



KPa-BM Holdings Limited

應力控股有限公司*

(incorporated in the Cayman Islands with limited liability)

Stock code: 8141

BY WAY OF PLACING

Sponsor



大有融資有限公司
MESSIS CAPITAL LIMITED

Bookrunner and Lead Manager



雅利多證券
ARISTO SECURITIES LIMITED

Co-Managers

I-Access Investors Limited

Ping An of China Securities
(Hong Kong) Co. Limited

* For identification purpose only

IMPORTANT

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



KPa-BM Holdings Limited
應力控股有限公司*

(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 : 150,000,000 Placing Shares
**Placing Price : HK\$0.30 per Placing Share (payable in
full on application plus brokerage of 1%,
SFC transaction levy of 0.0027% and
Stock Exchange trading fee of 0.005%
and subject to refund)**
Nominal value : HK\$0.01 each
Stock code : 8141

Sponsor



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MESSIS CAPITAL LIMITED

Bookrunner and Lead Manager



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**Ping An of China Securities (Hong Kong)
Co. 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 the section headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix VI to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

Prospective investors of the Placing Shares should note that the obligations of the Underwriter under the Underwriting Agreement are subject to termination by the Bookrunner (also in its capacity as the Underwriter) upon the occurrence of any of the events set forth under the paragraph headed "Grounds for termination" in the section headed "Underwriting" to this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of these termination provisions are set out in the section headed "Underwriting" to this prospectus.

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

* For identification purpose only

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 high 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 newspapers. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE

If there is any change in the following expected timetable, the Group will issue an announcement to be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.kpa-bm.com.hk.

2015^(Note 1)

Announcement of the level of indication of interests in the Placing to be published on the Company's website (www.kpa-bm.com.hk) and the website of the Stock Exchange (www.hkexnews.hk) on or about ^(Note 2) Wednesday, 7 October

Allotment of Placing Shares to placees (or their designated person(s)) on or about Wednesday, 7 October

Despatch of share certificates for the Placing Shares and/or deposit into CCASS on or about ^(Notes 3 and 4) Wednesday, 7 October

Dealings in the Shares on GEM to commence on 9:00 a.m. on Thursday, 8 October

Notes:

1. All times and dates refer to Hong Kong local time and date. If there is any change to the above expected timetable, the Company will make a separate announcement to inform investors accordingly. Details of the structure of the Placing, including its conditions and grounds for termination, are set out in the section headed "Structure and conditions of the Placing" to this prospectus.
2. None of the Company's website or any of the information contained in the Company's website forms part of this prospectus.
3. The share certificates 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 Underwriter and/or the placing agents. Share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on or about Wednesday, 7 October 2015 for credit to the respective CCASS Participant's stock accounts designated by the Underwriter, the placees or their agents, as the case may be. No temporary documents or evidence of title will be issued.
4. Share certificates for the Placing Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date (such date is currently expected to be on Thursday, 8 October 2015) provided that (i) the Placing becomes unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting — Grounds for termination" to this prospectus has not been exercised and has lapsed.

Pursuant to the force majeure provisions contained in the Underwriting Agreement in respect of the Placing, the Bookrunner (also in its capacity as the Underwriter) has the right in certain circumstances, subject to its absolute opinion, to terminate the obligations of the Underwriter under the Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be on Thursday, 8 October 2015). Further details of the terms of the force majeure provisions are set out in the section headed "Underwriting" to this prospectus.

For details of the structure of the Placing, including its conditions and grounds for termination thereof, please refer to "Structure and conditions of the Placing" to this prospectus.

CONTENTS

You should rely only on the information contained in this prospectus to make your investment decision. The Company, the Sponsor, the Bookrunner (also in its capacity as the Underwriter) and the Co-Managers have not authorised any persons to provide you with information that is different from what is contained in this prospectus. Any information or representation not made nor contained in this prospectus must not be relied on by you as having been authorised by the Company, the Sponsor, the Bookrunner (also in its capacity as the Underwriter), the Co-Managers, any of their respective directors or affiliates of any of them, or any other persons or parties involved in the Placing. The contents on the Company's website at www.kpa-bm.com.hk do not form part of this prospectus.

	<i>Page</i>
CHARACTERISTICS OF GEM	i
EXPECTED TIMETABLE	ii
CONTENTS	iii
SUMMARY	1
DEFINITIONS	13
GLOSSARY OF TECHNICAL TERMS	21
FORWARD-LOOKING STATEMENTS	22
RISK FACTORS	23
WAIVER FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES	36
INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING	37
DIRECTORS AND PARTIES INVOLVED IN THE PLACING	40
CORPORATE INFORMATION	44
INDUSTRY OVERVIEW	47
REGULATORY OVERVIEW	63
HISTORY, REORGANISATION AND CORPORATE STRUCTURE	84
BUSINESS	96
CONNECTED TRANSACTIONS	171
DIRECTORS AND SENIOR MANAGEMENT	178

CONTENTS

	<i>Page</i>
RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS	188
SUBSTANTIAL SHAREHOLDERS	199
SHARE CAPITAL	201
FINANCIAL INFORMATION	203
STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS	260
UNDERWRITING	265
STRUCTURE AND CONDITIONS OF THE PLACING	272
APPENDIX I — ACCOUNTANTS' REPORT	I-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III — PROPERTY VALUATION	III-1
APPENDIX IV — SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW	IV-1
APPENDIX V — STATUTORY AND GENERAL INFORMATION	V-1
APPENDIX VI — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION	VI-1

SUMMARY

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

There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are set out in the section headed "Risk factors" to this prospectus. You should read that section carefully before you decide to invest in the Placing Shares.

BUSINESS OVERVIEW

The Group is principally engaged in (i) the provision of structural engineering works with a focus on design and build projects in Hong Kong; and (ii) trading of building material products predominately in Hong Kong.

During the Track Record Period, the Group's revenue was mainly derived from the structural engineering works while the remaining were generated from trading of building material products. The following table sets out a breakdown of the Group's revenue during the Track Record Period by business segments:

	For the year ended 31 March			
	2014		2015	
	HK\$'000	%	HK\$'000	%
Structural engineering works	199,542	97.2	183,913	93.2
Trading of building material products	<u>5,743</u>	<u>2.8</u>	<u>13,522</u>	<u>6.8</u>
	<u>205,285</u>	<u>100.0</u>	<u>197,435</u>	<u>100.0</u>

(i) Structural engineering works

Structural engineering is concerned with the analysis, design and construction of a structure. The structural engineering works undertaken by the Group mainly include developing structural designs, calculation and drawings, procurement of materials, monitoring of works, supervision and management of subcontractors and after-sales services. The Group does not retain any direct labour for installation works of its business segment in relation to structural engineering works. Instead, the Group subcontracts the installation works of each design and build project to other subcontractors. During the Track Record Period, the Group was mainly engaged in design and build projects in Hong Kong as a subcontractor. The design and build projects undertaken by the Group can be broadly divided into three categories: (i) facade, roof and related works; (ii) structural steelwork and noise barriers; and (iii) flagpoles and related works.

The Group provides structural engineering works in design and build projects to both the private sector and public sector. The Group classifies public sector contracts as contracts in which the ultimate employer is a government department or statutory body. During the Track Record Period, the Group

SUMMARY

generated approximately 61.1% and 33.5% of its revenue from design and build projects in the private sector, respectively, with the remaining revenue of approximately 38.9% and 66.5% from design and build projects in the public sector, respectively.

The duration of the Group's design and build projects completed during the Track Record Period varied from less than one month to approximately 54 months, depending on the size of the contract and the complexity of the works undertaken. For each year of the Track Record Period, the Group undertook 204 and 298 design and build projects, contributing approximately HK\$199.5 million and HK\$183.9 million to the Group's revenue respectively. Set out below is a breakdown of the Group's revenue attributable to the design and build projects during the Track Record Period by categories:

	For the year ended 31 March			
	2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Facade, roof and related works	169,928	85.1	144,736	78.7
Structural steelwork and noise barriers	27,863	14.0	33,273	18.1
Flagpoles and related works	1,751	0.9	5,904	3.2
	<u>199,542</u>	<u>100.0</u>	<u>183,913</u>	<u>100.0</u>

Note: A design and build project may cover works in one or more of the above work categories. The classification depends on the nature of works the Group principally undertakes in such project, and the major revenue contributing works in the project.

The following table sets out the number of tenders or quotations submitted, number of successful projects and the Group's success rate during the Track Record Period:

	For the year ended 31 March	
	2014	2015
Number of tenders or quotations submitted	406	510
Number of successful projects	166	240
Success rate (%)	40.9	47.1

As at 31 March 2015, the Group had 102 design and build projects in progress (including projects that have commenced but not yet completed and projects that have been awarded to the Group but not yet commenced) with an aggregate contract sum of approximately HK\$742.1 million, of which approximately HK\$253.9 million is expected to be recognised as the Group's revenue for the year ending 31 March 2016.

(ii) Trading of building material products

The Group is also engaged in trading of building material products mainly through BuildMax (HK), a member of the Group, predominately in Hong Kong. During the Track Record Period, the Group's revenue generated by trading of building material products were approximately HK\$5.7 million

SUMMARY

and HK\$13.5 million, respectively. The building material products sold by the Group mainly include (i) roof and noise barrier materials; (ii) curtain wall fixing components; and (iii) other auxiliary materials. The Group does not provide installation service to its customers under this trading segment.

As at the Latest Practicable Date, the Group is the authorised distributor of six international brands of building material products in Hong Kong, Macau and/or the PRC. Among these six international brand products, four of which the Group has been engaged as the sole distributor of the products in Hong Kong, Macau and/or the PRC exclusively. These international brand products are mainly imported from various countries such as Germany, the United Kingdom and USA. Apart from selling products of third party brands, the Group also sells a small portion of building material products under its own brand names.

The Group generally sells and distributes its building material products through (i) direct order placements from its customers; and (ii) an invitation for quotation or incoming enquiries from potential customers.

The following table sets out the number of quotations submitted, number of successful orders placed and the Group's success rate during the Track Record Period:

	For the year ended 31 March	
	2014	2015
Number of quotations submitted and direct order placements	191	166
Number of successful orders placed and direct order placements	157	153
Success rate (%)	82.2	92.2

CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

The Group is mainly invited by its customers (mostly main contractors and property occupiers) to submit a tender, or is sometimes invited to provide a quotation, for a potential structural engineering work of design and build project. The Group's customers for trading of building material products are mainly main contractors and subcontractors in Hong Kong. The Group's top five customers accounted for approximately 81.0% and 75.7% of the total revenue for each of the two years ended 31 March 2015 respectively. The top five customers are not obligated in any way to continue to provide the Group with new businesses in the future at a level similar to that in the past or at all. Despite the concentration of customers, the Directors consider that the Group is not reliant on any single customer for reasons set out in the section headed "Business — Customers — Sustainability of the Group's business in view of the reliance on major customers" to this prospectus.

The materials that the Group principally uses in its design and build projects include aluminium extrusions, aluminium sheet, steel, stainless steel, glass and roof cladding materials. The Group's top five suppliers (excluding subcontractors) accounted for approximately 50.3% and 54.9% of the total purchases for each the two years ended 31 March 2015 respectively. During the Track Record Period, purchase from the largest supplier of the Group, BuildMax (SZ), a connected person of the Company and one of the excluded businesses of the Controlling Shareholders not injected into the Group, accounted for approximately 19.9% and 16.4% respectively, of the Group's total material and processing charges. For further details of the Group's business relationship with BuildMax (SZ), please refer to the

SUMMARY

paragraph headed “Connected transactions — Non-exempt continuing connected transactions” to this prospectus. The Group’s top five subcontractors accounted for approximately 50.7% and 65.9% of the total subcontracting charges for each of the two years ended 31 March 2015 respectively.

COMPETITIVE LANDSCAPE

The facade works industry and the structural steelworks industry in Hong Kong are relatively consolidated markets. As of May 2015, there were about 13 major players in the facade works industry, of which the top five companies accounted for approximately 68.3% of the total revenue of the facade work industry in Hong Kong in 2014. As of May 2015, there were 44 registered specialist contractors for public works in the structural steelworks category under the Development Bureau, of which the top seven companies accounted for more than 50% of the total market share. The noise barrier works industry in Hong Kong is relatively concentrated with 6 major players dominating the industry, of which the top five players were estimated to account for approximately 98.1% of the total market share in 2014. For the further details of analyses of the Group’s market, please refer to the section headed “Industry overview” to this prospectus.

COMPETITIVE STRENGTHS

The Directors believe that the success of the Group is attributable to, among other things, the following competitive strengths: (i) tailor-made structural designs provided by the in-house experienced design and technical teams of the Group; (ii) one-stop solution provider of services ranging from design, source, implementation and after-sales services; (iii) quality products and services provided in a cost-effective manner; (iv) well-established business relationship with renowned international building material suppliers; and (v) the Group’s management team possesses extensive experience and technical know-how. Please refer to the section headed “Business — Competitive strengths” to this prospectus for further details.

MARKET SHARE

According to the IPSOS Report, the top five companies in the facade and roof works sector accounted for a total market share of approximately 68.3% in 2014 while KPa Engineering has a market share of approximately 20.8% of the total market share and ranked the first in the facade and roof works sector in Hong Kong in 2014.

In respect of the noise barrier works, the top five players were estimated to account for approximately 98.1% of the market share in Hong Kong in 2014. KPa Engineering’s market share in the noise barrier industry was approximately 2.2% and it ranked fifth in the noise barrier industry in Hong Kong in 2014. Please refer to the section headed “Industry overview” to this prospectus for further details.

LICENCES AND PERMITS

To facilitate the Group’s design and build projects in Hong Kong, the Group has obtained and held several licences and permits. KPa Engineering, a member of the Group, is an approved specialist contractor in the category of structural steelwork and an approved supplier of materials in the category of transparent panels for noise barriers on highways with the Development Bureau. It is also a

SUMMARY

Registered Minor Works Contractor (Class II and Class III)^{Note} with the Buildings Department. Please refer to the section headed “Business — Licences and permits” to this prospectus for further details.

Note: Class II comprises those of comparatively lower complexity and risk to safety while Class III mainly includes common household minor works. KPa Engineering is registered under Classes II and III for carrying out different types of minor works, including Type A (Alteration & Addition Works) minor works, Type C (Works relating to Signboards) minor works and Type F (Finishes Works) minor works. Please refer to the section headed “Regulatory overview” to this prospectus for further details.

FINANCIAL INFORMATION

The table below sets forth selected information and analysis from the combined statements of comprehensive income of the Group:

	For the year ended 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	205,285	197,435
Gross profit	28,894	38,733
Profit before income tax	12,229	18,060
Profit and total comprehensive income for the year	10,185	14,559
Profit and total comprehensive income for the year attributable to		
Owners of the Company	9,727	11,921
Non-controlling interests	458	2,638

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

	For the year ended 31 March			
	2014		2015	
	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>
Structural engineering works	26,874	13.5	33,567	18.3
Trading of building material products	2,020	35.2	5,166	38.2
	<u>28,894</u>	<u>14.1</u>	<u>38,733</u>	<u>19.6</u>

SUMMARY

In respect of the Group's structural engineering works business segment, the table below sets forth a breakdown of the gross profit and gross profit margin during the Track Record Period by types of design and build projects:

	For the year ended 31 March			
	2014		2015	
	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>
Facade, roof and related works	20,559	12.1	25,138	17.4
Structural steelwork and noise barriers	5,647	20.3	5,792	17.4
Flagpoles and related works	668	38.1	2,637	44.7
	<u>26,874</u>	<u>13.5</u>	<u>33,567</u>	<u>18.3</u>

In respect of the Group's structural engineering works business segment, the table below sets forth a breakdown of the gross profit and gross profit margin during the Track Record Period by public and private sectors:

	For the year ended 31 March			
	2014		2015	
	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>
Public sector	5,780	7.4	22,617	18.5
Private sector	21,094	17.3	10,950	17.8
	<u>26,874</u>	<u>13.5</u>	<u>33,567</u>	<u>18.3</u>

The decrease in revenue was mainly attributable to lower number of large size design and build projects with high revenue contribution (over HK\$10 million) in the year ended 31 March 2015 (2015: 3 projects) compared with the year ended 31 March 2014 (2014: 6 projects) and partly offset by the increasing contribution from trading of building material products. The increase in gross profit and profit for the year was mainly attributable to (i) the increase in number of projects in the below HK\$1 million category which in general yield a higher profit margin because they involved more simple installation and construction process, which is mainly carried out by subcontractors; (ii) the decrease in unallocated project costs and adjustment on costs of projects' profit recognised in prior years; and (iii) the increasing contribution from trading of building material products.

SUMMARY

The table below sets forth selected information from the combined statements of financial position of the Group:

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	92,716	136,444
Current liabilities	(43,554)	(80,077)
Non-current assets	6,431	10,996
Non-current liabilities	(408)	(618)
Total equity	55,185	66,745

The increase in equity of the Group was mainly attributable to the profit for the year ended 31 March 2015 and partly offset by the dividend declared during the year.

The table below sets forth selected information from the combined statements of cash flows of the Group:

	For the year ended 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profits before working capital changes	14,499	19,984
Net cash from/(used in) operating activities	17,187	(8,163)
Net cash used in investing activities	(7,426)	(3,350)
Net cash (used in)/from financing activities	(6,459)	4,798
Net increase/(decrease) in cash and cash equivalents	3,302	(6,715)
Cash and cash equivalents at beginning of year	4,190	7,492
Cash and cash equivalents at end of year	7,492	777
Analysis of the balances of cash and cash equivalents		
Cash at banks and in hand	10,485	5,791
Less: Bank overdrafts	(2,993)	(5,014)
	7,492	777

For the year ended 31 March 2015, the Group recorded net cash used in operating activities of approximately HK\$8.2 million, primarily as a result of increase in inventories of approximately HK\$0.9 million, increase in amounts due from customers of contract works of approximately HK\$16.7 million, increase in trade and other receivables, deposits and prepayments of approximately HK\$31.6 million, decrease in amounts due to customers of contract works of approximately HK\$0.3 million and increase in pledged deposits of approximately HK\$2.4 million which was partly offset by operating profit after

SUMMARY

tax and adjusting for the effects of transactions of non-cash nature and items of income and expense associated with investing or financing cash flows before working capital changes of approximately HK\$20.0 million and increase in trade and other payables of approximately HK\$26.5 million.

