam during the Relevant Periods and Mr. Lam acquired the remaining 50% interest in Double Tee Company Limited in April 2015.
- (iv) Popstate Limited is wholly-owned by Mr. Lam. The amount is fully settled by the payment of dividends of HK\$33,520,000 on 8 April 2015 by Techoy Construction to Mr. Lam.

Details of the amount due from a director, which are non-trade nature, are as follows:

Name	As at 31 March		Maximum amount outstanding during the year ended 31 March	
	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Lam	130	—	34,376	9,887

19. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

As at 31 March 2014 and 2015, pledged bank deposit represents deposit pledged to banks to secure the banking facilities granted to the Group, and carried with prevailing market interest rate ranging from 0.01% to 1.15% per annum.

Bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less and carrying interest at prevailing market rate from 0.01% to 1.15% per annum.

20. TRADE AND BILLS PAYABLES

The credit period on subcontracting of contract work services is 30 to 45 days. The following is an aged analysis of trade payables presented based on the invoice date and bills payables presented based on the date of the issuance of the bills at the end of the reporting period:

	<u>As at 31 March</u>	
	<u>2014</u>	<u>2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Trade payables:		
0–30 days	826	1,215
31–60 days	89	—
Over 60 days	<u>15</u>	<u>—</u>
	<u>930</u>	<u>1,215</u>
Bills payables:		
0–30 days	639	—
31–60 days	186	—
61–90 days	<u>4,831</u>	<u>—</u>
	<u>5,656</u>	<u>—</u>
	<u><u>6,586</u></u>	<u><u>1,215</u></u>

21. OTHER PAYABLES AND ACCRUED CHARGES

	<u>As at 31 March</u>	
	<u>2014</u>	<u>2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Accrued charges	1,939	32,416
Deposits received	97	97
Retention payables (<i>note</i>)	<u>10,152</u>	<u>19,497</u>
	<u><u>12,188</u></u>	<u><u>52,010</u></u>

Note: Retention monies from sub-contractors of contract works are released by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts. As at 31 March 2014 and 2015, the retention payables are aged within one year.

22. OBLIGATIONS UNDER FINANCE LEASES

	<u>As at 31 March</u>	
	<u>2014</u>	<u>2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Analysed for reporting purpose as:		
Current liabilities	400	581
Non-current liabilities	<u>281</u>	<u>375</u>
	<u>681</u>	<u>956</u>

The Group's has leased certain of its motor vehicles under finance leases. The lease terms were ranged from two to three years for the Relevant Periods. Interest rates underlying all obligations under finance leases were fixed at respective contract dates at 2.50% per annum as at 31 March 2014 and 2.93% per annum in average as at 31 March 2015.

	<u>Minimum lease payments</u>		<u>Present value of minimum lease payments</u>	
	<u>As at 31 March</u>		<u>As at 31 March</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Amount payable under finance leases				
Within one year	430	618	400	581
In the second to fifth years inclusive	<u>287</u>	<u>415</u>	<u>281</u>	<u>375</u>
	717	1,033	681	956
Less: Future finance charges	<u>(36)</u>	<u>(77)</u>	<u>—</u>	<u>—</u>
Present value of lease obligations	<u>681</u>	<u>956</u>	681	956
Less: Amount due for settlement within one year (shown under current liabilities)			<u>400</u>	<u>581</u>
Amount due for settlement after one year			<u>281</u>	<u>375</u>

The Group's obligations under finance leases were secured by the lessor's charge over the leased assets.

23. BANK BORROWINGS

	<u>As at 31 March</u>	
	<u>2014</u>	<u>2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Carrying amount with repayment on demand clause and repayable within one year	<u>1,068</u>	<u>—</u>

The bank borrowings are at floating rate which carry interest in one-month Hong Kong Interbank Offered Rate plus 3% per annum.

The bank borrowings are guaranteed by the Government of the Hong Kong Special Administrative Region under the SME Loan Guarantee Scheme and personal guarantee by Mr. Lam.

24. SHARE CAPITAL

The share capital as at 1 April 2013 and 31 March 2014 and 31 March 2015 represented the share capital of Techoy Construction. During the year ended 31 March 2015, Techoy Construction increase its share capital by 2,800,000 shares at an aggregate subscription price of HK\$2,800,000.

25. OPERATING LEASE COMMITMENTS**The Group as lessee**

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases with a related party, Popstate Limited, which fall due as follows:

	<u>As at 31 March</u>	
	<u>2014</u>	<u>2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>
Within one year	47	1,302
In the second to fifth year inclusive	<u>—</u>	<u>1,302</u>
	<u>47</u>	<u>2,604</u>

The above operating lease payments represent rental payable by the Group for office premises for the Relevant Periods.

Leases and rentals are negotiated and fixed for term of two years.