The decrease in cash and cash equivalents was mainly attributable to the net cash used in operating activities (such as increase in amounts due from customers of contract works of approximately HK\$16.7 million and increase in trade and other receivables, deposits and prepayments of approximately HK\$31.6 million) and investing activities (such as increase in pledged bank deposits of approximately HK\$2.4 million and increase in amounts due from directors of approximately HK\$1.1 million) and partly offset by net cash from financing activities (such as net proceeds from bank borrowings of approximately HK\$7.0 million).

Key financial ratios

	For the year ended/ As at 31 March	
	2014	2015
Return on total assets	10.3%	9.9%
Return on equity	18.5%	21.8%
Current ratio	2.1	1.7
Quick ratio	2.1	1.7
Gearing ratio	24.4%	34.1%
Net profit margin	5.0%	7.4%

The decrease in return on total assets from 31 March 2014 to 31 March 2015 was due to the increase in trade receivables and amounts due from customers of contract works as at 31 March 2015. The increase in return on equity was mainly due to the increase in net profit and net profit margin for the year ended 31 March 2015. The decrease in current ratio and quick ratio were mainly attributable to the increase in bank borrowings of approximately HK\$9.0 million in the year ended 31 March 2015. The increase in gearing ratio was due to a rise in bank borrowings to provide working capital for design and build projects which billings remained unsettled as at 31 March 2015. The increase in net profit margin was mainly driven by the rise in profit before tax resulted from the increase in number of smaller scale projects with higher gross profit margin undertaken by the Group for the year ended 31 March 2015, which was partially offset by a rise in the income tax in the year ended 31 March 2015 as compared to the year ended 31 March 2014.

Please refer to the section headed “Financial information — Key financial ratios” to this prospectus for further details.

HISTORICAL NON-COMPLIANCE INCIDENTS

During the Track Record Period, the Group failed to comply with certain legal requirements applicable to the Group, namely (i) breach of the land use conditions set out in the conditions of grant and the occupation permit of premises owned by the Group and section 25(1) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) for failure to notify the Building Authority regarding the change of land use; (ii) non-compliance with section 111 of the Predecessor Companies

SUMMARY

Ordinance (corresponding to sections 576, 610 and 612 of the Companies Ordinance) for failure to hold annual general meeting within the prescribed period set out in the said ordinance; and (iii) non-compliance with section 122 of the Predecessor Companies Ordinance (corresponding to sections 431 of the Companies Ordinance) for failure to lay the relevant audited financial statements before the annual general meeting of certain members of the Group within the prescribed period set out in the said ordinance. Please refer to the section headed “Business — Non-compliance” to this prospectus for details of such non-compliance incidents and the respective rectification measures taken.

SHAREHOLDING OF THE COMPANY

Immediately following completion of the Placing and the Capitalisation Issue and not taking into account any Shares that may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, the Company will be owned as to (i) 61.5% by Success Wing, which is an investment holding company incorporated in the BVI and directly owned by Mr. Lui as to approximately 29.3%, Mr. Wai as to approximately 29.3%, Mr. Yip as to approximately 29.3%, Mr. Liu as to approximately 9.0% and Mr. Chan as to approximately 3.2%; (ii) 4.5% by Mr. Lui; (iii) 4.5% by Mr. Wai; (iv) 4.5% by Mr. Yip; and (v) 25.0% by public Shareholders. Each of Mr. Lui, Mr. Wai and Mr. Yip will be interested in 75.0% of the issued share capital of the Company through the shareholding interests held personally, interests held jointly with each other by virtue of their acting in concert arrangements and the interests held through Success Wing. Therefore, Mr. Lui, Mr. Wai, Mr. Yip and Success Wing are the Controlling Shareholders of the Company under the GEM Listing Rules. Mr. Yip is an executive Director, chairman of the Board and the compliance officer of the Company. Mr. Wai is an executive Director, the chief executive officer of the Company and a co-founder of the Group. Mr. Lui is an executive Director. Mr. Liu is the general manager of the Group and Mr. Chan is a project manager of the Group. Please refer to the section headed “Directors and senior management” to this prospectus for the biographical information of Mr. Lui, Mr. Wai, Mr. Yip, Mr. Liu and Mr. Chan. Certain Controlling Shareholders were interested in companies which were either, (i) disposed of or dissolved during the Track Record Period; or (ii) not included into the Group, all such businesses will not form part of the Group after the Listing. Save as disclosed in the section headed “Relationship with the Controlling Shareholders” to this prospectus, each of Mr. Lui, Mr. Wai and Mr. Yip does not, directly or indirectly, carry on, participate or engage in, nor is he otherwise interested in, any other business which is or may be in competition with the business of the Group.

RISK FACTORS

There are certain risks involved in the Group’s operations, many of which are beyond the Group’s control. In particular, the Group relies on its major customers. The relatively material risks encompass (i) The Group’s top five customers accounted for over 75.0% of the Group’s total revenue, failure to retain business relationship with them or secure new business may affect the Group’s operations and financial performance; (ii) changes to the supply and cost of building materials may adversely affect the Group’s operations and profitability; (iii) unsatisfactory performance or unavailability of subcontractors may adversely affect the Group’s operations and profitability; (iv) the Group is required to maintain sufficient level of working capital to sustain its business operations, failure to do so may materially and adversely affect the Group’s business operations and financial performance; and (v) the Group may fail to obtain or renew the requisite licences, permits or qualifications, or otherwise fail to satisfy their requirements from time to time, which will affect the Group’s ability to obtain new projects and its

SUMMARY

financial position and prospects. The Group's operation and further growth may be limited by unavailability of financing at reasonable terms or at all. A detailed discussion of the risk factors that the Directors believe are particularly relevant to the Group is set out in the section headed "Risk factors" to this prospectus.

RECENT DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD

As at 31 March 2015, the Group had 102 design and build projects in progress (including projects that have commenced but not completed and projects that have been awarded to the Group but not yet commenced) with an aggregate contract sum of approximately HK\$742.1 million, of which approximately HK\$208.2 million was recognised as the Group's revenue in prior year and during the Track Record Period. For the remaining contract sum, approximately HK\$253.9 million, HK\$220.5 million, and HK\$59.5 million are expected to be recognised as the Group's revenue for the year ending 31 March 2016, 2017 and 2018 respectively. Subsequent to the Track Record Period, the Group has been awarded with seven new projects with a contract sum of over HK\$1.0 million each and the aggregated contract sum for these projects on hand amounted to approximately HK\$108.2 million, of which approximately HK\$19.2 million, HK\$68.3 million and HK\$20.7 million are expected to be recognised as the Group's revenue for the years ending 31 March 2016, 2017 and 2018 respectively. Among these seven new design and build projects, five of which have a contract sum ranging between HK\$1.0 million to HK\$5.0 million while the remaining two projects have a contract sum of above HK\$10.0 million.

The net current assets of the Group as at 31 August 2015 were approximately HK\$58.4 million. Subsequently, the outstanding balance of all amounts due from/to directors and related parties (save for the trade balance from the business with BuildMax (SZ) which details are set out in the section headed "Connected transactions" to this prospectus and the Group's interim dividend of HK\$15.0 million declared in September 2015) will be settled prior to the Listing Date. As at 31 August 2015, approximately 86.9% of the outstanding trade receivables as at 31 March 2015 has been subsequently settled and approximately 91.7% of the outstanding trade and bills payables as at 31 March 2015 has been subsequently settled.

BUSINESS STRATEGIES

The Group intends to strengthen its market position in Hong Kong by way of (i) further expanding the Group's capacity to capture more business opportunities; (ii) further development of the Group's structural engineering business; and (iii) enhancing the Group's design and customisation capabilities.

LISTING EXPENSES

The Group expects that the total listing expenses, which is non-recurring in nature, will amount to approximately HK\$18.0 million. Out of the total HK\$18.0 million in listing expenses, the Group has incurred approximately HK\$3.8 million (including approximately HK\$2.9 million recognised as expense in the combined statements of comprehensive income) for the year ended 31 March 2015. For the remaining amount of approximately HK\$14.2 million, the Group expects to further recognise approximately HK\$9.4 million in the combined statements of comprehensive income for the year ending 31 March 2016. Accordingly, the financial results of the Group for the year ending 31 March 2016 are expected to be affected by the estimated expenses in relation to the Listing. Such listing expenses is a

SUMMARY

current estimate for reference only and the final amount to be charged to the profit and loss account of the Group for the year ending 31 March 2016 and the amount to be deducted from the Group's capital is subject to change.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Directors believe that the listing of the Shares on GEM will enhance the Group's profile and the net proceeds from the Placing will strengthen the financial position and will enable the Group to implement the Group's business plans set out in the section headed "Statement of business objectives and use of proceeds" to this prospectus. Furthermore, a public listing status on the Stock Exchange will offer the Group access to capital market for corporate finance exercise, assist the Group with further business development and strengthen the Group's competitiveness.

The net proceeds from the Placing after deducting related expenses are estimated to amount to about HK\$27.0 million. The Directors intend to apply such net proceeds of the Placing as follows:

	From the Latest Practicable Date to 31 March 2016 <i>HK\$ million</i>	For the six months ending				Total <i>HK\$ million</i>
		30 September 2016		31 March 2017		
		<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	
Further expanding the Group's capacity to capture more business opportunities	7.8	1.5	1.5	1.5	1.0	13.3
Further development of the Group's structural engineering business	1.5	1.6	1.9	—	—	5.0
Enhancing the Group's design and customisation capabilities	1.2	1.2	1.2	1.2	1.2	6.0
General working capital	1.6	1.1	—	—	—	2.7
	<u>12.1</u>	<u>5.4</u>	<u>4.6</u>	<u>2.7</u>	<u>2.2</u>	<u>27.0</u>

DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. The interim dividends for the years ended 31 March 2014 and 2015 amounting to HK\$4,050,000 and HK\$1,800,000 respectively represented interim dividends declared and paid to the then owners of the Company.

In addition, the Group declared an interim dividend of HK\$15.0 million to the then owners of the Company in September 2015. This dividend declared will be fully paid prior to the Listing Date and the Group will finance the payment of this dividend by offsetting the equivalent amounts in the relevant current accounts (including the amounts due from the Directors) in a sum of approximately HK\$10.0 million, and the remaining amount of approximately HK\$5.0 million by internal resources generated from the Group's business operation including cash and the receivables of the amounts due from customers of contract works subsequent

SUMMARY

to 31 March 2015. The Company currently does not have a fixed dividend policy and may declare dividends by way of cash or by other means that the Directors consider appropriate. A decision to declare any interim dividend or recommend any final dividend would require the approval of the Board and depend upon the Group's financial results and other factors stated in the section headed "Financial information — Dividend policy" to this prospectus.

PLACING STATISTICS

Placing Price	HK\$0.30 per Share
Market capitalisation at the Placing Price (<i>Note 1</i>)	HK\$180 million
Unaudited pro forma adjusted net tangible assets per Share (<i>Note 2</i>)	HK\$0.15

Notes:

1. The calculation of market capitalisation is based on 600,000,000 Shares expected to be in issue immediately upon completion of the Placing and the Capitalisation Issue without taking into account the Shares that may be allotted or issued pursuant to the exercise of any option which may be granted under the Share Option Scheme.
2. The unaudited pro forma adjusted net tangible assets per Share has been arrived at after the adjustments referred to under the section headed "A. Unaudited pro forma statement of adjusted combined net tangible assets of the Group" in Appendix II to this prospectus and on the basis of 600,000,000 Shares in issue at the Placing Price of HK\$0.30 per Share immediately following completion of the Placing and the Capitalisation Issue without taking into account the Shares that may be allotted or issued pursuant to the exercise of any option which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this prospectus. The unaudited pro forma adjusted combined net tangible assets per Share attributable to owners of the Company have not taken into account the dividends declared in September 2015 to the then shareholders of the Group amounting to HK\$15.0 million of which HK\$12,600,000 was attributable to owners of the Company whereas HK\$2,400,000 was attributable to the non-controlling interests.

DEFINITIONS

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

“AcouSystem”	AcouSystem Limited, a company incorporated in Hong Kong on 17 November 2014 with limited liability and an indirect wholly-owned subsidiary of the Company
“Articles” or “Articles of Association”	the articles of association of the Company adopted on 22 September 2015 and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Banking Ordinance”	Banking Ordinance (Chapter 155 of the laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Board”	the board of Directors
“Bookrunner” or “Lead Manager”	Aristo Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO, being the bookrunner and the lead manager in respect of the Placing
“BuildMax (HK)”	BuildMax Limited (彪域有限公司), a company incorporated in Hong Kong on 15 August 2001 with limited liability and an indirect wholly-owned subsidiary of the Company
“BuildMax (SZ)”	BuildMax Technology (Shenzhen) Limited (彪域科技(深圳)有限公司), a sino-foreign equity joint venture enterprise incorporated in the PRC on 25 October 2010, which is owned as to 75.0% by Hillford and as to 25.0% by Shenzhen Hengyauyuan; the largest supplier of the Group throughout the Track Record Period
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 449,999,900 Shares upon capitalisation of part of the amount standing to the credit of the share premium account of the Company referred to in the paragraph headed “Written resolutions of the sole Shareholder” under the section headed “A. Further information about the Company and the subsidiaries” in Appendix V to this prospectus

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person permitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participants”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“close associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Co-Managers”	I-Access Investors Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO, and Ping An of China Securities (Hong Kong) Company Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO, being the co-managers in respect of the Placing
“Companies Law” or “Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding up and Miscellaneous Provisions) Ordinance”	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”	KPa-BM Holdings Limited (應力控股有限公司)*, a company limited by shares incorporated in the Cayman Islands as an exempted company with limited liability on 15 May 2015

* *For identification purpose only*

DEFINITIONS

“Concert Parties Confirmatory Deed”	the confirmatory deed dated 14 July 2015, entered into by the ultimate Controlling Shareholders, namely Mr. Lui, Mr. Wai and Mr. Yip to acknowledge and confirm, among other things, that they were parties acting in concert in relation to the Group, details of which are set out in the paragraph headed “Parties acting in concert” under the section headed “History, Reorganisation and corporate structure” to this prospectus
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules and in the context of this prospectus, refers to Mr. Yip, Mr. Wai, Mr. Lui and Success Wing
“core connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Counsel”	Cheung Man Fai Jeremy, barrister-at-law of Hong Kong
“Deed of Indemnity”	the deed of indemnity dated 22 September 2015 provided by the Controlling Shareholders in favour of the Group relating to, among other matters, the tax liabilities of the Group
“Deed of Non-competition”	the deed of non-competition dated 22 September 2015 given by its Controlling Shareholders in favour of the Company (for itself and as trustee for its subsidiaries from time to time) regarding the non-competition undertakings as more particularly set out in the section headed “Relationship with the Controlling Shareholders” to this prospectus
“Director(s)”	the director(s) of the Company
“GDP”	gross domestic product
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Government”	the Government of Hong Kong
“Group”	the Company and its subsidiaries or any of them or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, its present subsidiaries or entities which carried on the business currently operated by such subsidiaries at the relevant time or (as the case may be) their predecessors

DEFINITIONS

“Hillford”	Hillford Trading Limited (恆富貿易有限公司), a company incorporated in Hong Kong on 20 May 2010 with limited liability, which is owned as to approximately 26.7% by Mr. Lui, approximately 26.7% by Mr. Wai, approximately 26.6% by Mr. Yip, approximately 15.0% by Mr. Liu and approximately 5.0% by Mr. Chan, one of the companies owned by the Controlling Shareholders which is not included into the Group
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Legal Advisers”	TC & Co., the legal advisers to the Company as to Hong Kong law
“Independent Third Party(ies)”	individual(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not connected with (within the meaning of the GEM Listing Rules) the Company or its connected person as defined under the GEM Listing Rules
“IPSOS”	IPSOS Hong Kong Limited, an international market research company and an Independent Third Party
“IPSOS Report”	a market research report commissioned by the Group and prepared by IPSOS on the overview of the industries in which the Group operates
“KPa (HK)”	KPa Engineering (HK) Limited (應力工程(香港)有限公司), a company incorporated in Hong Kong with limited liability on 8 August 2014 and an indirect wholly-owned subsidiary of the Company
“KPa (SZ)”	應力恒富設計貿易(深圳)有限公司, a wholly foreign-owned enterprise established in the PRC on 2 March 2015 and an indirect wholly-owned subsidiary of the Company
“KPa Contracting”	KPa Contracting Limited (應力承造有限公司), a company incorporated in Hong Kong with limited liability on 25 August 2014 and an indirect wholly-owned subsidiary of the Company
“KPa Engineering”	KPa Engineering Limited (應力工程有限公司), a company incorporated in Hong Kong with limited liability on 12 December 1991 and an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“Latest Practicable Date”	22 September 2015, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information referred in this prospectus
“Light Dimension”	Light Dimension Limited (光維有限公司), a company incorporated in BVI on 20 May 2015 with limited liability and a direct wholly-owned subsidiary of the Company
“Listing”	the listing and the commencement of dealings of the Shares on GEM
“Listing Date”	the date on which the Shares are listed and dealings in the Shares first commence on GEM, which is expected to be on or about 8 October 2015
“Listing Division”	the Listing Division of the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with GEM
“Memorandum of Association” or “Memorandum”	the memorandum of association of the Company as amended from time to time
“Messis Capital” or “Sponsor”	Messis Capital Limited, the sponsor of the Company for the Listing, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Mr. Chan”	Mr. Chan Chi Ming (陳志明), a project manager of the Group, who is interested in the Shares of the Company through a controlled corporation
“Mr. JH Liu”	Mr. Liu Jian Heng (劉建衡) holds an indirect interests in BuildMax (SZ) through Shenzhen Hengyayuan, both of which were the Group’s top suppliers during the Track Record Period
“Mr. Liu”	Mr. Liu Yuen Wai (廖遠維), the general manager of the Group, who is interested in the Shares of the Company through a controlled corporation
“Mr. Lui”	Mr. Lui Bun Yuen, Danny (呂品源), an executive Director and one of the Controlling Shareholders