26. DISPOSAL OF SUBSIDIARIES**(a) Disposal of Techoy Engineering Company Limited (“Techoy Engineering”)**

As at 1 April 2013, Techoy Construction had 80% equity interest in Techoy Engineering. On 2 July 2013, Techoy Construction had disposed of its 80% equity interest in Techoy Engineering at a cash consideration of HK\$800 to a former Shareholder of Techoy Construction and a third party. Techoy Engineering was inactive before the disposal. The net assets of Techoy Engineering on date of disposal were as follows:

	HK\$'000
Net assets disposed of:	
Bank balances and cash	302
Other payables and accrued charges	(15)
Tax payable	<u>(35)</u>
	<u>252</u>
Loss on disposal of a subsidiary	
Cash consideration	1
Net assets disposed of	(252)
Non-controlling interests	<u>96</u>
Loss on disposal of a subsidiary	<u>(155)</u>
Net cash outflow arising on disposal:	
Cash consideration	1
Less: bank balances and cash disposed of	<u>(302)</u>
	<u>(301)</u>

(b) Dissolution of Well Yield Industrial Limited (“Well Yield”)

As at 1 April 2013, Techoy Construction had 70% equity interest in Well Yield. On 7 March 2014, Well Yield was dissolved. Well Yield was inactive before dissolution. The liabilities of Well Yield on date of dissolution were as follows:

	HK\$'000
Other payables and accrued charges	<u>(8)</u>
Gain on dissolution of a subsidiary:	
Liabilities released	8
Non-controlling interests	<u>39</u>
Gain on dissolution of a subsidiary	<u>47</u>

The results and cash flows of Techoy Engineering and Well Yield are not significant since 1 April 2013 to the date of disposal/dissolution.

27. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Financial Information, the Group had the following transactions with its related parties during the Relevant Periods:

	<u>Years ended 31 March</u>	
	<u>2014</u>	<u>2015</u>
	HK\$'000	HK\$'000
Management fee received from Popstate Limited	<u>120</u>	<u>120</u>
Rental paid to Popstate Limited	<u>600</u>	<u>1,302</u>

Details of the balances with a director and related companies at the end of the respective reporting period are disclosed in the combined statements of financial position, combined statements of cash flows, notes 18 and 25.

Compensation of key management personnel

The remuneration of directors and other members of key management during the years ended 31 March 2014 and 2015 were as follows:

	<u>Year ended 31 March</u>	
	<u>2014</u>	<u>2015</u>
	HK\$'000	HK\$'000
Short-term benefits	6,467	7,064
Post-employment benefits	<u>105</u>	<u>121</u>
	<u>6,572</u>	<u>7,185</u>

28. RETIREMENT BENEFITS SCHEME

The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. Effective from June 2014, the cap of contribution amount has been changed from HK\$1,250 to HK\$1,500 per employee per month.

The retirement benefits schemes contributions arising from the MPF Scheme charged to the combined statements of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the scheme.

The contributions paid and payable to the scheme by the Group are disclosed in note 10.

29. NON-CASH TRANSACTION

During the year ended 31 March 2015, the Group entered into financial lease arrangements in respect of motor vehicle with a total capital value at the inception of the lease of HK\$800,000.

(B) SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Financial Information, subsequent events of the Group and detailed as below.

- (1) On 8 April 2015, Techoy Construction declared and paid dividends of HK\$33,520,000 (HK\$1.783 per share) to Mr. Lam which was settled with the amount due from a related company wholly owned by Mr. Lam.
- (2) On 24 July 2015, Techoy Construction declared and paid dividends of HK\$1,480,000 (HK\$0.079 per Share) to Mr. Lam by cash.
- (3) On 22 September 2015, written resolutions of the sole shareholder of the Company was passed to approve the matters set out in the paragraph headed "Written resolutions of our sole shareholder passed on 22 September 2015" in Appendix IV of the Prospectus. It was resolved, among other things:
 - (i) the authorised share capital of the Company was increased from HK\$380,000 to HK\$200,000,000 by the creation of 1,962,000,000 new shares of HK\$0.01 each;
 - (ii) conditionally adopted a share option scheme where eligible participants may be granted options entitling them to subscribe for the Company's shares. No share has been granted since the adoption of the scheme. The principal terms of the share option scheme are summarised in the section headed "Share Option Scheme" in Appendix IV to the Prospectus; and
 - (iii) conditional upon the share premium account of the Company being credited as a result of the placing of the Company's shares, the directors were authorised to capitalise the amount of HK\$6,299,999 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par 629,999,900 shares for allotment and issue to the persons whose name appeared on the register of members of the Company at the close of business on 25 September 2015.

(C) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company, any of its subsidiaries or the Group have been prepared in respect of any period subsequent to 31 March 2015.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for the two years ended 31 March 2015 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants, as set out in Appendix I to this prospectus (the "Accountants' Report"), and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Placing on the audited combined net tangible assets of the Group as if the Placing had taken place on 31 March 2015.

The statement of unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 31 March 2015 or any future date following the Placing.

The following statement of unaudited pro forma adjusted combined net tangible assets of the Group is based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2015 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2015	Estimated net proceeds from the Placing	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share
	HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000	HK\$ (Note 3)
Based on Placing Price of HK\$0.30 per Share	<u>55,382</u>	<u>34,991</u>	<u>90,373</u>	<u>0.11</u>
Based on Placing Price of HK\$0.40 per Share	<u>55,382</u>	<u>51,481</u>	<u>106,863</u>	<u>0.13</u>

Notes:

- (1) The audited combined net tangible assets of the Group attributable to the owners of the Company is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the issue of the New Shares pursuant to the Placing are based on 170,000,000 New Shares at the Placing Price of lower limit and upper limit of HK\$0.30 and HK\$0.40 per New Share, respectively, after deduction of the underwriting commissions and fees and other related expenses incurred and to be incurred by the Company since 1 April 2015.

The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of Offer Size Adjustment Option, the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares".

- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share is calculated based on 800,000,000 Shares in issue immediately following the completion of the Placing and the Capitalisation Issue. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of Offer Size Adjustment Option, the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares".
- (4) Assuming that the dividends of HK\$33,520,000 declared on 8 April 2015 and HK\$1,480,000 declared on 24 July 2015 had been taken into account, the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share would have been HK\$0.07 and HK\$0.09 at the Placing Price of HK\$0.30 and Placing Price of HK\$0.40 respectively, which is calculated based on 800,000,000 Shares in issue immediately following the completion of the Placing and the Capitalisation Issue.
- (5) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2015.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF THELLOY DEVELOPMENT GROUP LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Thelloy Development Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2015 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 30 September 2015 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed placing of the shares of the Company (the "Placing") on the Group's financial position as at 31 March 2015 as if the Placing had taken place at 31 March 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the two years ended 31 March 2015, on which an accountant's report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information of the Group has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 September 2015

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1. Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on 22 September 2015 and states, *inter alia*, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed “Documents delivered to the Registrar of Companies and available for inspection”.

2. Articles of Association

The Articles of Association of the Company were conditionally adopted on 22 September 2015 and include provisions to the following effect:

2.1 *Classes of Shares*

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is HK\$20,000,000 divided into 2,000,000,000 shares of HK\$0.01 each.

2.2 *Directors*

(a) *Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a

member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share

option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 *Alteration of capital*

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be

questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and

powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 *Annual general meetings*

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

2.9 *Accounts and audit*

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as

to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 *Power of any subsidiary of the Company to own shares*

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 *Dividends and other methods of distribution*

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed condition if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment;

or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the

amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such condition, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such condition not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic

means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1. Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2. Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28 May 2015 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3. Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND THE COMPANIES LAW**

- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4. Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5. Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6. Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7. Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8. Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9. Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10. Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11. Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12. Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13. Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14. Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15. Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16. Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17. Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18. Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19. Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20. Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21. General

Maples and Calder, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 28 May 2015. Our Company's registered office is at PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. Our Company has established a principal place of business in Hong Kong at 2/F., Centre 600, 82 King Lam Street, Lai Chi Kok, Kowloon, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 3 July 2015 with Mr. Lam, our executive Director, appointed as the Hong Kong authorised representative of our Company on 15 June 2015 for acceptance on behalf of our Company of service of process and any notices required to be served on our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the Cayman Companies Law and its constitution documents, which comprises the Memorandum and the Articles. A summary of certain provisions of the Memorandum, the Articles and certain aspects of the Cayman Islands company law are set out in Appendix III of this prospectus.

2. Changes in share capital of our Company

As at the date of incorporation of our Company, the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 shares of par value HK\$0.01 each. The following sets out the changes in the authorised and issued share capital of our Company since its date of incorporation up to the date of this prospectus:

- (i) on 28 May 2015, one Share of par value HK\$0.01 each was allotted and issued credited as fully paid at par to Mapcal Limited as the initial subscriber. On the same day, the said one Share was transferred to Cheers Mate;
- (ii) on 22 September 2015, Mr. Lam transferred all his shares in Techoy Construction to Techoy Holding in consideration of and exchange for (i) the allotment and issue of 99 shares in Techoy Holding credited as fully paid to the Company; (ii) the allotment and issue of 99 Shares credited as fully paid to Cheers Mate; and (iii) the allotment and issue of 99 shares in Cheers Mate credited as fully paid to Mr. Lam;
- (iii) on 22 September 2015, the authorised share capital of our Company changed from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 per share to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 per share by the creation of an additional 1,962,000,000 Shares of HK\$0.01 per share.

Immediately following completion of the Capitalisation Issue and the Placing, the issued share capital of our Company will be HK\$8,000,000 divided into 800,000,000 Shares of par value HK\$0.01 fully paid or credited as fully paid. Our Company will be owned as to 75% by Cheers Mate upon completion of the Capitalisation Issue and the Placing.

Other than the exercise of the general mandate to issue Shares referred to in the section headed “Statutory and General Information — A. Further information about our Company and our Subsidiaries — 3. Written resolutions of our then sole Shareholder passed on 22 September 2015” in this document, our Directors have no present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this Appendix and the section headed “History and Development — Reorganisation” in this document, there has been no alteration in the authorised and issued share capital of our Company since its incorporation and up to the date of this document.

3. Written resolutions of our then sole Shareholder passed on 22 September 2015

Pursuant to the written resolutions of the then sole Shareholder of our Company passed on 22 September 2015, the following resolutions were passed by the sole Shareholder, pursuant to which, among other things:

- (a) conditional upon Listing, the Memorandum and Articles were approved and adopted;
- (b) the authorised share capital of our Company was changed from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 per Share to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 per Share by the creation of an additional 1,962,000,000 Shares of HK\$0.01 per Share;
- (c) conditional upon the fulfilment or waiver of the conditions set out in the section headed “Structure and conditions of the Placing” in this document;
 - (i) the Placing was approved and our Directors were authorised to allot and issue the Placing Shares; and
 - (ii) the rules of the Share Option Scheme were approved and adopted and the Directors were authorised to grant options thereunder, to allot and issue such number of Shares pursuant thereto, and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;
- (d) conditional upon the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the new Shares under the Placing, our Directors were authorised to capitalise HK\$6,299,999 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 629,999,900 Shares for allotment and issue to Shareholder(s) whose name(s) appear(s) on the register of members of our

Company at the close of business on 25 September 2015 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company;

- (e) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot (including the power to make and grant offers, agreements and options which would or might require Shares to be allotted and issued), otherwise than pursuant to, or in consequence of a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or other similar arrangement or pursuant to a specific authority granted by the Shareholders in general meeting, Shares with a total nominal value not exceeding (aa) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Placing and the Capitalisation Issue but without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme; and (bb) the aggregate nominal value of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in paragraph 3(f) below, such mandate to remain in effect until whichever is the earliest of (i) the conclusion of the next annual general meeting of our Company, (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or (iii) the passing of an ordinary resolution by our Shareholders at a general meeting revoking, varying or renewing such mandate;
- (f) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue but without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of (i) the conclusion of the next annual general meeting of our Company, (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or (iii) the passing of an ordinary resolution by our Shareholders at a general meeting revoking, varying or renewing such mandate; and

- (g) the general mandate as stated in paragraph (e) above shall be extended by the addition to the aggregate nominal value of the share capital in issue of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to and in accordance with the authority granted under paragraph (f) provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Placing but without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. For information relating to the Reorganisation, please refer to the section headed “History and Development — Reorganisation” in this prospectus for more details.

5. Changes in share capital of our principal subsidiaries

Subsidiaries of our Company are listed in the Accountant’s Report set out in Appendix I to this prospectus.

Save as disclosed in the section headed “History and Development” in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company of its own securities

This paragraph contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) *Provision of the GEM Listing Rules*

Subject to certain restrictions, the GEM Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their own securities on the Stock Exchange, the most important of which are summarised below.

(i) *Shareholders’ approval*

The GEM Listing Rules provide that all proposed repurchases of securities by a company with its primary listing on the Stock Exchange must be approved in

advance by an ordinary resolution of the shareholders in general meeting, either by way of a specific approval of a specific transaction, or by way of a general mandate.

A share repurchase mandate (the “**Share Repurchase Mandate**”) was granted to our Directors by our Shareholder pursuant to a written resolution of the then sole Shareholder of our Company dated 22 September 2015 authorising them to exercise all powers of our Company to purchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Placing and Capitalisation Issue 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 our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever is the earliest.

(ii) *Source of funds*

Any repurchases of securities of the Company must be financed out of funds legally available for the purpose in accordance with the GEM Listing Rules, the Articles and the applicable laws and regulations. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

1. 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 the market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or the earnings per Share. Repurchases of Shares will only be made if our Directors believe that such repurchases will benefit our Company and the Shareholders.

2. Funding of repurchase

Under the Cayman Companies Law, any repurchases by our Company may be made either (1) out of profits of our Company; (2) out of the share premium account of our Company; (3) out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase; or (4) out of capital, if so authorised by the Articles and subject to the provisions of the Cayman Companies Laws. In the case of any premium payable over the par value of the Shares to be repurchased on the repurchase, such premium must be

provided out of either or both of the profits of our Company or the share premium account of our Company, or out of capital, if so authorised by the Articles and subject to the provisions of the Cayman Companies Laws.

Our Directors do not propose to exercise the Share Repurchase Mandate to such an extent that would have a material adverse effect on the working capital position of our Company or the gearing levels which, in the opinion of our Directors, are appropriate for our Company from time to time.

(iii) *Trading restrictions*

Our Company may repurchase up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Placing and Capitalisation Issue. Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by it to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchases as the Stock Exchange may request. Our Company also shall not purchase our Shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange.

(iv) *Status of repurchased shares*

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares will be cancelled and destroyed. Under the Cayman Companies Law, our Company's repurchased Shares shall be treated as cancelled on repurchase and the amount of our Company's issued share capital shall be diminished by the aggregate nominal value of the repurchased Shares (although the authorised share capital of our Company will not be reduced as a result of the repurchase).

(v) *Suspension of repurchases*

Pursuant to the GEM Listing Rules, our Company may not make any repurchases of Shares after inside information has come to its knowledge until the information has been made publicly available. In particular, under the requirements of the GEM Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of: (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half year,

quarter-year period or any other interim period (whether or not required by the GEM Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year, or half-year or quarter-year period under the GEM Listing Rules, or any other interim period (whether or not required under the GEM Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a repurchase of the Shares on the Stock Exchange if our Company has breached the GEM Listing Rules.

(vi) *Procedural and reporting requirements*

As required by the GEM Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares, reporting the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases, where relevant. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including the number of Shares repurchased each month, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid. The directors' report shall contain reference to the purchases made during the year and the directors reasons for making such purchases.

(vii) *Core connected persons*

The GEM Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person" which includes a Director, chief executive or substantial Shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) *Reasons for repurchases*

Our Directors believe that it is in our and our Shareholders' best interests for our Directors to have general authority from the Shareholders to enable our Company to execute repurchases of the 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 where our Directors believe that such repurchases will benefit us and our Shareholders.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with the Memorandum, the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account our Company's 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 our Company's working capital and/or our Company's gearing position as compared with the position disclosed in this prospectus. 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 our Company's working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) *General*

The exercise in full of the repurchase mandate, on the basis of 800,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Placing (assuming the Offer Size Adjustment Option is not exercised and without taking into account any shares which may be issued pursuant to the exercise of any options which may be granted under the Shares Option Scheme), could accordingly result in up to approximately 80,000,000 Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of our next annual general meeting of our Company; or
- (ii) the end of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors, to the best of their knowledge and having made all reasonable enquiries, nor any of their close associates (as defined in the GEM Listing Rules), have any present intention, if the Share Repurchase Mandate is exercised, 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 Share Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable laws and regulations.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition of voting rights for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of the Shareholder's interest, could obtain or

consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any other consequences which would arise under the Takeovers Code as a consequence of any repurchases of Shares pursuant to the Share Repurchase Mandate.

Our Company is prohibited from knowingly purchasing securities on the Stock Exchange from a core connected person (as defined in the GEM Listing Rules) and such person is prohibited from knowingly selling his/her securities to our Company.