DEFINITIONS

“Mr. Wai”	Mr. Wai Yat Kin (韋日堅), an executive Director, the chief executive officer of the Company and one of the Controlling Shareholders
“Mr. Yip”	Mr. Yip Pak Hung (葉柏雄), an executive Director, the chairman of the Board and one of the Controlling Shareholders
“Ms. Lam”	Ms. Lam Suk Lan, Bonnie (林淑蘭), the spouse of Mr. Yip
“Ms. Wu”	Ms. Wu, Janet (胡玉珍), the spouse of Mr. Wai
“Placing”	the conditional placing of the Placing Shares by the Underwriter on behalf of the Company for cash at the Placing Price subject to the terms and conditions as described in the section headed “Structure and conditions of the Placing” to this prospectus
“Placing Price”	HK\$0.30 per Placing Share (payable in full on application plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% and subject to refund)
“Placing Shares”	150,000,000 new Shares being offered at the Placing Price for subscription under the Placing subject to the terms and conditions as described in the section headed “Structure and conditions of the Placing” to this prospectus
“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
“PRC” or “China”	the People’s Republic of China, and for the purpose of this prospectus, excludes Hong Kong, Macau and Taiwan
“PRC Legal Advisers”	Hills & Co., the legal advisers to the Company as to PRC law
“Processing Factory”	the processing factory located at Factory Number 2, No. 34 Jianlong Jie, Baoan Shequ, Henggang Jiedao in Longgang District, Shenzhen City, Guangdong Province, the PRC (中國廣東省深圳市龍崗區橫崗街道保安社區簡龍街34號2號廠房), which is owned and operated by BuildMax (SZ)
“Reorganisation”	the reorganisation of the Group for the purpose of the Listing, particulars of which are set out in the section headed “History, Reorganisation and corporate structure” to this prospectus

DEFINITIONS

“Reorganisation Agreement”	the reorganisation agreement dated 22 September 2015 entered into by Mr. Lui, Mr. Wai, Mr. Yip and the Company, pursuant to which the Company acquired from Mr. Lui, Mr. Wai and Mr. Yip their entire shareholding interests in Light Dimension, and in consideration thereof, (i) at the direction and request of Mr. Lui, Mr. Wai and Mr. Yip, the Company allotted and issued as fully paid 6 Shares to Mr. Lui, 6 Shares to Mr. Wai, 6 Shares to Mr. Yip and 81 Shares to Success Wing; and (ii) the one nil paid subscriber Shares held by Success Wing was credited as fully paid
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share Option Scheme”	the share option scheme conditionally approved and adopted by the Company on 22 September 2015, the principal terms of which are summarised in the section headed “Share Option Scheme” in Appendix V to this prospectus
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Hengyayuan”	深圳市恒有源科技發展有限公司 (Shenzhen Hengyayuan Technology Development Limited*), a company established under the laws of the PRC with limited liability and is owned as to 60.0% by Mr. JH Liu and 40.0% by an Independent Third Party; one of the Group’s top five suppliers during the Track Record Period
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the GEM Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto in the GEM Listing Rules and the details of which are set out in the section headed “Substantial shareholders” to this prospectus
“Success Wing”	Success Wing Investments Limited (成穎投資有限公司), a company incorporated in BVI on 23 March 2015 with limited liability, which is a Controlling Shareholder and is owned as to approximately 29.3% by Mr. Lui, approximately 29.3% by Mr. Wai, approximately 29.3% by Mr. Yip, approximately 9.0% by Mr. Liu and approximately 3.2% by Mr. Chan

DEFINITIONS

“Sun Pool”	Sun Pool Engineering Limited (晨邦工程有限公司), a company incorporated in Hong Kong on 28 February 1991 with limited liability and an indirect wholly-owned subsidiary of the Company
“Takeovers Code”	The Hong Kong Codes on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the two years ended 31 March 2015
“Underwriter”	the underwriter of the Placing whose name is set out in the section headed “Underwriting — Underwriter” to this prospectus
“Underwriting Agreement”	the conditional underwriting agreement dated 30 September 2015 made between the Company, the executive Directors, the Controlling Shareholders, the Sponsor, the Bookrunner and the Underwriter relating to the Placing, brief particulars of which are summarised in the section headed “Underwriting” to this prospectus
“United States” or “USA” or “US”	the United States of America
“Youkang”	Youkang Limited (優康有限公司), a company incorporated in BVI on 29 May 2015 with limited liability and an indirect wholly-owned subsidiary of the Company
“HK\$” and “cents”	the Hong Kong dollar(s) and cent(s), the lawful currency of Hong Kong
“kg”	kilogrammes
“m ² ” or “sq.m.”	square metre
“MOP”	Pataca, the lawful currency of Macau
“RMB”	Renminbi, the lawful currency of the PRC
“sq.ft.”	square feet
“tonne”	a unit of weight, one tonne is equal to 1,000 kg
“US\$” or “USD”	United States dollars, the lawful currency of the United States
“%”	per cent

* For identification purpose only

GLOSSARY OF TECHNICAL TERMS

The glossary of technical terms contains explanations and definitions of certain terms used in this prospectus in connection with the Group and the Group's business. The terms and their meaning may not correspond to meanings or usage of these terms as used by others.

“Buildings Department”	the Buildings Department of Hong Kong
“Development Bureau”	the Development Bureau of the Government of Hong Kong
“HKIE”	The Hong Kong Institution of Engineers
“ISO”	International Organisation for Standardisation, a worldwide federation of national standards bodies
“ISO 9001”	a standard under ISO used for certification or registration and contractual purposes by organisations seeking recognition of their quality management, which specifies the requirement for quality management systems for any organisation that needs to demonstrate its ability to consistently provide products that meet its requisite standards
“ISO 14001”	a standard under ISO for environmental management which is primarily concerned with what an organisation does to comply with legal requirements to minimise the harmful effects on the environment caused by its activities and which sets requirements for what an organisation must do to manage processes influencing the impact of its activities on the environment
“OHSAS”	acronym for Occupational Health and Safety Management Systems, which provides a framework for organisations to identify and control its occupational risks and to improve their occupational safety and health performance
“OHSAS 18001”	the requirements for occupational health and safety management system developed for managing the occupational health and safety risks associated with a business
“PMMA”	polymethyl methacrylate

FORWARD-LOOKING STATEMENTS

The Company has included in this prospectus forward-looking statements that are not historical facts, but relate to the Group's intentions, beliefs, expectations or predictions for future event and conditions which may not occur. These forward-looking statements are contained principally in the sections headed "Summary", "Risk factors", "Industry overview", "Business", and "Financial information" to this prospectus, which are, by their nature, subject to risks and uncertainties.

In some cases, you can identify these forward-looking statements by words such as "aim", "anticipate", "believe", "continue", "could", "expect", "intend", "may", "might", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would" or similar expressions or their negatives. These forward-looking statements include, without limitation, statements relating to:

- the Group's business objectives, implementation plans and use of proceeds;
- the amount and nature of, potential for, future development of the Group's business;
- the Group's operation and business prospects;
- the Group's dividend policy;
- the regulatory environment of the Group's industry in general;
- the future development and trends in the Group's industry; and
- risks identified under the section headed "Risk factors" to this prospectus.

The Directors confirm that these forward-looking statements are made after due and careful consideration.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond the Group's control. In addition, these forward-looking statements reflect the Group's current views with respect to future events and are not a guarantee of future performance.

Additional factors that could cause actual performance or achievements to differ materially include, without limitation, those discussed under the section headed "Risk factors" to this prospectus.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. The Company undertakes no obligations to update or revise any forward-looking statement 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 the Group's control. The Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way the Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to these cautionary statements.

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks and uncertainties associated with an investment in the Company before making any investment decision in the Shares. The Group's business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading prices of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group's top five customers accounted for over 75.0% of the Group's total revenue, failure to retain business relationship with them or secure new business may affect the Group's operations and financial performance

The Group's top five customers accounted for approximately 81.0% and 75.7% of the total revenue for the two years ended 31 March 2014 and 2015, respectively. In particular, approximately 30.4% and 49.9% of the Group's total revenue were attributable to its respective largest customer for the two years ended 31 March 2014 and 2015, respectively. The Group's top five customers are not obligated in any way to continue to provide the Group with new businesses in the future at a level similar to that in the past or at all, and the volume and/or value of business provided by the Group's top five customers may reduce if their business performance gets worse. If any of these top customers were to substantially reduce the volume and/or the value of new business to the Group or to terminate the business relationship with the Group entirely, there can be no assurance that the Group would be able to secure new business from other customers for replacement. In addition, there can be no assurance that new business secured from other customers for replacement, if any, would be on commercially comparable terms. As such, the Group's operations and financial performance may be adversely affected.

Changes to the supply and cost of building materials may adversely affect the Group's operations and profitability

The Group's costs of material and processing charges accounted for approximately 41.2% and 45.7% of the Group's total direct costs for each of the years ended 31 March 2014 and 2015, respectively.

The supply and cost of building materials are affected by macroeconomic conditions, production quantity and cost of such materials. Fluctuation in foreign exchange rate may also affect the Group's cost of building materials since some of the Group's suppliers are located outside Hong Kong and the PRC. In the event that the cost of building materials increase due to the external factors aforementioned, which are out of the Group's control, the Group's operations and profitability may be adversely affected.

The materials that the Group principally uses in its design and build projects, particularly aluminium, is subject to price fluctuations. During the Track Record Period, the costs of aluminium represented approximately 54.7% and 42.7% of the Group's total material and processing charges, respectively. The Group tenders for projects based on its estimate of the price of aluminium at the time it purchases the aluminium. There is a time lag between the time the Group submits the tender and the time it purchases aluminium for the purpose of the relevant project, if the tender is successful.

RISK FACTORS

During the Track Record Period, all of the Group's construction contracts are subject to the risks arising from material costs fluctuations as there is a time lag between the time the Group submits the tender and the time it purchases aluminium. Even the aluminium price in the variation orders has to follow the unit aluminium price agreed in the master construction contracts previously entered. Failure to accurately estimate the materials costs for the projects at the time a project is awarded to the Group and any substantial increase in the price of aluminium between the time of submission of the tender and the time the Group purchases the aluminium will therefore substantially increase the Group's material costs and could materially and adversely affect the Group's cash flow, financial condition and results of operations.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's material and processing charges on the Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 10% and 20% which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in material and processing charges	-10%	-20%	+10%	+20%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(Decrease) in profit before tax				
Year ended 31 March 2014	7,275	14,550	(7,275)	(14,550)
Year ended 31 March 2015	7,249	14,498	(7,249)	(14,498)
Increase/(Decrease) in profit after tax				
Year ended 31 March 2014	6,075	12,150	(6,075)	(12,150)
Year ended 31 March 2015	6,053	12,106	(6,053)	(12,106)

Unsatisfactory performance or unavailability of subcontractors may adversely affect the Group's operations and profitability

The Group does not retain any direct labour for installation works of its business segment in relation to structural engineering works. Therefore, the Group subcontracts the installation works to other subcontractors. For the two years ended 31 March 2014 and 2015, subcontracting charges incurred by the Group amounted to approximately 45.1% and 34.4% of the Group's total direct costs, respectively. The Group carefully evaluates subcontractors by taking into account, among other things, their background, quality of services, timelines of delivery and reputation. However, there is no assurance that the work quality of the subcontractors can always meet the Group's requirements. The Group may not be able to monitor the performance of the subcontractors as directly and efficiently as with its own staff. Outsourcing exposes the Group to the risks associated with non-performance, delayed performance or sub-standard performance by subcontractors. As a result, the Group may experience deterioration in the quality or delayed delivery of works, incur additional costs due to the delays, or be subject to liability under the relevant contract with its customers for the subcontractor's unsatisfactory performance. Such events could impact upon the Group's operations, profitability, financial performance and reputation.

RISK FACTORS

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's subcontracting charges on the Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 10% and 20%, which correspond to the approximate minimum and maximum year-on-year fluctuations in average daily wage of construction workers from 2009 to 2014 as shown in the IPSOS Report (see the section headed "Industry overview").

Hypothetical fluctuations in subcontracting charges	-10%	-20%	+10%	+20%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(Decrease) in profit before tax				
Year ended 31 March 2014	7,947	15,895	(7,947)	(15,895)
Year ended 31 March 2015	5,463	10,927	(5,463)	(10,927)
Increase/(Decrease) in profit after tax				
Year ended 31 March 2014	6,636	13,272	(6,636)	(13,272)
Year ended 31 March 2015	4,562	9,124	(4,562)	(9,124)

In addition, there is no assurance that the Group will always be able to secure suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In such event, the Group's operations and financial position may be adversely affected.

The Group is required to maintain sufficient level of working capital to sustain its business operations, failure to do so may materially and adversely affect the Group's business operations and financial performance

The Group is required to maintain sufficient level of working capital on a continuous basis to fund its business operations, including the purchase of raw materials and subcontracting charges for its design and build projects, and fulfil the requirements of being retained as an approved contractor on the List of Approved Suppliers of Materials and Specialist Contractors for Public Works, which is administered by the Works Branch of the Development Bureau, under the structural steelwork category. For the two years ended 31 March 2014 and 2015, the Group recorded positive net cash flows from operating activities of approximately HK\$17.2 million and negative net cash flows from operating activities of approximately HK\$8.2 million, respectively. The negative net operating cash flows for the year ended 31 March 2015 was principally attributable to the increase in amounts due from customers of contract works, trade and other receivables, and deposits and prepayments. As at 31 March 2014 and 31 March 2015, the Group had net current assets of approximately HK\$49.2 million and HK\$56.4 million, respectively.

The Group's operating cash flows may be adversely affected by a variety of factors, such as macroeconomic factors that may lead to delay in progress payment from its customers. In addition, the interim dividend of HK\$15.0 million to the then owners of the Company in September 2015 would have a material adverse effect on the Group's cash flows for the year ending 31 March 2016. There is no guarantee that the Group's business will be able to generate positive operating cash flows or that the Group will be able to finance its working capital in the future. In the event that the Group fails to maintain sufficient level of working capital, the Group's business operations and financial performance may be materially and adversely affected.

RISK FACTORS

The Group may fail to obtain or renew the requisite licences, permits or qualifications, or otherwise fail to satisfy their requirements from time to time, which will affect the Group's ability to obtain new projects and its financial position and prospects

As at the Latest Practicable Date, the Group had a variety of licences and permits for various types of works, and are on various lists of approved contractors to perform public works, including those detailed in the section headed "Business — Licences and permits" to this prospectus. Some of these major licences, permits or qualifications have an expiry date, the earliest expiry date is for KPa Engineering's qualification as a Registered Minor Works Contractors (Classes II and III), which will expire on 18 June 2016. There is no assurance that the Group can renew the aforesaid in a timely manner.

In addition, some licences, permits and qualifications are subject to continued compliance with various standards relating to, among others, financial capability, expertise, management and safety and there is no assurance that the Group will continue to meet such standards from time to time. There are circumstances which may affect the ability of the Group to maintain such licences and permits or otherwise lead to a suspension, downgrading or demotion of the qualifications. For example, if a fatal construction accident occurs at a construction site that the Group is responsible for, it may lead to the relevant authority re-evaluating the qualifications of the Group. If the Group is unable to renew or otherwise maintain its licences, permits or qualifications, the Group may not be able to obtain certain new projects, and thereby its financial position and prospects would be materially and adversely affected.

The Group's revenue is derived substantially from non-recurrent projects and the amount of revenue the Group is able to derive therefrom depends on the volume of business secured, which may vary from period to period

The Group's revenue is derived substantially from projects which are non-recurrent in nature. There is no guarantee that the Group will be able to secure new businesses from existing customers since the Group is engaged by its customers on a project-by-project basis. The amount of revenue the Group is able to derive may vary significantly from period to period, depending on the number of projects that the Group can secure. Accordingly, it is difficult to forecast the volume of future business. If the Group cannot secure business from the existing customers or develop business relationship with any new customers, the Group's business, financial condition and results of operations could be adversely affected.

The Group may achieve lower-than-expected profits on the projects and even incur losses if it fails to accurately estimate and control the project costs

During the Track Record Period, the Group's structural engineering works business accounted for approximately 97.2% and 93.2% of the Group's total revenue, respectively. The Group is usually engaged by its customers in design and build projects on a project-by-project basis. The Group's construction contracts can be divided into two types, namely remeasurement contracts and lump sum fixed price contracts. Remeasurement contracts contain, among other things, bills of quantities and schedule of rates that are based on the agreed unit rates and the estimated quantities of each item to be consumed in the project. The Group will be paid based on its actual quantities of works done in the

RISK FACTORS

project, which normally will be measured by its customer upon completion of the project. For lump sum fixed price contracts, the Group will be paid based on a fixed contract sum agreed in the contract and no remeasurement will be conducted except for works done pursuant to variation order issued by customers.

The price of each construction contract is determined with reference to the Group's bids and substantially agreed to at the time a project is awarded. In order to determine the bids, the Group needs to estimate the time and costs involved in a project. However, the Group may fail to accurately estimate completion costs. The actual amount of total costs incurred in completing a project may be adversely affected by many factors, such as adverse weather conditions, accidents, unforeseen site conditions and fluctuations in the price of raw materials. If the costs for a project exceed the contracted price in the relevant contract, the Group may achieve lower-than-expected profits or even incur losses, which could materially and adversely affect the Group's financial performance and results of operations.

Among the design and build projects completed by the Group during the Track Record Period, the Group recorded three material loss-making projects which accounted for a loss of approximately HK\$4.8 million, HK\$0.5 million and HK\$0.6 million, respectively. For further details of these loss-making projects, please refer to the section headed "Business — Customers — Pricing strategies — Construction contracts for design and build projects" to this prospectus.

The Group may incur penalties and additional costs caused by project delays. This also causes delays in receiving payments and adversely impacts the Group's business and reputation

The Group is typically required to complete each project according to a fixed schedule by an agreed date as stated in the relevant contracts. If the Group fails to timely complete a project in breach of the contractual obligations, it may be liable to compensate the customer for losses or damages caused by the delay. These delays can be caused by various factors beyond control of the Group, including weather conditions, availability of sufficient labour force, regulatory approval processes, government requirements, and other factors. Any delay in the completion of a project, whether or not caused by the Group, could also lead to additional costs being incurred, including costs to hire additional manpower. Also, since the Group is often involved in the later stage of a construction project, any delay in the preceding stages would postpone the task that the Group is involved, causing a waste of manpower and/or other resources that the Group has prepared. As the Group typically receives payment in stages based on project progress, any delay in the course of a project may postpone the receipt of anticipated payments which could have a material adverse effect on the Group's cashflow position. Moreover, any failure on the Group's part to timely complete a project could harm the Group's reputation in the industry and hinder the ability to win future contracts. As a result, the Group's reputation, business and financial condition could be adversely affected.