No core connected persons (as defined in the GEM Listing Rules) of our Company have notified us of intention to sell securities to our Company and such persons have undertaken not to sell any such securities to our Company, if the Share Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts of our Group

The contracts below (not being contracts entered into in the ordinary course of business) have been entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are, or may be, material to the business of our Group as below:

- (a) an instrument of transfer dated 2 July 2013 entered into between Techoy Construction Co Ltd and Chan, Chor Yin for the transfer of 400 shares in Techoy Engineering Company Limited from Techoy Construction Co Ltd to Chan, Chor Yin in consideration of HK\$400;
- (b) bought and sold notes dated 2 July 2013 executed by Techoy Construction Co Ltd and Chan, Chor Yin for the transfer of 400 shares in Techoy Engineering Company Limited from Techoy Construction Co Ltd to Chan, Chor Yin in consideration of HK\$400;
- (c) an instrument of transfer dated 2 July 2013 entered into between Techoy Construction Co Ltd and Wong, Kwok Leung for the transfer of 400 shares in Techoy Engineering Company Limited from Techoy Construction Co Ltd to Wong, Kwok Leung in consideration of HK\$400;
- (d) bought and sold notes dated 2 July 2013 executed by Techoy Construction Co Ltd and Wong, Kwok Leung for the transfer of 400 shares in Techoy Engineering Company Limited from Techoy Construction Co Ltd to Wong, Kwok Leung in consideration of HK\$400;
- (e) a share swap agreement dated 22 September 2015 entered into between Techoy Holding Limited, Cheers Mate Holding Limited, Thelloy Development Group Limited and Mr. Lam Kin Wing Eddie (林健榮) pursuant to which Mr. Lam Kin Wing Eddie (林健榮) agreed to transfer all his shares in Techoy Construction



Company Limited to Techoy Holding Limited in consideration of and exchange for (i) the allotment and issue of a total of 99 shares in Techoy Holding Limited, credited as fully paid to Thelloy Development Group Limited; (ii) the allotment and issue of 99 shares in Thelloy Development Group Limited, credited as fully paid to Cheers Mate Holding Limited; and (iii) the allotment and issue of 99 shares in Cheers Mate Holding Limited, credited as fully paid to Mr. Lam Kin Wing Eddie (林健榮);

- (f) a deed of non-competition undertakings dated 22 September 2015 and executed by Lam Kin Wing Eddie and Cheers Mate Holding Limited in favour of Thelloy Development Group Limited (for itself and as trustee for each of its subsidiaries), particulars of which are set out in the section headed “Relationship with Controlling Shareholders — Non-competition undertaking”;
- (g) a deed of indemnity dated 22 September 2015 and executed by Lam Kin Wing Eddie and Cheers Mate Holding Limited in favour of Thelloy Development Group Limited (for itself and as trustee for each of its subsidiaries), particulars of which are set out in the section headed “E. Other information — 1. Estate duty, tax and other indemnities” in this Appendix; and
- (h) the Underwriting Agreement.

2. Summary of intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable date, our Group had applied for the registration of the following trademarks which, in the opinion of our Directors, are material to our business:

<u>Trade mark</u>	<u>Name of Applicant</u>	<u>Application number</u>	<u>Place of application</u>	<u>Class</u>	<u>Date of application</u>
	Techoy Construction Company Limited	303434175	Hong Kong	16, 35, 37	8 June 2015
	Thelloy Development Group Limited	303445678	Hong Kong	16, 35, 37	17 June 2015

(b) Domain names

As at the Latest Practicable Date, our Group has registered the following domain names which, in the opinion of our Directors, are material to our business:

<u>Domain name</u>	<u>Registrant</u>	<u>Term/Expiry Date</u>
thelloy.com	Techoy Construction	7 February 2017
techoy.com.hk	Techoy Construction	1 September 2018

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**1. Particulars of Directors' service contracts and letters of appointment**

Each of our executive Directors Mr. Lam and Mr. Shut Yu Hang has on 22 September 2015 respectively entered into a service agreement with our Company regarding their appointment as executive Directors for an initial term of three years commencing from the Listing Date unless terminated by not less than six months prior written notice or otherwise in accordance with the service agreement.

According to the terms of the service contracts entered into between our Company and the executive Directors, the annual remuneration (excluding discretionary and performance bonuses) of each of our executive Director is as follows:

<u>Name</u>	<u>Salaries and allowances</u>	<u>Retirement scheme contributions</u>
	<u>(HK\$)</u>	<u>(HK\$)</u>
Mr. Lam Kin Wing Eddie	1,920,000	18,000
Mr. Shut Yu Hang	1,200,000	18,000

The basic monthly salary payable by our Company to our relevant executive Director is subject to annual review by our Board and the remuneration committee of our Company.

Each of the executive Directors will be entitled to a discretionary bonus and a performance bonus as may be determined by the remuneration committee of our Company from time to time by reference to the financial performance of our Company as well as the individual performance of the relevant executive Directors.

Each of our independent non-executive Directors has signed a letter of appointment dated 22 September 2015 with our Company for an initial term of three years.

The annual director's fees payable by our Company to each of our independent non-executive Directors are an aggregate amount of approximately HK\$150,000 respectively according to the letters of appointment.

Save as disclosed above, none of our Directors has entered or is proposed to enter into a service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

2. Directors' remuneration

Our Company's policies concerning remuneration of executive Directors are (i) the amount of remuneration is determined on the basis of the relevant Directors' experience, responsibility, workload and the time devoted to our Company; and (ii) non-cash benefits may be provided to the Directors under their remuneration package.