The Group's liquidity and financial position may be adversely affected if its customers default in, or delay, their payment obligations

The Group issues payment applications or invoices to its customers for works completed and grants its customers a credit term of 30 to 60 days from the date of issuance of payment applications or invoices. As a result, the Group may encounter difficulties in collecting payments from those customers who are having financial difficulties or delayed projects. For instance, some of the Group's customers are main contractors who may be subject to the credit risks of their customers and to the financial risks of their development projects not being able to proceed according to budget, or being delayed or terminated. The collection process is often time-consuming and administratively cumbersome. The

RISK FACTORS

Group cannot assure that its customers in the future will not subsequently default in, or delay, their payment obligations. In the event the Group's customers default in all or a substantial portion of their payment obligations to the Group, the Group's financial performance may be materially and adversely affected.

The Group's business performance depends on the availability of design and build projects, involving structural engineering works, in Hong Kong

The performance of the Group's business is generally affected by the number and availability of design and build projects, involving structural engineering works, in Hong Kong. The performance of the construction industry is cyclical and could be significantly affected by various factors, including but not limited to the fluctuations in economic conditions, the general conditions of property markets in Hong Kong, and other factors. For instance, an economic downturn in Hong Kong, where the Group operates, could materially and adversely affect the Group's business, financial performance and results of operations. There is no assurance that the number of design and build projects in Hong Kong will not decrease in the future.

Failure to acquire adequate capital could delay the execution of new projects and prevent the expansion of the Group's business, which could materially and adversely affect the Group's business, financial performance and results of operations

The Group expects that the execution of new projects and the continued development of its business in the future will require significant capital. There is no assurance that the required capital can be obtained through equity or debt financing on acceptable terms or sufficient cash flow can be generated from the Group's operations to meet the cash requirements. Furthermore, the capital requirements may vary materially from those currently planned. Failure to obtain additional capital on acceptable terms may delay or prevent the expansion of the Group's business or force it to forego project opportunities which could materially and adversely affect the Group's business, financial performance and results of operations.

Changes to the supply and cost of staff may adversely affect the Group's operations and profitability

During the Track Record Period, the Group's direct labour costs accounted for approximately 7.6% and 9.8%, respectively. The supply and cost of staff in Hong Kong are affected by the availability of staff in the market as well as economic factors in Hong Kong including the inflation rate and standard of living. In addition, an employee is entitled to be paid wages in respect of any wage period of not less than the minimum wage, which shall be derived by reference to the prescribed minimum hourly wage rate (currently set at HK\$32.5 per hour). There is no assurance that the statutory minimum wage will not increase in the future, and that the supply of labour and average cost of staff will be stable. If the Group cannot identify and recruit staff members to replace departed staff members in a timely manner or the cost of staff increases in the future, the Group's operations and profitability could be adversely affected.

Past dividend distributions are not an indication of the Company's future dividend policy

No dividend has been paid or declared by the Company since its incorporation. The interim dividends for the years ended 31 March 2014 and 2015 amounted to HK\$4,050,000 and HK\$1,800,000 respectively represented interim dividends declared to the then owners of the Company. In addition, the

RISK FACTORS

Group declared an interim dividend of HK\$15.0 million to the then owners of the Company in September 2015, which will be fully paid prior to the Listing Date. All dividends declared had been or will be fully paid prior to the Listing Date and the Group financed or will finance the payment of these dividends by internal resources. No assurance can be given that dividends of similar amounts or at similar rates will be paid in the future or that dividends will be paid at all. Any future dividend declaration and distribution by the Group will be at the discretion of the Directors depending upon the Group's financial results, the Shareholders' interests, general business conditions, strategies and future expansion needs, the Group's capital requirements, payment by its subsidiaries of cash dividends to the Company, possible effects on liquidity and financial position of the Group and such other factors as the Board may consider relevant. As a result, there is no reference to the basis for forecasting the amount of dividend payable in the future. The past dividend distribution record should not be used as a reference of the amount of dividend payable in the future.

Any claims or legal proceedings to which the Group may become a party may have a material and adverse impact on the Group's business operations

The Group may be subject to claims for personal injury and property damage arising in connection with the Group's projects. The Group may also become involved in proceedings relating to, among other things, warranty, indemnification or liability claims, contractual disputes with its customers or subcontractors, labour disputes, workers' compensation, and safety, environmental or other legal requirements. Legal proceedings can be time-consuming, expensive, and may divert management's attention away from the operations of business. Any claims or legal proceedings to which the Group may become a party in the future may have a material and adverse impact on the Group's business operations.

Adverse weather conditions and other construction risks may affect the work progress of the Group's design and build projects

Most of the Group's design and build projects are undertaken outdoor which can be affected by adverse weather conditions, such as rainstorms, tropical cyclones and continuous rain. These adverse weather conditions may cause difficulties to the Group in completing its projects on schedule. Any delay in completion of the design and build projects may render the Group subject to penalty and will adversely affect the operating results. The Group may also have to subsequently accelerate work progress in order to catch up to meet the scheduled time for completion, inevitably incurring additional costs. In addition, there are also other construction risks, such as fire and the suspension of water and electricity supplies, which the Group is subject to. They may not only affect work progress but also pose risks on properties kept at the construction sites.

The Group is exposed to environmental liabilities which may affect the Group's operations

The Group's operations are subject to a variety of environmental laws and regulations in Hong Kong, as well as standards imposed by environmental laws and regulations in respect of air pollution, noise control and waste disposal. Please refer to the section headed "Regulatory overview" to this prospectus for a more detailed discussion of these laws, regulations and standards. Any failure, or claim that the Group has failed to comply with these environmental laws and regulations could cause delays in production and capacity expansion and affect the Group's public image, either of which could seriously

RISK FACTORS

harm the Group's business. In addition, failure to comply with these laws and regulations could subject the Group to substantial fines, clean-up costs and environmental liabilities, or even suspension of operations which could materially and adversely affect the operating results and prospects of the Group.

The Group's financial performance is expected to be affected by the Group's listing expenses

The Group's financial results for the year ending 31 March 2016 will be affected by non-recurring expenses in relation to the Listing. Whether or not the Listing eventually occurs, a major portion of the listing expenses will have been incurred and recognised as expenses, which will reduce the Group's net profit and therefore negatively affect the Group's future financial performance. The estimated expenses in relation to the Listing are approximately HK\$18.0 million. The Group expects to recognise approximately HK\$12.3 million in the consolidated statement of comprehensive income and to deduct the remaining of approximately HK\$5.7 million from the Group's capital. In addition, if the Listing were to be postponed due to market conditions, additional listing expenses would also be incurred for future listing plan. This would further negatively affect the Group's future net profit. As a result, the Group's business, financial performance, operating results and prospect would be adversely affected.

The Group may fail to maintain its reputation and brand name and this can adversely affect the Group's business, financial performance and results of operations

Reputation and brand name that the Group has built up over the years play a significant role in attracting customers and securing projects. The Group needs to provide quality and timely service to customers on an ongoing basis in order to maintain or promote its reputation and brand name. The brand name and reputation of the Group could be adversely affected if its customers no longer perceive products and services of the Group to be of a high quality or reliable or cost-effective. This will in turn negatively affect the Group's business, financial performance and results of operations.

The Group may not be able to completely prevent or deter fraud or other misconduct which may be committed by the Group's employees or third parties

The Group's employees or third parties may commit fraud or other misconduct and such acts could subject the Group to financial losses and harm its business and operations. There is no assurance that they can be completely prevented or deterred even if extensive internal controls and corporate governance practices are in place. In addition to potential financial losses, improper acts of its employees or third parties could subject the Group to third party claims and regulatory investigations. Any such fraud or other misconduct committed against the Group, whether involving past acts or future acts, could have an adverse effect on the Group's business, financial performance and results of operations.

Extraordinary events such as epidemics, natural disasters, political unrest and terrorist attacks could significantly delay, or even prevent the Group from completing, the Group's projects

The Group's operations are subject to uncertainties and contingencies, such as epidemics, natural disasters, fire, adverse weather conditions, political unrest, wars and terrorist attacks. These extraordinary events are beyond the Group's control and could result in material disruptions in the operations and adversely affect the Group's business. Any such events could cause the Group to reduce

RISK FACTORS

or halt the operation, adversely affect the Group's business operation, increase the costs and/or prevent completion of the projects, any one of which could materially and adversely affect the Group's business, financial condition and results of operations.

The Group's relies on its management team and in-house designers, failure to retain these employees may affect the Group's operations adversely

The Group relies on its in-house designers to handle the engineering design of its design and build projects. Although the Group subcontracts part of its labour intensive works to subcontractors, the Group relies on its project managers to supervise and control the quality of work performed by the subcontractors. In the event that the Group fails to retain its experience management team and design team, the Group may not be able to complete its projects on schedule and within budget nor maintain its quality of work at the standard level. Subsequently, the Group's operations and profitability may be adversely affected.

Insurance policies may not be sufficient to cover all liabilities and insurance premium may increase from time to time

The Group has taken out insurance policies in line with industry practice to cover certain aspects of business operations. However, certain types of risks, such as liabilities arising from acts of God or other natural disasters and risks in relation to the collectability of trade receivables, are generally not insured because they are either uninsurable or it is not cost justifiable to insure against such risks. In the event that an uninsured liability arises, the Group may suffer losses which may adversely affect its financial position.

Even if the Group has taken out insurance policies, insurers may not fully compensate the Group for all potential losses, damages or liabilities relating to the business operations. The Group cannot control if there are reduction or limitation of insurance coverage by insurers upon the expiry of the current policies.

The Group cannot guarantee that the insurance premiums will not rise or the Group may be required by law or customers to obtain additional insurance coverage. Any further increase in insurance costs or reduction in coverage may materially and adversely affect the business operations and financial results.

Failure to obtain sufficient financial resources required to undertake projects for the structural engineering works business may have material adverse impact to the operation and profitability of the Group

Because of the time lags between making payments to the subcontractors and receiving payments from the customers, the total number and size of projects that the Group can undertake in the structural engineering works business depends on the amount of available working capital that the Group has. The Group will risk its reputation for not being able to make payments on a timely manner if it chooses to pay the subcontractors only after receiving payments from the customers. This could affect its ability to engage capable and quality subcontractors for the structural engineering works business in the future. Also, some structural engineering works projects undertaken by the Group involve the provision of

RISK FACTORS

surety bonds, which require the use of a substantial amount of the Group's cash resources. Failure to obtain sufficient financial resources required to undertake projects for the structural engineering works business in the future may have material adverse impact to the operation and profitability of the Group.

The Group is exposed to foreign exchange risks, any fluctuation in the exchange rates of Hong Kong dollars may affect the Group's financial performance

During the Track Record Period, most of the Group's sales are denominated in Hong Kong dollars while some of the Group's purchases are denominated in foreign currencies, including RMB, USD, Euro and British Pound. Therefore, the Group is exposed to foreign exchange risks to the extent that the Group's receipts from its customers in Hong Kong dollars do not match with the respective payment to its suppliers that are denominated in foreign currencies.

The Group does not maintain any hedging policy or engage in any hedging activity. Hence the fluctuation in the exchange rates between Hong Kong dollars and the currencies in which some of the Group's purchases are denominated may adversely affect the financial performance and profitability of the Group.

RISKS RELATING TO THE INDUSTRY IN WHICH THE GROUP OPERATES

The construction industry in Hong Kong has been facing the problem of rising construction costs, including the costs of construction workers and construction materials

The costs of construction materials have demonstrated a general increasing trend over the past few years. The general increases in construction material prices are affected by, among other factors, the strong construction demand. In addition, the construction industry in Hong Kong is suffering from labour shortage, which is exacerbated by an ageing workforce and the lack of skilled talent. This is mainly due to the growing construction industry in Hong Kong and the shortage of experienced and skillful labour as a number of skilled construction workers are approaching the age of retirement while young people are reluctant to join the construction industry. As a result of the shortage of construction workers and the implementation of minimum wage, the average wage of construction workers in Hong Kong keeps increasing. In view of the potential increase in the cost of construction workers and construction materials, the Group's business operations and financial conditions could be materially and adversely affected.

Personal injuries, property damages or fatal accidents may occur at work sites

Notwithstanding the occupational health and safety measures, accidents leading to personal injuries, property damages and/or fatal accidents remain an inherent risk at work sites. In addition, there is no assurance that there will not be any violation of the Group's safety measures or other related rules and regulations by workers. Any such violation may lead to higher probability of occurrences, and/or increased seriousness, of personal injuries, property damages and/or fatal accidents at work sites, which may materially and adversely affect business operations as well as financial position to the extent not covered by insurance policies.

In addition, any personal injuries and/or fatal accidents to the employees of the Group and subcontractors may lead to claims or other legal proceedings against the Group. Any such claims or legal proceedings could adversely and materially affect financial position of the Group to the extent not

RISK FACTORS

covered by insurance policies. Also, notwithstanding the merits of any such claims or legal proceedings, the Group need to divert management resources and incur extra costs to handle these matters. Any such claims or legal proceedings could therefore have a material and adverse impact on the Group's business operations.

Any changes in environmental requirements may increase the Group's compliance costs

Due to the nature of the Group's business, the operations at work sites are subject to certain environmental requirements pursuant to the laws in Hong Kong, including primarily those in relation to air pollution control, noise control and waste disposal. Such regulations may be revised by the Government from time to time. Any changes to such regulations and guidelines may increase cost and burden in complying with them.

The Group relies on the availability of the construction projects in Hong Kong

The Group's results of operations are affected by the number and availability of construction projects in Hong Kong, which in turn are affected by various factors, including but not limited to the general economic conditions in Hong Kong, changes in government policies relating to the Hong Kong property markets, the general conditions of the property markets in Hong Kong, and the amount of investment in the construction of new infrastructure and improvement of existing infrastructure. A downturn in the construction industry may result in a significant decrease in the number of projects available in Hong Kong. For instance, an economic downturn in Hong Kong, an outbreak of epidemic disease, and/or adverse government policies on the property markets in Hong Kong may lead to a significant decline in the number of housing construction projects. There is no assurance that the number of construction projects will not decrease in the future. Therefore, business in general and the Group's results of operations may be adversely and materially affected.

The Group operates in a competitive industry

The construction industry in Hong Kong has a number of participants and is competitive. Occasionally, new participants could enter the industry if they have the appropriate skills, local experience, necessary business network and capital and are granted the requisite licences by the relevant regulatory bodies. The Group faces competition from other contractors in the submission of tender for construction contracts. Increased competition may lead to lower profit margins and loss of market share, and adversely impact on the Group's profitability and operating results.

RISKS RELATING TO THE PLACING

There has been no prior public market for the Shares and the liquidity, market price and trading volume of the Shares may be volatile

Prior to the Listing, there is no public market for the Shares. The listing of, and the permission to deal in, the Shares on the Stock Exchange does not guarantee the development of an active public market or the sustainability thereof following completion of the Placing. There are factors that could cause the market price and trading volume of the Shares to change substantially, such as variations in the Group's revenues, earnings and cash flows, strategic alliances or acquisitions made by the Company or the Group's competitors, industrial or environmental accidents suffered by the Group, loss of key personnel, litigation or fluctuation in the market prices for the Group's products or services, the liquidity

RISK FACTORS

of the market for the Shares, and the general market sentiment regarding the industry. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond the Group's control and unrelated to the performance of the Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, you may not be able to sell the Shares at or above the Placing Price.

Existing Shareholders' shareholding may experience dilution if the Company issues additional Shares in the future

The Company may issue additional Shares upon exercise of the options that may be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue of new Shares would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

In addition, the Company may need to raise additional funds in the future to finance business expansion or new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in the Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Placing Shares.

Any disposal by the Controlling Shareholders of a substantial number of Shares in the public market could materially and adversely affect the market price of the Shares

There is no guarantee that the Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. The Group cannot predict the effect, if any, of any future sales of the Shares by any of its Controlling Shareholders, or that the availability of the Shares for sale by any of the Controlling Shareholders may have on the market price of the Shares. Sales of a substantial number of Shares by any of its Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

RISKS RELATING TO THIS PROSPECTUS

Statistics and industry information contained in this prospectus may not be accurate and should not be unduly relied upon

Certain facts, statistics, and data presented in the section headed "Industry overview" to this prospectus and elsewhere in this prospectus relating to the Hong Kong market of the construction industry have been derived, in part, from various publications and industry-related sources prepared by government officials or Independent Third Parties. The Directors believe that the sources of the information are appropriate sources for such information, and the Sponsor and the Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, the Group has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither the Group, the Directors, the Sponsor, nor any parties involved in the Placing have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources will be prepared on a comparable basis or that such information

RISK FACTORS

and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

The future results could differ materially from those expressed or implied by the forward-looking statements

Included in this prospectus are various forward-looking statements that are based on various assumptions. The future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed “Forward-looking statements” to this prospectus.

WAIVER FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES

In preparation for the Listing, the Company has sought the following waiver from strict compliance with the relevant provisions of the GEM Listing Rules.

WAIVER IN RESPECT OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group entered into and are expected to continue with certain transactions which would constitute non-exempt continuing connected transactions under Chapter 20 of the GEM Listing Rules, following completion of the Listing. The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules in respect of such non-exempt continuing connected transactions. Details of such non-exempt continuing connected transactions and the waiver is set out in the section headed "Connected transactions" to this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the 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 (subsidiary legislation 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.

INFORMATION ON THE PLACING

The Placing Shares are offered solely on the basis of the information contained and the representations made in this prospectus. So far as the Placing is concerned, no person is authorised 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 the Company, the Sponsor, the Bookrunner (also in its capacity as the Underwriter), the Co-Managers, any of their respective directors (where applicable) or any other parties involved in the Placing.

PLACING SHARES ARE FULLY UNDERWRITTEN

This prospectus is published in connection with the Placing for which Messis Capital is the sponsor. The Placing Shares are fully underwritten by the Underwriter pursuant to the Underwriting Agreement. For further information about the Underwriter and the placing and underwriting arrangements, please refer to the section headed "Underwriting" to this prospectus.