For the years ended 31 March 2014 and 2015, the total remuneration (including salaries and allowances, discretionary bonus and contributions to pension scheme) paid to our Directors by our Group was approximately HK\$2.9 million and HK\$3.2 million respectively.

For the years ended 31 March 2014 and 2015, the total remuneration (including salaries and bonus, allowances, and pension scheme contributions) paid to our Group's five highest paid individuals, excluding our Directors, was approximately HK\$2.5 million and HK\$2.7 million respectively.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors or former Directors or the five highest paid individuals for each of the years during the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

There was no arrangement under which a director waived or agreed to waive any emoluments for the Track Record Period.

Save as disclosed above, no other payments has been made or are payable in respect of the Track Record Period by any member of our Group to any of our Directors.

Pursuant to the current arrangements in force, it is anticipated that, for the year ending 31 March 2016, an aggregate amount of approximately HK\$3.6 million will be payable to our Directors as remuneration and benefits in kind (excluding any commission or discretionary bonus) by our Group.

3. Disclosure of interests of our Directors in dealings with our Group

Save the service contracts and letters of appointment entered between our Directors and our Company, none of our Directors or their close associates engaged in any dealing with our Group during the Track Record Period.

4. Disclosure of interests and short positions of our Directors and our chief executive of our Company in the Shares, underlying Shares or debentures of our Company and our associated corporations

Immediately following completion of the Capitalisation Issue and the Placing (but without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), the interests or short positions of each of our Directors and our chief executive in the Shares, underlying Shares and debentures of our Company or 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 were taken or deemed to have taken 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 Rules 5.46 to 5.67 of the GEM Listing Rules, will be as follows:

<u>Name</u>	<u>Nature of Interest</u>	<u>Number of Shares held</u>	<u>Approximate percentage of shareholding</u>
Mr. Lam	Interest of a controlled corporation ^(Note 1)	600,000,000	75%

Note:

1. Mr. Lam beneficially owns 100% of the issued share capital of Cheers Mate. By virtue of the SFO, Mr. Lam is deemed to be interested in 600,000,000 Shares held by Cheers Mate.

5. Disclosure of interests under the SFO and disclosure of interests for substantial Shareholders

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Placing (but without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3

of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<u>Name</u>	<u>Nature of Interest</u>	<u>Number of Shares held (L)</u>	<u>Approximate percentage of shareholding</u>
Cheers Mate	Beneficial owner	600,000,000	75%
Mr. Lam ^(Note 1)	Interest of a controlled corporation	600,000,000	75%
Ms. Cheng, Pui Wah Theresa ^(Note 2)	Interest of spouse	600,000,000	75%

Notes:

- (1) Mr. Lam beneficially owns 100% of the issued share capital of Cheers Mate. By virtue of the SFO, Mr. Lam is deemed to be interested in 600,000,000 Shares held by Cheers Mate.
- (2) Ms. Cheng, Pui Wah Theresa is the spouse of Mr. Lam. By virtue of the SFO, Ms. Cheng is deemed to be interested in the same number of Shares in which Mr. Lam is deemed to be interested under the SFO.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Placing (but without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

6. Disclaimers

Save as disclosed in this Appendix and the section head “Connected transactions” in this prospectus:

- (a) our Directors are not aware of any person (other than our Directors or the chief executive of our Company) who will, immediately following completion of the Placing (but without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), have an interest and/or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and/or short positions which they are deemed to have under

such provisions of the SFO) or who will, either directly or indirectly, be expected to be interested in 10% or more of nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;

- (b) none of our Directors or the chief executives of our Company had any interest or short position in any of the Shares, underlying Shares or debentures of our Company or any of its 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 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 us and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, in each case once the Shares are listed;
- (c) none of our Directors nor any of the persons whose names are listed in the section headed “E. Other information — 9. Qualifications of experts” in this Appendix IV was directly or indirectly interested in the promotion of our Company, or has any direct or indirect interest in any assets which have been acquired or disposed of by or leased to our Company or any of its subsidiaries, within the two years immediately preceding the date of this prospectus, or were proposed to be acquired or disposed of by or leased to our Company or any of its subsidiaries nor will any Director apply for Placing Shares either in his own name or in the name of a nominee;
- (d) none of the persons whose names are listed in the section headed “E. Other information — 9. Qualifications of experts” of this Appendix IV is materially interested in any contract or arrangement subsisting at the date of this prospectus which was significant in relation to the business of our Group;
- (e) none of our Directors nor any of the persons whose names are listed in the section headed “E. Other information — 9. Qualifications of experts” in this Appendix IV has received any agency fee, commissions, discounts, brokerage or other special terms from our Group within the two years immediately preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group;
- (f) save as disclosed in the section headed “Connected Transactions” in this document, none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken; and

- (g) none of the parties listed in the section headed “E. Other information — 9. Qualifications of experts” of this Appendix IV:
- (i) are interested legally or beneficially in any securities of any member of our Group; and
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of our Group.

D. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 22 September 2015. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

1. Definition

For the purpose of this paragraph D, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	22 September 2015, the date on which the Share Option Scheme is conditionally adopted by the Shareholders by way of written resolution
“Board”	the board of Directors or a duly authorised committee thereof
“Group”	our Company and our subsidiaries from time to time
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

2. Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme:

(1) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants or advisers of our Group and to promote the success of our Group.

(2) *Who may join and basis of eligibility*

The Board may, at its absolute discretion and on such terms as it may think fit, grant an employee (full-time or part-time), a director, consultant and adviser of our Group, or any substantial shareholder of our Group, options to subscribe at a price calculated in accordance with paragraph (3) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(3) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

(4) *Grant of options and acceptance of offers*

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.00.