RESTRICTIONS ON SUBSCRIPTION OF PLACING SHARES

Each person acquiring the Placing Shares will be required to, or be deemed by his, her or its acquisition of the Placing Shares to, confirm that he, she or it is aware of the restrictions on offers and sales of the Placing Shares described to 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. This prospectus is not an offer or invitation in any jurisdiction in which it is not authorised, and is not an offer or invitation to any person to whom it is unlawful to make an unauthorised offer or invitation.

It is expected that, pursuant to the Placing, the Underwriter will conditionally place the Placing Shares on behalf of the Company with professional and institutional investors.

APPLICATION FOR LISTING ON GEM

The Company has applied to the Listing Division for the listing of, and permission to deal in, the Shares in issue and which are to be issued or may be issued pursuant to the Capitalisation Issue and the Placing (including any Shares to be issued upon exercise of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) and as otherwise described herein on GEM.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

No part of the share or loan capital of the Company is listed, traded or dealt in on any stock exchange and save as disclosed herein, no such listing or permission to deal is being or proposed to be sought.

Under section 44B(1) of the Companies (Winding up and Miscellaneous Provisions) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Placing or such longer period not exceeding six weeks as may, within the said three weeks, be notified to the Company for permission by or on behalf of the Listing Division, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing and at all times thereafter, the Company must maintain the minimum prescribed percentage of at least 25% of the issued share capital of the Company in the hands of the public. A total of 150,000,000 Shares representing approximately 25% of the enlarged issued share capital of the Company immediately following completion of the Capitalisation Issue and the Placing (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) will be made available under the Placing.

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential applicants 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 the Shares or exercising their rights thereunder. It is emphasised that none of the Company, the Directors, the Sponsor, the Bookrunner (also in its capacity as the Underwriter), the Co-Managers, their respective directors or any other person involved in the Placing accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares or the exercise of their rights thereunder.

REGISTRATION AND STAMP DUTY

All the Placing Shares will be registered on the branch register of members of the Company to be maintained in Hong Kong by the Company's branch share registrar and transfer office, Tricor Investor Services Limited at level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Dealings in the Shares registered on the Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

STRUCTURE AND CONDITIONS OF THE PLACING

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

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

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, under contingent situation, 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. If you are unsure about the details of CCASS settlement arrangement and how such arrangements will affect your rights and interests, you should seek the advice of your stockbroker or other professional advisers.

COMMENCEMENT OF DEALING IN THE SHARES

Dealings in the Shares on GEM are expected to commence on or about Thursday, 8 October 2015. Shares will be traded in board lots of 10,000 Shares each.

CURRENCY TRANSLATIONS

Unless otherwise specified, translations of RMB into HK\$ and US\$ into HK\$ in this prospectus are based on the exchange rate set out below (for the purpose of illustration only):

RMB0.80: HK\$1.00

US\$1.00: HK\$7.78

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

LANGUAGE

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

ROUNDING

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

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. Yip Pak Hung (葉柏雄)	Flat A, 19/F. Hibiscus Court World Wide Gardens Tai Wai New Territories Hong Kong	Chinese
Mr. Wai Yat Kin (韋日堅)	Flat A, 12/F. Block 5, Peak One 63 Mei Tin Road Shatin New Territories Hong Kong	Chinese
Mr. Lui Bun Yuen, Danny (呂品源)	Lot House No. 215, G/F. Cheung Shue Tan Tsuen Tai Po New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Ms. Lai Pik Chi, Peggy (黎碧芝)	Flat D, 6/F. Block 11, Serenity Park I Tai Po New Territories Hong Kong	Chinese
Mr. Lam Chi Wai, Peter (林志偉)	Room 2, 26/F. Po Tai House Ching Tai Court Tsing Yi New Territories Hong Kong	Chinese
Dr. Yeung Kit Ming (楊傑明)	Flat A, G/F., Block 3 Hillview Court 11 Ka Shue Road Tseng Lan Shue New Territories Hong Kong	Chinese

For further information on the background of the Directors, please refer to the section headed “Directors and senior management” to this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

PARTIES INVOLVED IN THE PLACING

Sponsor

Messis Capital Limited

A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Room 1606, 16/F.
Tower 2, Admiralty Centre
18 Harcourt Road
Hong Kong

Underwriter, Bookrunner and Lead Manager

Aristo Securities Limited

A licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO

21st Floor, Henry Centre
131 Wo Yi Hop Road
Kwai Chung
Hong Kong

Co-Managers

I-Access Investors Limited

A licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO

Unit 1, 13th Floor
Bonham Trade Centre
50 Bonham Strand
Sheung Wan
Hong Kong

Ping An of China Securities (Hong Kong) Company Limited

A licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO

28th Floor
169 Electric Road
North Point
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Legal advisers to the Company

As to Hong Kong Law
TC & Co.
Solicitors, Hong Kong
Units 2201–2203, 22nd Floor
Tai Tung Building
8 Fleming Road
Wan Chai
Hong Kong

As to PRC Law
Hills & Co.
PRC attorneys-at-law
11th Floor, Central Business Building
No. 88 Fu Hua 1st Road
Fu Tian Central District
Shenzhen
PRC

As to Cayman Islands Law
Appleby
Cayman Islands attorneys-at-law
2206–19 Jardine House
1 Connaught Place
Central
Hong Kong

Legal advisers to the Sponsor and the Underwriter

As to Hong Kong Law
Iu, Lai & Li
Solicitors, Hong Kong
Rooms 2201, 2201A & 2202
22nd Floor
Tower 1, Admiralty Centre
18 Harcourt Road
Hong Kong

As to PRC Law
Deheng Law Offices (Shenzhen)
PRC attorneys-at-law
11/F., Section B, Anlian Plaza
4018 Jintian Road
Futian District
Shenzhen
PRC

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Reporting accountants

BDO Limited

Certified Public Accountants

25th Floor

Wing On Centre

111 Connaught Road Central

Hong Kong

Property valuer

Asset Appraisal Limited

Room 901, 9th Floor

On Hong Commercial Building

No. 145 Hennessy Road

Wanchai

Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	Appleby Trust (Cayman) Ltd. P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Head office and principal place of business in Hong Kong	4th Floor, Henry Centre 131 Wo Yi Hop Road Kwai Chung New Territories Hong Kong
Company's website	www.kpa-bm.com.hk <i>(Note: contents contained in this website do not form part of this prospectus)</i>
Company secretary	Mr. Chan Sun Kwong <i>F CPA, FCCA, FCIS, FCS</i> Flat 1, 9/F., Block B Pak On Building 105 Austin Road Tsim Sha Tsui Kowloon Hong Kong
Authorised representatives (for the purpose of the GEM Listing Rules)	Mr. Yip Pak Hung Flat A, 19/F. Hibiscus Court World Wide Gardens Tai Wai New Territories Hong Kong Mr. Chan Sun Kwong <i>F CPA, FCCA, FCIS, FCS</i> Flat 1, 9/F., Block B Pak On Building 105 Austin Road Tsim Sha Tsui Kowloon Hong Kong

CORPORATE INFORMATION

Compliance officer

Mr. Yip Pak Hung
Flat A, 19/F.
Hibiscus Court
World Wide Gardens
Tai Wai
New Territories
Hong Kong

Audit committee

Ms. Lai Pik Chi, Peggy (*Chairman*)
Mr. Lam Chi Wai, Peter
Dr. Yeung Kit Ming

Remuneration committee

Mr. Lam Chi Wai, Peter (*Chairman*)
Ms. Lai Pik Chi, Peggy
Dr. Yeung Kit Ming

Nomination committee

Dr. Yeung Kit Ming (*Chairman*)
Ms. Lai Pik Chi, Peggy
Mr. Lam Chi Wai, Peter

**Principal share registrar and
transfer office in the Cayman Islands**

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

CORPORATE INFORMATION

Principal bankers

Hang Seng Bank Limited

9/F.
83 Des Voeux Road Central
Hong Kong

The Hong Kong and Shanghai Banking Corporation Limited

Level 10
HSBC Main Building
1 Queen's Road Central
Hong Kong

Citibank N.A.

21/F., Tower 1
The Gateway
Harbour City
Kowloon
Hong Kong

Compliance adviser

Messis Capital Limited

A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Room 1606, 16/F., Tower 2
Admiralty Centre
18 Harcourt Road
Hong Kong

INDUSTRY OVERVIEW

The information presented in this section has been derived from various official Government and industry sources. The Directors believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Company and the Sponsor have no reason to believe that such information is false or misleading in any material respects or that any fact has been omitted that would render such information false or misleading in any material respects. The information has not been independently verified by the Company, the Sponsor, the Bookrunner (also in its capacity as the Underwriter), the Co-Managers, their respective advisers or affiliates or any other party involved in the Placing and no representation is given as to its accuracy, and accordingly, the information contained herein should not be unduly relied upon.

SOURCES OF INFORMATION

The Group has commissioned IPSOS, an independent market research company, to analyse and report on, among other things, the trends of the construction industry in Hong Kong at an aggregate fee of HK\$568,000. The Directors consider that such fee reflects market rates. To provide the above analysis, IPSOS combined the following data and intelligence gathering methodology: (a) performing client consultation to facilitate the research including in-house background information of the client (such as the business of the Group); (b) conducting desk research to gather background information and to obtain the relevant information and statistics on the industry; and (c) conducting in-depth interviews including face to face, phone interviews with key stakeholders and industry experts of construction related players in Hong Kong. The information and statistics as set forth in this section have been extracted from the IPSOS Report.

IPSOS is wholly-owned by IPSOS SA. Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, IPSOS SA acquired Synovate Limited in October 2011 and then became the third largest research company in the world which employs approximately 16,000 personnel worldwide across 85 countries. IPSOS SA conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

Analysis in the IPSOS Report are based on the following assumptions:

- The supply and demand of products and services provided by the construction engineering consulting and building services and building material distribution industry in the Hong Kong market are assumed to be stable and without shortage over the forecast period.
- It is assumed that there are no external shocks such as financial crises or natural disasters in the global market which could affect the demand and supply for/of the products and services of the construction engineering consulting and building services and building material distribution industry in Hong Kong over the forecast period.

INDUSTRY OVERVIEW

CONSTRUCTION INDUSTRY IN HONG KONG

The total gross output value of the construction industry accounted for about 3.3% of the total GDP in Hong Kong in 2010 and about 4.0% of the total GDP in Hong Kong in 2013. The total gross output value of the construction works performed by main contractors increased from approximately HK\$61.6 billion in 2010 to approximately HK\$121.5 billion in 2014, representing a CAGR of approximately 18.5%.

Historical price trend of construction worker wages



Sources: IPSOS research and analysis

The average wage of construction workers in Hong Kong increased from an estimated HK\$61.8 per hour in 2009 to an estimated HK\$86.9 per hour in 2014, representing a CAGR of approximately 7.1%. The considerable increase is attributable to a dearth of skilled and experienced workers, caused by a diminishing number of young people joining the industry.

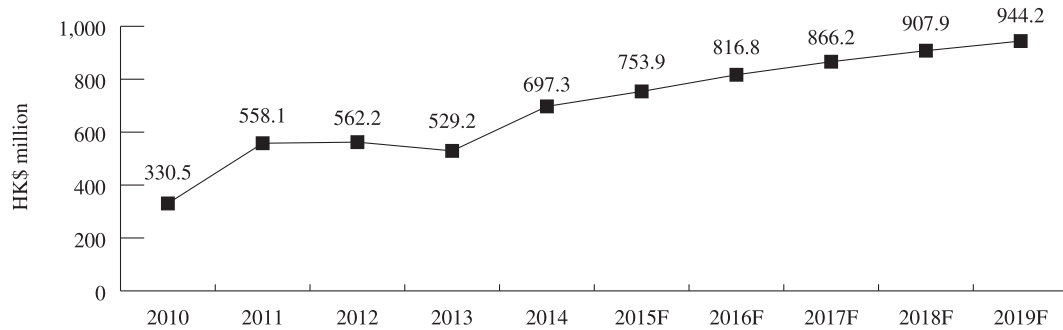
FACADE AND ROOF CLADDING WORKS INDUSTRY

There has been a general trend for the separation of the building skin from the structure, which has led to facade consulting and contracting becoming a distinct sub-sector of the construction industry. Facade consulting is a relatively new industry which has developed in the last 20 years. Common types of facade system include stick systems, unit systems, unit and mullion systems and various glass wall systems.

INDUSTRY OVERVIEW

Gross output value of the facade and roof cladding works industry in Hong Kong

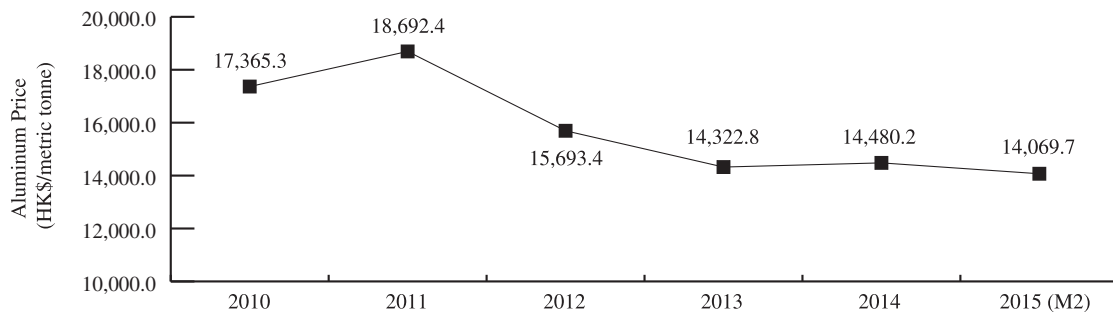
The gross output value of facade and roof cladding works in Hong Kong increased from approximately HK\$330.5 million in 2010 to HK\$697.3 million in 2014, growing at a CAGR of approximately 20.5%.



Sources: IPSOS research and analysis

The considerable increase in facade and roof cladding works during 2010 and 2014 was primarily driven by new construction projects of leisure and cultural service centers as well as transport interchanges. It is expected that the gross output value of the facade and roof cladding works industry in Hong Kong will grow at a CAGR of approximately 5.8%, from about HK\$753.9 million in 2015 to about HK\$944.2 million in 2019. General urban development, especially in development areas such as Kai Tak, are deemed to provide more public utilities and recreation facilities, leading to more facade and roof cladding projects in the future.

Price trend of key materials in facade and roof cladding works industry



Sources: World Bank Global Economic Monitor — Commodities, IPSOS research and analysis

Notes: 2015 M2 refers to February of 2015.

Aluminum is a key raw material that is used in the fabrication of facade and roofing products. The price of aluminum has gradually fallen from HK\$17,365.3 per metric ton in 2010 to HK\$14,069.7 in 2015, although there was a slight increase between 2010 and 2011. This represents a CAGR of -4% between 2010 and 2015.

INDUSTRY OVERVIEW

Market drivers of the facade and roof cladding works industry in Hong Kong

It is anticipated that more residential buildings will be constructed in the near future and hence facade works will be in demand for the newly constructed buildings. In addition, facade works are likely to be driven by the urban development in the New Territories and Kowloon.

The government projects which require roof cladding works, will be another growth driver for the industry. With the urban development in areas closed to Guangdong Province and closer economic cooperation between Hong Kong and mainland China, it is anticipated that the roof works will likely be driven by future public projects in the developing areas.

STRUCTURAL STEELWORKS INDUSTRY

In Hong Kong, the use of structural steel in construction has a history of approximately 70 years. In recent years, the structural steelworks industry grew considerably due to the Ten Major Infrastructure Projects and other public utilities projects. With the expected increase in public expenditure in the coming years, the industry is likely to continue growing.

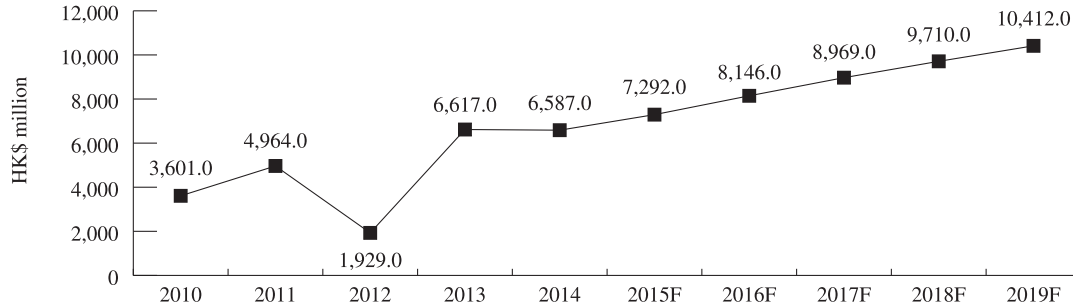
The key customer segments in the structural steelworks industry can be categorised into two sectors — public sector and private sector.

- Public structural steelworks are mainly from government department, such as Architecture Service Department, Highway Department and Housing Authority, etc. As a crucial part of the construction projects, structural steelworks usually serve as the frame of the superstructure and are widely used in infrastructure projects. Therefore, the “Ten Major Infrastructure Projects” and other long-term infrastructure construction works have driven the structural steelworks industry to grow significantly.
- Private structural steelworks projects are mainly from private property owners or private corporations who construct commercial or high-rise buildings. As structural steel allows more aesthetic and flexibility in design, there is a trend that architects tend to build iconic commercial buildings with structural steel and hence this will fuel the growth of structural steelworks industry.

INDUSTRY OVERVIEW

Gross output value of structural steel works in Hong Kong

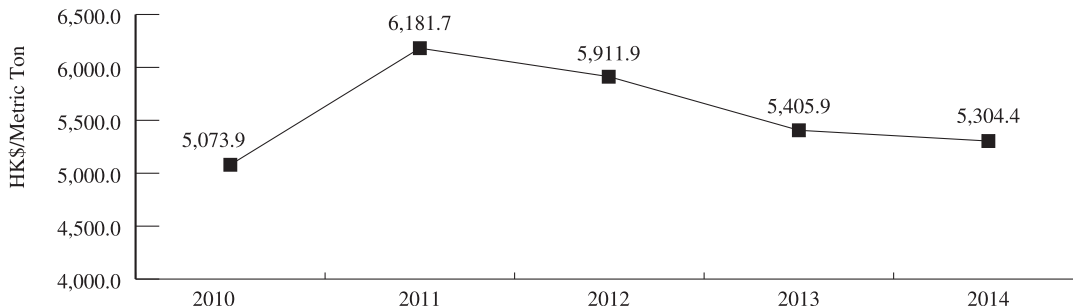
The gross output value of structural steelworks in Hong Kong increased from approximately HK\$3,610.0 million in 2010 to HK\$6,587.0 million in 2014, growing at a CAGR of about 16.2%.



Sources: IPSOS research and analysis

The increase is mainly driven by the large investment in infrastructure over the past 5 years. It is expected that the gross output value of the structural steelworks industry in Hong Kong will grow at a CAGR of approximately 9.3%, from about HK\$7,292.0 million in 2015 to about HK\$10,412.0 million in 2019. It is anticipated that the public expenditure on infrastructure will increase from HK\$76.3 billion in 2015 to HK\$103.8 billion in 2019.

Price trend of key materials in structural steelworks industry



Sources: Ministry of Industry and Information Technology of the People's Republic of China; UN Comtrade; IPSOS research and analysis

Iron and non-alloy steel are considered as the key materials for structural steelworks industry. From 2010 to 2014, the average price of steel used for structural steelwork increased from an average of approximately HK\$5,073.9 per metric ton in 2010 to HK\$6,187.7 per metric ton in 2011, but decreased to HK\$5,304.4 per metric ton in 2014, representing a CAGR of about 1.1% from 2010 to 2014.

Market drivers of the structural steelworks industry in Hong Kong

Since the announcement of the “Ten Major Infrastructure Projects” in the 2007 Policy Address, the growth of the structural steelworks industry has been supported by commencing these large scale infrastructure projects. It is expected that more cross border infrastructure projects and public utility projects will be developed in the future, which will continue to drive the structural steelworks industry in Hong Kong.

INDUSTRY OVERVIEW

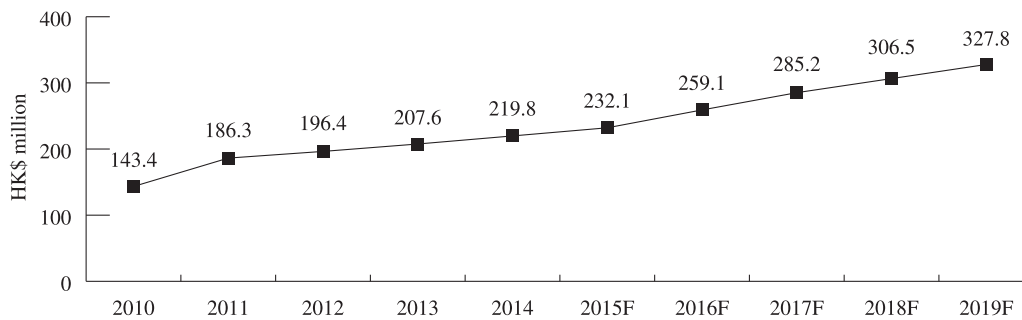
The government has also planned to commence the construction of Hong Kong International Airport's third runway. Such construction projects are deemed to increase the demand for structural steelworks.

NOISE BARRIER INDUSTRY

The noise barrier industry in Hong Kong has a history of more than 30 years. In recent years, the noise barrier industry grew steadily because of the continuous expanding noise barrier coverage on the highway and private properties. According to the Environmental Protection Department of Hong Kong, the cumulative length of noise barrier structure increased from 84,000 meters in 2010 to 93,000 meters in 2013, representing a CAGR of about 2.6%. Such expansion have fueled the industry growth over the years and with the increasing public expenditure on infrastructure, the noise barrier industry will continue to grow steadily.

Gross output value of the noise barrier works industry in Hong Kong

The gross output value of noise barrier works in Hong Kong increased from approximately HK\$143.4 million in 2010 to HK\$219.8 million in 2014, growing at a CAGR of 11.4%.

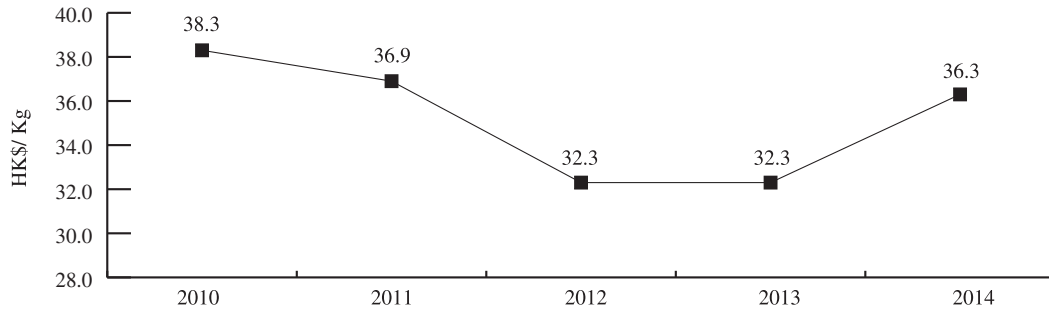


Sources: IPSOS research and analysis

The considerable increase from 2010 to 2014 was mainly driven by government's efforts to mitigate noise pollution. It is expected that the gross output value of the noise barrier works industry in Hong Kong will grow at a CAGR of approximately 9.0%, from about HK\$232.1 million in 2015 to about HK\$327.8 million in 2019. Given the urban development in the New Territories and closer economic cooperation between Hong Kong and Guangdong province, it is likely that there will be more residential buildings and road and rail infrastructure constructed in the New Territories, which will increase the requirements for noise barrier projects.

INDUSTRY OVERVIEW

Price trend of key materials in the noise barrier industry in Hong Kong



Sources: ICIS; UN Comtrade; IPSOS research and analysis

PMMA sheet is a key material for manufacturing noise barriers. It is a thermoplastic polymer of Methyl Methacrylate (MMA). From 2010 to 2014, the average price of PMMA sheet in Hong Kong decreased from approximately HK\$38.3/Kg in 2010 to approximately HK\$32.3/Kg in 2012. However, in 2014 the price began to increase, up to HK\$36.3/Kg. Overall, the CAGR was -1.3% from 2010 to 2014.

Market drivers of the noise barrier works industry in Hong Kong

The increasing awareness of controlling noise pollution and the related legislation for the management of noise has led to the construction of an increasing number of noise barriers. Some key legislations on noise control include Noise Control Ordinance (Cap. 400), Road Traffic Ordinance (Cap. 374) and the Noise Control (Motor Vehicles) (Amendment) Regulation. This legislation and the increasing awareness of noise pollution, have provided the growth momentum to the industry.

Increasing urban development in the New Territories in Hong Kong is a second growth driver to the noise barrier works industry. With the planning of new development areas in the New Territories, noise barrier works are required in order to reduce traffic noise for residents.

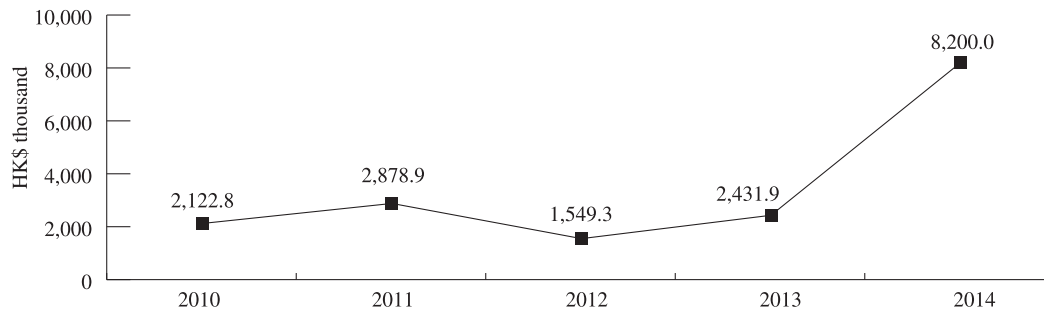
FLAGPOLES AND RELATED WORKS INDUSTRY

The majority of the flagpoles and related works come from public works. The Hong Kong Government's endeavor to promote symbols of national and regional identity has driven the demand for flagpoles and related works. For instance, all governmental buildings including fire stations, hospitals and police stations are required to erect the national and regional flags every working day since August 2014, in order to underpin the one-country ideology. Moreover, according to School Miscellaneous Circular No. 2/98, it is optional for the non-governmental schools in Hong Kong to decide whether or not to erect national and regional flags.

INDUSTRY OVERVIEW

Estimated retail value of aluminum flagpoles in Hong Kong

The estimated retail value of aluminum flagpoles sold in Hong Kong rose dramatically from approximately HK\$2.1 million in 2010 to approximately HK\$8.2 million in 2014, with a CAGR of approximately 40.2%.



Sources: IPSOS research and analysis

The retail value of aluminum flagpoles ranged from approximately HK\$2.1 million to approximately HK\$2.4 million from 2010 to 2013. The major demand came from secondary schools, swimming pools and other public buildings. The surge from 2013 to 2014 can be explained by the sudden increase in the demand from the Hong Kong Government. In 2014, aluminum flagpoles were established in at least 51 fire stations, 26 police stations and 8 ambulance depots.

Market drivers of the flagpoles and related works industry in Hong Kong

As the Hong Kong government requires the establishment of aluminium flagpoles outside all governmental buildings and public utilities, the construction of sports complexes, stadiums as well as government buildings are therefore expected to propel the flagpoles and related works industry in Hong Kong.

RETAIL BUILDING MATERIAL INDUSTRY

Aluminum and steel roof cladding materials

Aluminium is generally preferred because it can be formed into many shapes, roll formed on site, and treated give a wide variety of colours and textures. However, steel roof cladding is still a common choice for cost sensitive customers and in projects where aesthetic appeal is of less importance, such as for industrial buildings.

Noise barrier materials

With increasing urbanization and population density in Hong Kong, the demand for noise barriers has increased and has required the use of new materials and structural forms. PMMA is now the most commonly used material in noise barrier panels because of its cost effectiveness and transparency.

INDUSTRY OVERVIEW

Curtain wall accessories

Curtain wall accessories in Hong Kong are used in various places, such as office buildings, hotels, shopping centers, public buildings and residential buildings.

Safety system (fall arrest system)

As safety standards for working-at-height have become more stringent, the demand for safety systems has grown. The quality requirements for safety systems (fall arrest system) have also risen accordingly.

Aluminum flagpole

In recent years, aluminum flagpoles have become the preferred choice due to their durability compared to timber, steel or fiber-glass equivalents.

Market drivers of the building material supply industry in Hong Kong

The establishment of the Occupational Safety & Health Council (OSH) supports occupational safety in various industries (including construction industry). This leads to the increased usage and demand for safety systems (fall arrest system). To improve safety of working at heights, the OSH and the Labour Department launched a sponsorship scheme for renovation and maintenance and construction SMEs to purchase safety systems (fall arrest systems). Such scheme is favorable to the growth of the safety systems market.

The continual urban development in Hong Kong and construction industry growth through urban redevelopment and additions and alterations to existing buildings represent the major market driver for the building material supply industry.

ENTRY BARRIERS

Entry barriers of facade and roof cladding work industry in Hong Kong

Sufficient capital investment

The high start-up cost involved in entering the facade and roof cladding industry may pose difficulties for companies planning to enter the industry. Given that the facade and roof cladding works are run on a project-by-project basis, sufficient cash flow is required. Potential payment delays from main contractors therefore may lead to cash flow shortage to facade and roof cladding contractors, impacting their financial condition of the companies. As a result, the capital requirements and the ability to maintain sufficient levels of working capital may hinder potential players from entering the industry.

Technology-intensive nature and need to attract experienced professionals

The facade and roof cladding works industry is a technology-intensive industry. There is a rising trend for architects to design even more complicated facade and roof cladding systems to fulfill the aesthetic need. It is therefore important for contractors to possess the technological capabilities to perform high-end projects. Also, contractors need to have professionals experienced in choosing quality construction materials, monitoring fabrication, performing effective cost control as well as delivering

INDUSTRY OVERVIEW

high standard facade and roof cladding design. Thus, it is often difficult for new entrants to enter the industry because they may not have enough experienced professionals to perform the facade and roof cladding works effectively.

Entry barriers of structural steelworks industry in Hong Kong

Huge capital investment

Structural steelworks contractors have to fulfill the minimum capital requirement for the official registration of the Approved Suppliers of Materials and Specialist Contractors for Public Works under the Development Bureau (structural steelworks category). This capital requirement may represent a barrier to some new entrants.

Lack of proven track record

Potential entrants find it difficult to capture market share. To be selected for public structural steelworks contracts, the contractor has to be an approved contractor which requires fulfilling the following criteria: completion of at least 3 projects in the fabrication and erection of structural steelworks for permanent civil engineering or building structures in the past 3 years, each with a value of HK\$500,000 or more. The new entrants lacking successful project records may find it hard to obtain sizable structural steelworks projects, compared to existing market players.

Entry barriers in the noise barrier works industry in Hong Kong

Lack of proven track record

Potential entrants find it difficult to capture market share and to obtain public projects. To be selected for public noise barrier works, contractors have to be approved contractors for noise barrier works under the Development Bureau in Hong Kong. To be eligible for tendering public noise barrier works contracts, companies are required to have a proven track record of successful noise barrier works. In this case, the new entrants may find it impossible to obtain high value projects compared to existing market players.

Entry barriers flagpoles and related works industry in Hong Kong

Credibility and track record

As the major end-user of flagpoles and related works is the Hong Kong Government, who value the credibility and track record of the suppliers, new entrants often find it difficult to be awarded tenders without a proven track record. The importance of possessing decent credibility and a strong track record may reduce the business opportunities available to new entrants.

Customer relationships

Customer relationships are crucial in the flagpoles and related work industry because the end-users have a tendency of choosing a stable subcontractor. New entrants, therefore, may find it difficult to sustain their business due to their lack of strong customer relationships.

INDUSTRY OVERVIEW

Entry barriers in the building material supply industry in Hong Kong

Credibility

It is vitally important for the building material suppliers to build solid credibility. New entrants often find it difficult to enter the industry without a proven track record. Therefore, future business opportunities of new entrants would be fewer due to their lack of track record and credibility.

Customer relationships

Customer relationships are a key success factor in the building material supply industry. Two major criteria of selecting building material suppliers are (i) credibility, and (ii) established connections. As the end-users tend to have stable building material suppliers, new entrants may therefore struggle with sustaining their business without sufficient demand.

FUTURE TRENDS AND DEVELOPMENTS

Future trends and development of facade and roof cladding works industry

The facade market is driven by architects who produce designs which demand new production and material technologies. Increasing energy efficiency is also likely to be a key future trend, and it is expected that there will be an increasing demand for high performance energy efficient facade systems that use solar protection glass and double-skin facades in order to minimise solar energy gain while allowing maximum visible light transmission.

Future trends and developments of the structural steelworks industry

The structural steelworks industry is not considered a labour intensive industry. A typical construction team including the supervision staff as well as the construction workers, usually has about 20 people. Nevertheless it suffers from the increasing labour cost driven by the labour shortage in recent years. The rising labour cost over the years has become the major driver to the upward trend of subcontracting fees for the erection of structural steelworks.

It is notable that the Hong Kong Government has greatly invested in infrastructure projects to extend the transport linkage between China and Hong Kong. These mega infrastructure projects have supported the growth of the Hong Kong construction industry since their commencement. Since the structural steelworks industry is mainly driven by infrastructure projects, the thriving infrastructure activities in recent years are deemed to give rise to a strong demand for the structural steelworks industry.

Future trends and development of noise barrier work industry

As the population density increases, more people are likely to live near to main roads and be victim to high levels of traffic noise pollution. There is likely to be increasing regulation to control noise pollution through the implementation of Environmental Impact Assessments and other laws. This is likely to drive the market for noise barriers. New road infrastructure, new railway and MTR infrastructure projects will increase the demand for noise barriers. There is a push for innovative and modern designs in the noise barrier sector, in order to increase the aesthetic appeal of noise barriers.

INDUSTRY OVERVIEW

Future trends and development of flagpoles and related works industry

The flagpole and related works industry are considered to be relatively constant and there are not likely to be any major changes within the industry. Aluminum is likely to continue to be used as the key material.

OPPORTUNITIES AND THREATS

Opportunities and threats of facade and roof cladding industry

The growing trend for green building materials is likely to be the growth driver for the facade and roof cladding works industry in Hong Kong. It is expected that the demand for environmental-friendly facade and roof cladding materials will increase. In addition, such demand for facade and roof cladding will be further increased if environmental building legislation is passed by the government.

The Kai Tak area development is a complex project and the facilities often require substantial facade and roof cladding works, and hence they are deemed to increase the demand for the facade and roof cladding works considerably during the re-development. As the Kai Tak area will be developed up until around 2021, this development project will contribute to the growth of the facade and roof cladding industry in Hong Kong.

The facade and roof cladding industry faces the problem of labour shortage. Insufficient experienced and skilled workers and an aging workforce may lead to difficulties hiring enough labour and potential project delays, hindering the development of the industry in Hong Kong.

The labour shortage has driven up the cost of labour, which has increased construction costs. The average wage of construction worker in Hong Kong increased by approximately 40.6% from 2009 to 2014. It is anticipated that the increasing labour cost may continue because of the worsening aging workforce. To attract people working in the facade and roof cladding industry, companies need to raise salaries and therefore labour cost increases. Facade and roof cladding system costs are also increasing because of the higher fabrication costs in China.

Inaccurate cost estimation and unreasonable tendering price may also pose a threat to facade and roof cladding contractors. If the contractor fails to accurately estimate the complexity of a project and proposes an unreasonable low price, the contractor may have difficulties finishing the project on budget. This can even cause a company to go bankrupt.

Opportunities and threats of structural steelworks industry

Structural steel is able to withstand high yield stress in both compression and tension. As a result, the seismic-resistant nature of structural steel will become more favorable and appealing after the introduction of seismic-resistant building design standards for new buildings. Therefore, using structural steel in buildings is likely to become a more common construction technique in Hong Kong in the future.

Hong Kong has been a successful global business hub, attracting a number of leading financial institutions and corporations. It is expected that the increasing number of newly registered companies in Hong Kong will lead to an increasing demand for office space in Hong Kong companies, there will be

INDUSTRY OVERVIEW

more commercial buildings constructed in the future. At the same time, the design of modern commercial buildings favors slimness and transparency, which is most cost effectively and practically constructed using structural steel.