(5) *Maximum number of Shares*

- (aa) Subject to sub-paragraph (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the commencement of the Scheme Period (excluding, for this purpose, Shares

issuable upon exercise of options which have been granted but which have lapsed in accordance with the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of the Shares in issue upon completion of the Placing and the Capitalisation Issue. Therefore, it is expected that our Company may grant options in respect of up to 80,000,000 Shares to the participants under the Share Option Scheme.

- (bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the GEM Listing Rules in this regard.
- (cc) Our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, and such other information required under the GEM Listing Rules.
- (dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company, if this will result in such 30% limit being exceeded.

(6) *Maximum entitlement of each Eligible Person*

The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, our Company must send a circular to our

Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(7) *Grant of options to certain connected person*

- (aa) Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a substantial shareholder of our Company or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5.0 million, such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the GEM Listing Rules in this regard. All connected persons of our Company shall abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(8) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(9) Performance targets

Save as determined by our Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(10) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment. Prior to the grantee (or the grantee's nominee, if applicable) being registered on our Company's register of members, the grantee shall not have any voting rights, or rights to participate in any dividend or distribution (including those arising on a liquidation of our Company), in respect of the Shares to be issued upon the exercise of the option.

(11) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(12) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (13) below arises within a period of 3 years prior to the death, in the case the grantee is an employee at the date of grant), the legal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (16), (17) and (18) occurs prior to his death or within such period of 6 months following his death, then his personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(13) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which

an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(14) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group when an option is made to him and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (13) above, the option (to the extent not already exercised) shall lapse on the expiry of 3 months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of the Group whether salary is paid in lieu of notice or not).

(15) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices; and/or the method of exercise of the option, as the auditors or independent financial adviser of our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable (no such certification is required in case of adjustment made on a capitalisation issue), provided that any alteration shall give a grantee the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a share to be issued at less than its nominal value.

(16) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or as the case may be, his legal personal representatives) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 1 month after the date on which the offer becomes or is declared unconditional.

(17) *Rights on winding-up*

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than 2 business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

(18) *Rights on compromise or arrangement*

In the event of a compromise or arrangement between our Company and our Shareholders or our creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or as the case may be, his legal personal representatives) on the same day as we give notice of the meeting to the Shareholders or our creditors to consider such a compromise or arrangement and the options shall become exercisable on such date until the earlier of 2 months after that date and the date on which such compromise or arrangement is sanctioned by the court of the Cayman Islands and becomes effective.

(19) *Lapse of options*

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (8) above;
- (bb) the date on which the grantee commits a breach of paragraph (11) above;
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraph (12), (13), (14), (16), (17) and (18) above;
- (dd) subject to paragraph (17) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty; and

- (ff) where the grantee is a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group.

(20) *Cancellation of options granted but not yet exercised*

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(21) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of ten years commencing on the date on which the Share Option Scheme is adopted by Shareholders in general meeting and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by Shareholders in general meeting.

(22) *Alteration to the Share Option Scheme*

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme to the advantage of the grantees of the options relating to matters governed by Rule 23.03 of the GEM Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (bb) Any amendment 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, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 23 of the GEM Listing Rules and the notes thereto and the supplementary guidance on the interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes).

(23) Termination to the Share Option Scheme

Our Company may by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(24) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon the fulfillment of the followings:

- (i) the obligations of the Joint Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise;
- (ii) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, (i) the Shares in issue and to be issued as mentioned in this prospectus, and (ii) any Shares to be issued pursuant to the exercise of Options under the Share Option Scheme; and
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

3. Present status of the Share Option Scheme

Application has been made to the Listing Committee for listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION**1. Estate duty, tax and other indemnities*****Estate Duty***

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in the Cayman Islands or the BVI or Hong Kong in which the companies comprising our Group are incorporated. There are currently no taxes in the form of estate duties under Cayman Islands law, and no estate tax is currently payable by persons who are not resident in the BVI with respect of any shares, debt obligations or other securities of a BVI company.

Stamp Duty

Dealings in the Shares will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. A total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

Deed of Indemnity

The Controlling Shareholders (the “**Indemnifiers**”) have entered into the deed of indemnity with and in favour of our Company (for ourselves and as trustee for each of our subsidiaries) to provide indemnities in respect of, among other matters:

- (a) all costs incurred/to be incurred in relation to relocating the principal office of Techoy Construction; or
- (b) any taxation including estate duty falling on any company of our Group in any part of the world in respect of any income, profits gains, transactions or things earned, accrued, received, entered into or occurring on or before the Listing Date; or
- (c) all of any of the liabilities in connection with any tax, duty, excise or customs that may arise or be incurred in Hong Kong in the context and/or course of, or in relation to, the operation and/or business of our Group on or before the Listing Date; or
- (d) all or any liability due to certain outstanding legal proceedings in Hong Kong against any member of the Group which any member of our Group may suffer or incur as a result of such legal proceedings as they may continue to be subsisting as at the Listing Date (i) to the extent that such liabilities are not covered by the relevant insurance policies taken out by our Group or any company of our Group; or (ii) to the full extent of such liabilities in the event that neither our Group nor any company of our Group has taken out any insurance policy to cover such liabilities, provided that such legal action or proceedings are commenced, or the cause of action for any subsequent legal action or proceedings that are commenced before or after the Listing Date occurs, before the Listing Date,

save and except that the Indemnifiers shall be under no liability under the Deed of Indemnity:

- (i) to the extent that full provisions or allowance has been made in the audited accounts of members of our Group for an accounting period ended on or before 31 March 2015; or
- (ii) to the extent that such liability arises or is incurred as a result of any retrospective change in law or retrospective increase in tax rates coming into force after the Listing Date; or
- (iii) to the extent that such liability is caused by the act or omission of, or transaction voluntarily effected by, any members of our Group which are carried out or effected in the ordinary course of business on or before the Listing Date; or
- (iv) to the extent of any provisions or reserve made for such liability in the audited accounts of our Group up to 31 March 2015 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce Indemnifier's liability in respect of such liability shall not be available in respect of any such liability arising thereafter.