Structural steel welders are in great demand because the number of welders has not grown with the number of construction projects. Moreover, the decline in the number of young people entering into the construction industry, coupled with retirement for older workers, has worsened the labour shortage issue in the structural steelworks industry in Hong Kong. Lacking experienced and skilled labour may result in a further increase in the labour cost.

Structural steelworks contractors have been facing increasing construction costs. The average daily wage of structural steel erectors and welders has been increasing. In addition, steel is imported to Hong Kong from around the world. The price of structural steel may vary depending on the currency exchange rate as well as the global demand and supply. As a result, the uncertainty of raw material costs for structural steelworks and the rising wages of structural steel workers has raised the total construction costs for the contractors.

Opportunities and threats of noise barrier works industry

The Ten Major Infrastructure Projects include a significant number of transport projects that are likely to require noise barrier works. Since these transportation development projects will be built in close proximity to residential areas, noise barrier works are necessary to reduce traffic noise. In addition, the newly developed residential areas connected by these transportation projects will become more accessible and therefore further noise barriers may also be required to control noise pollution.

Noise barrier works contractors have been facing increasing construction costs mainly caused by the rising labour cost. This is a threat to the construction industry, primarily because a significant number of experienced and skilled workers are lured to mainland China and Macau. The decline in the number of young people entering into the construction industry is another factor that has driven up the labour cost.

The price of the major raw material of noise barriers — PMMA — is expected to increase due to the increasing manufacturing cost. The upward trend of raw material costs for noise barrier works and the rising wages of noise barrier workers have raised the total construction costs for the contractors. These factors may contribute to the lowering of profit margins for noise barrier works contractors.

Opportunities and threats of building material supply Industry

As the performance of the building material supply industry is highly linked with the construction industry, the positive construction outlook in Hong Kong from 2010 to 2014 has considerably bolstered the demand for building materials.

As the building materials in Hong Kong are imported from foreign countries, fluctuation of the exchange rates would adversely impact the import price of the building materials, which may in turn hamper the building material supply industry in Hong Kong.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE AND ADVANTAGES

Competitive landscape of the facade and roof cladding works industry in Hong Kong

The facade works industry in Hong Kong is a relatively consolidated market with major players dominating the industry. As of May 2015, there are about 13 leading players in the facade works industry. The industry can be further categorised into two segments — high end facade market and middle end facade market. In the high end facade works market, companies intentionally operate on high project values, high quality facade works and aesthetic design. There are three major players in Hong Kong. In the middle end facade market, which features with smaller scale projects, there are approximately 10 leading players, including KPa Engineering, whose business is generally domestic based.

The roof cladding works industry in Hong Kong is dominated by 4 major players, including KPa Engineering. The rest of the players mainly perform smaller scale projects, with each individual company accounting for very small market share.

The top five companies in the facade and roof works sector account for a total market share of 68.3%, while KPa Engineering has a market share of approximately 20.8%.

Rank	Company Name	Headquarters location	Revenue in 2014 in Hong Kong <i>HK\$ million</i>	Share to total industry revenue in Hong Kong %	Key product and service coverage
1	KPa Engineering	Hong Kong	144.7	20.8%	Design, supply and installation of curtain wall, glass wall, roof cladding, wall cladding, skylight, covered walkway and noise barrier.
2	Craft Projects International Co. Limited	Hong Kong	122.5	17.6%	Design, supply and installation of structural steel, curtain wall, roof & wall cladding.
3	Midi Aluminum Fabricator Limited	Hong Kong	75.9	10.9%	Design, supply and installation of curtain wall, glass wall, aluminum louvre.
4	Permasteelisa Group	Germany	72.2	10.4%	Manufacturing and installation of architectural envelopes and interior systems.
5	Empire (Asia) Engineering Co. Limited	Hong Kong	60.2	8.6%	Design, supply and installation of roofing system, wall cladding system and aluminum louvre.
Others			221.8	31.7%	
Total			697.3	100%	

Sources: IPSOS research and analysis

INDUSTRY OVERVIEW

Competitive landscape of the structural steelworks industry in Hong Kong

The structural steelworks industry in Hong Kong is relatively consolidated. As of May 2015, there are 44 registered specialist contractors for public works in the structural steelworks category under the Development Bureau. The top seven players of the structural steelworks industry accounted for more than 50% of market share of the industry.

Competitive landscape of the noise barrier works industry in Hong Kong

The noise barrier works industry in Hong Kong is relatively concentrated with a small number of major players dominating the industry. As of May 2015, there were six key players in the noise barrier works industry in Hong Kong. These players act as subcontractors to main contractors and noise barrier contractors. The companies and their key products are detailed in the table below. The top five players were estimated to account for 98.1% of the noise barrier works market in 2014, while KPa Engineering has an estimated market share of 2.2%.

Rank	Company Name	Headquarters location	Revenue in 2014 in Hong Kong <i>HK\$ million</i>	Share of total industry revenue in Hong Kong <i>%</i>	Key product and service coverage
1	Active Way Limited	Hong Kong	130.0	59.1%	Design, supply and installation of architectural plastics, glass and structural steel works.
2	Gammon Construction Limited	Hong Kong	42.7	19.4%	Design, management and construction services in building, civil engineering, foundations, electrical and mechanical, infrastructure maintenance and operation.
3	Classic Engineering Company Limited	Hong Kong	30.7	14.0%	Design, supply and installation of architectural plastics, glass and structural steel works.
4	Sonotec Far East Limited	Hong Kong	7.5	3.4%	Supply and installation of noise barriers and noise enclosures, acoustic panels, ceilings and cladding.
5	KPa Engineering	Hong Kong	4.8	2.2%	Design, supply and installation of curtain wall, glass wall, roof cladding, wall cladding, skylight, covered walkway and noise barrier.
Others			<u>4.1</u>	<u>1.9%</u>	
Total			<u><u>219.8</u></u>	<u><u>100%</u></u>	

Sources: IPSOS research and analysis

INDUSTRY OVERVIEW

Competitive landscape of flagpoles and related works industry

The competitive landscape of the flagpole and related works industry is relatively concentrated, with a small number of players. It is estimated that the Group's market share in 2014 was approximately 72.0%.

Competitive advantages of the Group

For the Group's competitive advantages, please refer to the section headed "Business — Competitive strengths" to this prospectus.

REGULATORY OVERVIEW

OVERVIEW

The Group is principally engaged in (i) the provision of structural engineering works with a focus on design and build projects in Hong Kong; and (ii) trading of building material products predominately in Hong Kong. This section sets out summaries of certain aspects of Hong Kong and PRC laws, rules and regulations which are material to the Group's operation and business.

HONG KONG

Laws and Regulations in Relation to Construction Labour, Health and Safety

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

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in the industrial undertakings. Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor of an industrial undertaking, including construction work, to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking. The duties of a proprietor extend to include:

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

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

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

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

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

REGULATORY OVERVIEW

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

- providing and maintaining plant and systems of work that are safe and without risks to health;
- making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- as regards any workplace under the employer's control:
 - maintenance of the workplace in a condition that is safe and without risks to health; and
 - provision and maintenance of means of access to and egress from the workplace that are safe and without any such risks;
- providing all necessary information, instructions, training and supervision for ensuring safety and health; and
- providing and maintaining a working environment for the employees that is safe and without risks to health.

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

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

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

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

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

REGULATORY OVERVIEW

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

Pursuant to Section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Under Section 40(1B) of the Employees' Compensation Ordinance, where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of his subcontractor(s) under the Employees' Compensation Ordinance and at common law. Where a principal contractor has taken out a policy of insurance under Section 40(1B) of the Employees' Compensation Ordinance, the principal contractor and a subcontractor insured under the policy shall be regarded as having complied with Section 40(1) of the Employees' Compensation Ordinance.

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine of HK\$100,000 and to imprisonment for 2 years.

Employment Ordinance (Chapter 57 of the Laws of Hong Kong)

Pursuant to Section 43C of the Employment Ordinance, if any wages become due to the employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior subcontractor jointly and severally. However, such payment of wages is recoverable from the subcontractor pursuant to Section 43F of the Employment Ordinance.

Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong)

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

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

REGULATORY OVERVIEW

Immigration Ordinance (Chapter 115 of the Laws of Hong Kong)

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

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

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

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

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

The Mandatory Provident Fund Schemes Ordinance requires the Group to provide retirement benefits to the employees. Under the said Ordinance, except for exempted persons, employees (full-time and part-time) and self-employed persons who are between 18 to 65 years of age are required to join a Mandatory Provident Fund Scheme.

Laws and Regulations in Relation to Environmental Protection

Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong)

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.

Where applicable, a contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including without limitation the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulations (Chapter 311C of the Laws of Hong Kong). For instance, the contractor responsible for a construction site shall devise, arrange methods of working and carry 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.

REGULATORY OVERVIEW

Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong)

The Noise Control Ordinance controls, among others, the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime, not being a general holiday, construction noise permits are required from the Director of the Environmental Protection Department in advance.

Under the Noise Control Ordinance, construction works that produce noises and the use of powered mechanical equipment (other than percussive piling) are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Director of the Environmental Protection Department through the construction noise permit system. The use of certain equipment is also subject to restrictions. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Director of the Environmental Protection Department.

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

Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong)

Emission of dust from any building under construction or demolition in such manner as to be a nuisance is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK\$10,000 (level 3) upon conviction with a daily fine of HK\$200.

Discharge of muddy water etc. from a construction site is actionable under the Public Health and Municipal Services Ordinance. Maximum fine is HK\$5,000 upon conviction.

Any accumulation of water on any premises found to contain mosquito larvae or pupae is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK\$25,000 (level 4) upon conviction and a daily fine of HK\$450.

Any accumulation of refuse which is a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK\$10,000 (level 3) upon conviction and a daily fine of HK\$200.

Any premises in such a state as to be a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance. Maximum penalty is HK\$10,000 (level 3) upon conviction and a daily fine of HK\$200.

The Laws in Relation to Contractor Licensing

Minor Works Control System

Under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) (“**Buildings Ordinance**”), the carrying out of large-scale building works or works of a very simple nature are governed by the same set of controls, including the requirements to obtain prior approval and consent from the Buildings Department before commencement of works and to appoint authorised persons (i.e., architects, engineers and surveyors registered under the Buildings Ordinance), and registered professionals to design and supervise the works as well as registered contractors to carry out the works.

The requirements of the above system are too stringent for minor works which are of a smaller scale and pose a lower level of risk. This not only creates difficulties on control and enforcement, but also results in many unauthorised building works.

In view of the above, the Buildings Ordinance was amended in 2008 to provide for a minor works control system which has been fully implemented since 31 December 2010. The Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong) (“**B(MW)R**”) was passed by the Legislative Council in May 2009 to provide for a simplified control mechanism to facilitate the carrying out of minor works without prior approval of plans by the Buildings Department.

Classification of Minor Works

A total of 126 items of building works have been included as minor works under the B(MW)R. Detailed specifications for these 126 items of minor works are set out in Part 3 of Schedule 1 of the B(MW)R. These 126 items of minor works are classified into three classes according to their nature, scale, complexity and risk to safety.

- (1) Class I (total of 44 items) includes mainly those relatively more complicated minor works;
- (2) Class II (total of 40 items) comprises those of comparatively lower complexity and risk to safety; and
- (3) Class III (total of 42 items) mainly includes common household minor works.

All classes of minor works require the appointment of a prescribed registered contractor (including a registered minor works contractor) to carry out the minor works. However, as Class I minor works are relatively more complicated than those of the other two classes, they require a higher level of technical expertise and more stringent supervision. As a result, the appointment of prescribed building professionals, such as an authorised person(s) and, where structural and/or geotechnical elements are involved, a registered structural engineer and a registered geotechnical engineer respectively, are also required to provide design and supervision of the minor works. On the other hand, the involvement of a prescribed building professional is not required for Class II and Class III minor works, where the prescribed registered contractor will be responsible for the design and execution of the minor works.

REGULATORY OVERVIEW

Under each class of minor works, works are further classified into different types. There are 7 types of minor works corresponding to the specialisation of works in the industry:

- (1) Type A: Alteration & Addition Works
- (2) Type B: Repair Works
- (3) Type C: Works relating to Signboards
- (4) Type D: Drainage Works
- (5) Type E: Works relating to Structures for Amenities
- (6) Type F: Finishes Works
- (7) Type G: Demolition Works

Details of the minor works items under each type of works are set out in Part 2 of Schedule 1 of the B(MW)R.

Register of Minor Works Contractors

In order to ensure that only contractors who are able to perform their duties and responsibilities in a competent manner are allowed to carry out the respective items of minor works, they are required to be registered under the Buildings Ordinance.

Under Section 8A(1)(c) of the Buildings Ordinance, the Director of Buildings (“**Building Authority**”) maintains a register of minor works contractors who are qualified to carry out such minor works belonging to the class, type and item specified in the register for which they are registered.

There are two types of registered minor work contractors, namely Registered Minor Works Contractors (Individual) (“**RMWCs (Ind)**”) and Registered Minor Works Contractors (Company) (“**RMWCs (Co)**”). RMWCs (Ind) are minor work contractors who are registered under Section 10(1)(a) of the B(MW)R in the name of an individual self-employed worker. RMWCs (Ind) is only allowed to carry out various items of class III minor works. RMWCs (Co) are minor work contractors who are registered under Section 10(1)(b) of the B(MW)R in the name of a company (including corporations, sole proprietorship and partnership) for carrying out various types and classes of minor works.

Requirements for registration as RMWC (Co)

Under Section 12(5) of the B(MW)R, an applicant for registration as an RMWC (Co) must satisfy the Building Authority on the following aspects:

- (a) the appropriate qualifications and experience of its key personnel;
- (b) it has access to plants and resources;
- (c) if it is a corporation, its management structure is adequate;

REGULATORY OVERVIEW

- (d) the ability of the persons appointed to act for the applicant for the purposes of the Buildings Ordinance to understand the minor works under application through relevant experience and a general knowledge of the basic statutory requirements; and
- (e) the applicant is suitable for registration in the register of minor works contractors.

Pursuant to Section 12(6) of the B(MW)R, in deciding whether the applicant is suitable for registration in the register of minor works contractors, the Building Authority will take into account the following factors:

- (a) whether the applicant has any criminal record in respect of any offence under the laws of Hong Kong relating to the carrying out of any building works; and
- (b) whether any disciplinary order has been made against the applicant.

Authorised Signatory and Technical Director of RMWC (Co)

In considering each application for registration as an RMWC (Co), the Building Authority is to have regard to the qualifications, experience and suitability of the following key personnel of the applicant:

- (a) a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance hereinafter referred to as the Authorised Signatory (“AS”); and
- (b) for a corporation — a minimum of one director from the board of directors of the applicant, hereinafter referred to as the Technical Director (“TD”), who is authorised by the board to:
 - (i) have access to plants and resources;
 - (ii) provide technical and financial support for the execution of minor works; and
 - (iii) make decisions for the company and supervise the AS and other personnel

for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance.

Persons Eligible to be the AS or TD of RMWC (Co)

The following persons are eligible to become the AS and the TD of the applicant:

- (a) if the applicant is a sole proprietorship, the sole proprietor is the only person eligible to act as the AS.
- (b) if the applicant is a partnership, any partner appointed by all the other partners is eligible to act as the AS.
- (c) if the applicant is a corporation, a suitable person appointed by the board of directors is eligible to act as the AS, whereas the TD must be a director appointed under the Companies Ordinance and appointed by the board of directors to perform the role of TD.

REGULATORY OVERVIEW

The Building Authority imposes specific requirements on the qualifications and experience of the key personnel of a registered minor works contractor. The following table summarises the said specific requirements for registered minor works contractor imposed by the Building Authority:

<u>Key personnel</u>	<u>Specific requirements on the key personnel</u>
Authorised Signatory	<p>Must has:</p> <ol style="list-style-type: none">1. at least 3 years' relevant experience in building industry, 1 year of which should be gained locally; and2. been involved in 7 relevant items of minor works in Hong Kong in which 1 of them must be completed within the 3 years preceding the date of application for registration; and3. at least a certificate, diploma or equivalent in the field of construction technology such as architecture, building studies, building surveying, civil engineering and structural engineering or in other fields of studies which the Building Authority accepts.
Technical Director	<p>Must has:</p> <ol style="list-style-type: none">1. at least 5 years' relevant experience in building industry in which 1, 3 or 5 years should be in managing a building contractor company in Hong Kong depending on the class of application; or2. 3 years' relevant experience in building industry, 1 year of which should be gained locally; and3. at least a certificate, diploma or equivalent in the field of construction technology such as architecture, building studies, building surveying, civil engineering and structural engineering or in other fields of studies which the Building Authority accepts; or

A person is allowed to take up the role of the AS as well as the role of the TD of a corporation at the same time provided that he meets the requirements of both AS and TD.

To ensure that adequate supervision and proper management are provided for the carrying out of minor works and to avoid possible situations of conflict of interest, persons who have been accepted as the AS/TD for an RMWC (Co) cannot act as a key personnel for another contractor firm simultaneously.

REGULATORY OVERVIEW

Validity Period of Registration and Renewal of Registration

Pursuant to Section 13 of the B(MW)R, the registration as RMWC (Co) is valid for a period of three years commencing from the date of entry of the name in the register of minor works contractors maintained by the Building Authority. Under Section 14(1) and (2) of B(MW)R, an RMWC (Co) may apply to the Building Authority for renewal of registration within a period not earlier than 4 months and not later than 28 days prior to the expiry of the registration. A renewed registration will expire on the third anniversary of the expiry date of the previous registration.

Development Bureau projects

If a contractor wishes to carry out structural steelwork projects of the Development Bureau, it must be included in the List of Approved Suppliers of Materials and Specialist Contractors for Public Works (the “**Approved Specialist List**”) which is administered by the Works Branch of the Development Bureau, under the category of Structural Steelwork. The scope of work in this category and class covers the fabrication and erection of structural steelwork for highway structures.

Generally, contractors are required to meet the financial, technical, management, personal and safety criteria applicable to their appropriate category and group for admission and retention on the approved lists and for the award of public work contracts. For retention on the Approved Specialist List, a contractor should generally possess at least a positive capital value. In addition, a contractor is required to maintain certain minimum levels of employed and working capital and annual turnover applicable to the appropriate category and group.