2. Litigation

Save as disclosed in the section headed "Business — Legal Proceedings and Regulatory Compliance" in this prospectus, as at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group, that would have a material adverse effect on our business, results of operations or financial condition.

3. Sole Sponsor

Innovax Capital Limited has made an application on behalf of our Company to the Stock Exchange for listing of, and permission to deal in, the Shares in issue and the Shares to be issued as described in this prospectus.

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

The sponsor's fee in relation to the Listing is approximately HK\$4.2 million.

4. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules. Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no cash, securities or other benefit had been paid, allotted or given, nor are any such cash, securities or other benefit intended to be paid, allotted or given, to the promoter of our Company in connection with the Placing or the related transactions described in this prospectus.

5. Agency fees or commissions received

Within the two years immediately preceding the date of this prospectus, no commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of its subsidiaries.

6. Preliminary expenses

The preliminary expenses payable by our Company are estimated to be about HK\$40,000.

7. Registration procedures

The register of members of our Company will be maintained in Cayman Islands by Maples Fund Services (Cayman) Limited and a Hong Kong branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's Hong Kong branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

8. Taxation of holders of Shares

Dealings in Shares will be subject to Hong Kong stamp duty. 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. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Potential 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 dealing in Shares.

None of our Company, our Directors or other parties involved in the Listing can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

9. Qualifications of experts

The following are the respective qualifications of the experts who have given opinion or advice which are included in this prospectus:

Name	Qualification
Innovax Capital Limited	A corporation licensed to carry on for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
John Griffiths SC, CMG, QC	Barrister-at-law in Hong Kong
Michael Lok	Barrister-at-law in Hong Kong
P. C. Woo & Co.	Legal advisers to the Company as to Hong Kong law
Maples and Calder	Cayman Islands attorneys at law
Ipsos Limited	Industry consultant

10. Consents of experts

Each of the experts named in the paragraph headed “9. Qualifications of experts” under this section of this Appendix IV has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or certificates and/or opinions and/or references to its name (as the case may be) included in the form and context in which they are respectively included.

11. Particulars of the Selling Shareholder

The particulars of the Selling Shareholder are set out as follows:

Name:	Cheers Mate Holding Limited
Description:	A company incorporated in the British Virgin Islands with limited liability on 28 May 2015
Registered Address:	Kingston Chambers, P.O. Box 173, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold:	30,000,000

12. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding up and Miscellaneous Provisions) Ordinance so far as applicable.

13. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and Rule 14.25 of the GEM Listing Rules. In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

14. Miscellaneous

- (a) Save as disclosed in the section headed “History and Development — Reorganisation”, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
 - (iii) no founders, management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued.
- (b) No share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

- (c) None of the persons whose names are listed in the paragraph headed “9. Qualifications of experts” under this section of this Appendix IV:
 - (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group.
- (d) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group within 12 months preceding the date of this prospectus.
- (f) There are no arrangements in existence under which future dividends are to be or agreed to be waived.
- (g) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (h) Our Group had not issued any debentures nor did it have any outstanding debentures nor any convertible debt securities as at the Latest Practicable Date.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

A copy of this prospectus, together with copies of the written consents referred to the paragraph headed “Statutory and General Information — Consents of experts” in Appendix IV to this prospectus, copies of material contracts referred to in paragraph headed “Statutory and General Information — Summary of material contracts of our Group” in Appendix IV to this prospectus and a written statement by the accountants setting our adjustments made have been delivered to the Registrar of Companies in Hong Kong for registration.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of P. C. Woo & Co. at 12/F, Prince’s Building, 10 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report of our Company from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus and a written statement by the reporting accountants setting out adjustments made;
- (c) the audited financial statements of Techoy Construction Company Limited for the two years ended 31 March 2015;
- (d) the report from Deloitte Touche Tohmatsu relating to the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the letter of advice prepared by Maples and Calder, legal advisers to our Company as to Cayman Islands law, summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (f) the Companies Law;
- (g) the rules of the Share Option Scheme;
- (h) the material contracts referred to in the section headed “Statutory and General Information — B. Further information about the business of our Group — 1. Summary of material contracts of our Group” in Appendix IV to this prospectus;
- (i) the legal opinion dated 30 September 2015 issued by our Legal Counsels, Mr. John Griffiths SC, CMG, QC and Mr. Lok Hui Yin Michael, barristers-at-law in Hong Kong;
- (j) the letter of advice prepared by P. C. Woo & Co., legal advisers to our Company as to Hong Kong law, summarising certain aspects of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong);

- (k) the service agreements and letters of appointment entered into between our Company and each of our Directors;
- (l) the written consents referred to in the section headed “Statutory and General Information — D. Other information — 10. Consents of experts” in Appendix IV to this prospectus.
- (m) the Ipsos Report; and
- (n) a statement of particulars of the Selling Shareholder.

Thelloy Development Group Limited
德萊建業集團有限公司