In granting a registration/approval to a structural steelwork contractor, the Works Branch of the Development Bureau takes into consideration, among others, (a) the contractor’s financial strength; (b) the contractor’s technical experience and management capability; and (c) the machinery.

For retention as an approved contractor on the Approved Specialist List under the Structural steelwork category, the Group is required to meet the minimum financial criteria and other requirements as follows:

(a) *Minimum employed capital*

HK\$1,140,000 plus a minimum annual turnover of HK\$50 million in each of the immediate past three years.

(b) *Minimum working capital*

HK\$1,140,000 or 15% of the combined annual value of uncompleted works on outstanding contracts both in the public and private sectors, whichever is higher.

(c) *Minimum technical and management criteria/other requirements*

- (i) Job experience: Satisfactory completion of at least three projects in the fabrication and erection of structural steelworks for permanent civil engineering or building structures in the past 3 years, each with a value of HK\$500,000 of more.

REGULATORY OVERVIEW

- (ii) Top management: Top management shall possess relevant professional and management experience and have sufficient commitment for control of the works.
- (iii) Technical staff: (a) Professional and technical staff experienced in the design, fabrication and erection of structural steelwork; (b) Local workforce for erection of steelwork; and (c) at least 3 qualified welders to BS 4570, BS EN287-1 or BS 4872: Part 1 as appropriate.
- (iv) Plant and equipment: appropriate equipment including welding plant, lifting crane, drilling machine, bending machine, lathe, shearing machine, flame cutting machine, plate rolling machine, grit blasting equipment, grinder, planing, shaping and slotting machine, milling machine, boring and surfacing machines, oven/cabinet with drying facilities for storing electrodes.
- (v) Office/Workshop facilities: (i) Local office in Hong Kong is required; and (ii) Fabrication yard with the equipment listed above.
- (vi) Others: Satisfactory technical information, method statements and fully documented quality assurance and control system for fabrication and erection of steelwork. Workers must comply with Section 18 of the General Specification for Civil Engineering Works.

The Laws in Relation to the Operation of Trading of Building Material Products

Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong)

The Trade Descriptions Ordinance (the “**Trade Descriptions Ordinance**”) prohibits false trade description, false, misleading or incomplete information, false statements, etc., in respect of goods offered in the course of trade. Therefore, all of the products and supplements sold by the Group are required to comply with the relevant provisions therein.

Section 2 of the Trade Descriptions Ordinance provides, *inter alia*, that “trade description” in relation to goods means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard specified or recognised by any person, price, their being of the same kind as goods supplied to a person, price, place or date of manufacture, production, processing or reconditioning, person by whom manufactured, produced, processed or reconditioned etc), with respect to any goods or parts of the goods; and in relation to services means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, nature, scope, quantity, fitness for purpose, method and procedures, availability, the person by whom the service is supplied, after-sale service assistance, price etc.).

Section 7 of the Trade Descriptions Ordinance provides that no person shall in the course of trade or business apply a false trade description to any goods or sell or offer for sale any goods with false trade descriptions applied thereto.

Section 7A of the Trade Descriptions Ordinance provides that a trader who applies a false trade description to a service supplied or offered to be supplied to a consumer, or supplies or offers to supply to a consumer a service to which a false trade description is applied, commits an offence.

REGULATORY OVERVIEW

Sections 13E, 13F, 13G, 13H and 13I of the Trade Descriptions Ordinance provide that a trader who engages in relation to a consumer in a commercial practice that (a) is a misleading omission; or (b) is aggressive; (c) constitutes bait advertising; (d) constitutes a bait and switch; or (e) constitutes wrongly accepting payment for a product, commits an offence.

A person who commits an offence under sections 7, 7A, 13E, 13F, 13G, 13H or 13I shall be subject, on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for 5 years, and on summary conviction, to a fine at HK\$100,000 and to imprisonment for 2 years.

Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong)

The Trade Marks Ordinance (the “**Trade Marks Ordinance**”) provides for the registration of trademarks, the use of registered trademarks and connected matters. Hong Kong provides territorial protection for trademarks. Therefore, trademarks registered in other countries or regions are not automatically entitled to protection in Hong Kong. In order to enjoy protection by the laws of Hong Kong, trademarks must be registered with the Trade Marks Registry of the Intellectual Property Department under the Trade Marks Ordinance and the Trade Marks Rules (Chapter 599A of the Laws of Hong Kong) (the “**Trade Marks Rules**”).

According to section 10 of the Trade Marks Ordinance, a registered trademark is a property right acquired through due registration under such ordinance. The owner of a registered trademark is entitled to the rights provided by the ordinance.

The Group is the registered owner and proprietor of the trademarks as set out in the section headed “C. Intellectual Property Rights of the Group” in Appendix V to this prospectus.

By virtue of section 14 of the Trade Marks Ordinance, the owner of a registered trademark is conferred exclusive rights in the trademark. The rights of the owner in respect of the registered trademark come into existence from the date of the registration of the trademark. According to section 48 of such ordinance, the registration date is the filing date of the application for registration.

Subject to the exceptions in section 19 to section 21 of the Trade Marks Ordinance, any use of the trademark by third parties without the consent of the owner is an infringement of the trademark. Conducts which amount to infringement of the registered trademark are further specified in section 18 of the same ordinance.

The owner of the registered trademark is entitled to remedies under the Trade Marks Ordinance once any infringement by third parties occurs, such as infringement proceedings provided for in section 23 and section 25 of the Trade Marks Ordinance.

Trademarks which are not registered under the Trade Marks Ordinance and the Trade Marks Rules may still obtain protection by the common law action of passing off, which requires proof of the owner’s reputation in the unregistered trademark and that use of the trademark by third parties will cause the owner damage.

REGULATORY OVERVIEW

Copyright Ordinance (Chapter 528 of the Laws of Hong Kong)

The Copyright Ordinance (the “**Copyright Ordinance**”) currently in force in Hong Kong has come into effect since 27 June 1997. The Copyright Ordinance as reviewed and revised from time to time provides comprehensive protection for recognised categories of literary, dramatic, musical and artistic works, as well as for films, television broadcasts and cable diffusion, and works made available to the public on the internet.

In the course of designing its product packing, the Group may create original artistic works (such as drawings) or literary works (such as text) that qualify for copyright protection. No registration is required. Infringement of copyright is civilly actionable.

Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong)

The Sale of Goods Ordinance (the “**Sale of Goods Ordinance**”) provides, *inter alia*, that where a seller sells goods in the course of a business, there is an implied condition that (a) where the goods are purchased by description, the goods must correspond with the description; (b) the goods supplied are of merchantable quality; and (c) the goods must be fit for the purpose for which they are purchased. Otherwise, a buyer has the right to reject defective goods unless he or she has a reasonable opportunity to examine the goods.

Tortious Duty Under Common Law

Under Common law, distributors, manufacturers, and retailers of products owe a duty of care to consumers and may be liable for damages as a result of defects in goods caused by their negligent acts or for any fraudulent misrepresentation made in the distribution and selling of goods. If a manufacturer, distributor and retailer reasonably believes or knows that the product may be defective, he may have to cease to supply such goods and to give warning and instructions to persons to whom the products are supplied.

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) — Transfer Pricing

The Inland Revenue Ordinance stipulates that when a non-resident person carries on business with a resident person with whom he is closely connected and the course of such business is so arranged that it produces to the resident person either no profits which arise in or derive from Hong Kong or less than ordinary profits which might be expected to arise in or derive from Hong Kong, the business done by the non-resident person in pursuance of his connection with the resident person shall be deemed to be carried on in Hong Kong, and such non-resident person shall be assessable and chargeable with tax in respect of his profits from such business in the name of the resident person as if the resident person were his agent.

REGULATORY OVERVIEW

PRC

Regulatory Requirements in the PRC

The relevant laws and regulations applicable to the operations and business of the Group's subsidiary in the PRC are set out below:

Incorporation, operation and management of wholly foreign owned enterprise (“WFOE”)

The incorporation, operation and management of a company in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》) (the “**PRC Company Law**”) which was promulgated by the Standing Committee of the National People's Congress of the PRC (中華人民共和國全國人民代表大會常務委員會) on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004 and 27 October 2005 and 28 December 2013, with the latest amendments taking effect on 1 March 2014. The major amendments include, but are not limited to, cancelling the paid-up capital registration and removing the statutory minimum registered capital requirements and the statutory timeframe for the capital contribution.

The PRC Company Law generally governs two types of companies — limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of a company to its creditors is limited to the extent of its property. Liability of shareholders of a limited liability company and a joint stock limited company is limited to the extent of the capital contributions/shares subscribed respectively by them. The PRC Company Law also governs foreign-invested limited liability companies. According to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall apply.

The PRC Laws on Wholly Foreign Owned Enterprises (《中華人民共和國外資企業法》) which was promulgated on 12 April 1986 and was amended on 31 October 2000 and the Implementation Rules of the PRC Law on Wholly Foreign Owned Enterprises (《中華人民共和國外資企業法實施細則》) promulgated by the State Council of the PRC (the “**State Council**”) on 12 December 1990 and was subsequently amended on 12 April 2001 and 19 February 2014 govern the establishment procedures, approval procedures, registered capital requirements, foreign exchange control, accounting practices, taxation, employment and all other relevant matters of WFOE.

Any investment conducted by the foreign investors and foreign enterprises in the PRC is subject to the Guidance Catalogue of Industries for the Foreign Investment (《外商投資產業指導目錄》) (the “**Guidance Catalogue**”), the latest version of which was promulgated by the Ministry of Commerce of PRC (“**MOFCOM**”) and the National Development and Reform Commission (國家發展和改革委員會) on 10 March 2015 and came into effect on 10 April 2015. The Guidance Catalogue contains specific provisions guiding market access of foreign capital, with respect to categorizing industries into encouraged foreign-invested industries, restricted foreign-invested industries and prohibited foreign-invested industries. Foreign investment is permitted for industries not listed in the Guidance Catalogue unless specifically disallowed in other PRC regulations.

Foreign trade

The Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) (the “**Foreign Trade Law**”) was latest amended on 6 April 2004 and took effect from 1 July 2004. Foreign trade mentioned in the Foreign Trade Law refers to the import and export of goods, technologies and international trade in services. According to the Foreign Trade Law, such unfair competition activities as selling the products at unreasonable low prices, colluding with each other in a tender, producing and releasing false advertisements and conducting commercial bribery and others alike are not allowed in foreign trade activities.

Custom

According to the Administrative Provisions of the PRC on Registration of the Customs Declaring Entities (《中華人民共和國海關報關單位註冊登記管理規定》) promulgated by the General Administration of Customs of the PRC on 13 March 2014, a declaring entity shall go through the registration procedures at the customs in accordance with these provisions. Registration of declaring entities shall be divided into the registration of declaring enterprises and the registration of consignees or consignors of imported or exported goods.

Anti-unfair competition

The Law of the PRC for Anti-Unfair Competition (《中華人民共和國反不正當競爭法》) (the “**Anti-Unfair Competition Law**”) was promulgated on 2 September 1993 and took effect from 1 December 1993. According to the Anti-Unfair Competition Law, when trading on the market, operators shall abide by the principles of voluntariness, equality, fairness, honesty and credibility, and observe generally recognised business ethics. And acts of operators which contravene the provisions of the Anti-Unfair Competition Law, with a result of damaging the lawful rights and interests of other operators, and disturbing the socio-economic order shall constitute unfair competition. Operators shall not use money or properties or the other methods to bribe others in order to sell or purchase commodities. It shall be guilty of giving bribe if operators give a secret commission to the other organisations or individuals without the normal accounting records. It shall be guilty of taking bribe, if the organisations or individuals accept the secret discount without normal accounting records. Operators may offer a discount to the others in public, or may pay commission to the middle man in selling or purchasing commodities. However, operators who give discount to the others or pay commission to the middle man, or the others who take the discount or commission shall make accounting records strictly according to the facts.

Where an operator commits unfair competition in contravention of the provisions of the Anti-Unfair Competition Law and causes damage to another operator, it or he shall bear the responsibility for compensating for the damages. Where the losses suffered by the injured operator are difficult to calculate, the amount of damages shall be the profit gained by the infringer during the period of infringement through the infringing act. The infringer shall also bear all reasonable costs paid by the injured operator in investigating the acts of unfair competition committed by the operator suspected of infringing its or his lawful rights and interests.

Labour

Companies in the PRC are subject to the PRC Labour Law (《中華人民共和國勞動法》) (the “**PRC Labour Law**”), the PRC Labour Contract Law (《中華人民共和國勞動合同法》) (the “**PRC Labour Contract Law**”) and the Implementation Regulations of the PRC Labour Contract Law (《中華人民共和國勞動合同法實施條例》), as well as other related regulations, rules and provisions issued by the relevant governmental authorities from time to time. The PRC Labour Contract Law, which became effective on 1 January 2008, imposes stricter requirements with respect to signing of labour contracts with employees, stipulating probation and violation penalties, terminating labour contracts, paying remuneration and economic compensation, use of labour dispatches as well as social security premiums than previously required under the earlier PRC Laws and regulations. The PRC Labour Contract Law was further amended on 28 December 2012, and such amendments became effective on 1 July 2013.

According to the PRC Labour Law and the Labour Contract Law, companies in the PRC must enter into labour contracts if they are to establish labour relationships with the employees. Companies must pay wages that are no lower than the local minimum wage standards to such employees. Companies are also required to establish labour safety and sanitation systems, strictly abide by PRC rules and standards and provide relevant training to the employees.

According to the Provisions on the Prohibition of Using Child Labor (《禁止使用童工規定》) which was promulgated on 1 October 2002 and came into effect on 1 December 2002, the employers must verify the identification cards of the personnel to be employed when employing personnel and shall not employ any minor under 16 years old.

Social insurance law and housing provident administrative regulations

The PRC social insurance system is mainly governed by the Social Insurance Law of the PRC (the “**Social Insurance Law**”) (《中華人民共和國社會保險法》). The Social Insurance Law was promulgated on 28 October 2010 and came into effect on 1 July 2011. According to Social Insurance Law, employers in the PRC shall conduct registration of social insurance with the competent authorities, and make contributions to the five basic types of social insurance for their employees, namely, basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance.

According to the Administrative Regulations on Housing Provident Funds (《住房公積金管理條例》) which were promulgated by State Council, came into effect on 3 April 1999 and were amended on 24 March 2002, all business entities (including foreign investment enterprises) are required to register with the local administrative centre of housing provident funds and then maintain housing fund accounts with designated banks and pay the related funds for their employees.

Foreign exchange

Foreign exchange control in the PRC is mainly regulated by the Regulations of the PRC on the Management of Foreign Exchange (《中華人民共和國外匯管理條例》), which were promulgated by the State Council on 29 January 1996, came into effect on 1 April 1996, and were amended on 14 January 1997 and 5 August 2008. According to the aforesaid regulations, the RMB

REGULATORY OVERVIEW

payments under current accounts (such as foreign exchange transactions in relation to trading and service and the dividends payment) can be exchanged into foreign currency at liberty, but the exchange of the RMB under capital accounts (such as direct investment, loan or stock investment outside the PRC) into foreign currency shall first require approval from the foreign exchange administration.

Foreign exchange registration

On 14 July 2014, the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) (the “SAFE”) promulgated the Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment and Financing and in Return Investment via Special Purpose Companies (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “SAFE Circular No. 37”). According to the SAFE Circular No. 37, if a PRC domestic resident wants to use an overseas special purpose vehicle (“SPV”) (i.e. an overseas enterprise directly or indirectly controlled by the domestic resident for the purpose of investment or financing for the assets or interests legally held by him in a PRC domestic enterprise or outside China) to conduct return or direct investment in the PRC, the domestic resident shall bring the prescriptive materials to the local branch of SAFE to apply for foreign exchange registration of overseas investments.

As each of the ultimate individual shareholders of Company’s PRC subsidiaries is a permanent resident in Hong Kong who holds an overseas passport, which does not fall within the scope of investments in PRC by an SPV as stipulated in the SAFE Circular No. 37, the Group’s PRC Legal Advisers are of the view that the SAFE Circular No. 37 does not apply to the ultimate individual shareholders of the Group.

Taxation

Enterprise income tax

According to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the “EIT Law”) promulgated on 16 March 2007 and came into effect on 1 January 2008, the income tax rate for both domestic and foreign-invested enterprises is 25%.

Pursuant to the EIT Law, enterprises established outside the PRC whose “de facto management bodies” are located in the PRC are considered as “resident enterprises” and subject to the uniform 25% enterprise income tax rate for their global income.

The EIT Law also provides that the enterprise income tax should be levied at the reduced rate of 20% for qualified “small and thin-profit enterprises”, and the enterprise income tax should be levied at the reduced rate of 15% for “High and New Technology Enterprises” in key industries by the PRC.

REGULATORY OVERVIEW

Income tax on share transfer

Pursuant to the Notice of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Gain Derived from Equity Transfer Made by Non-Resident Enterprise (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知, the “**Notice 698**”) promulgated by the State Administration of Taxation (中華人民共和國國家稅務總局) (the “**SAT**”) and came into effect from 1 January 2008, and the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告, the “**Announcement No. 7**”) promulgated by SAT and came into effect on 3 February 2015, where a non-resident enterprise indirectly transfers properties such as equity in Chinese resident enterprises without any reasonable commercial purposes with the aim of avoiding to pay enterprise income tax, such indirect transfer shall be reclassified as a direct transfer of equity in Chinese resident enterprise in accordance with Article 47 of the EIT Law. Indirect transfer of Chinese taxable properties shall mean transactions of non-resident enterprises which are carried out through transfer of equity of enterprises abroad that directly or indirectly hold Chinese taxable properties (not including the Chinese resident enterprises registered abroad, hereinafter referred to as “enterprises abroad”) and other similar equities (hereinafter referred to as “equity”) and cause the concrete results same as or similar to that of direct transfer of Chinese taxable properties, including the circumstance that the restructuring of non-resident enterprises causes changes of shareholders of enterprises abroad. Non-resident enterprises that indirectly transfer Chinese taxable properties are referred to as equity transferor.

According to the Announcement No. 7, indirect transfer of Chinese taxable properties that meets all of the following conditions shall be deemed as having a reasonable commercial purpose: (1) the equity relationship of the parties involved in the transfer falls under one of the following circumstances: (i) equity transferor directly or indirectly owns more than 80% of the equity of the equity transferee; (ii) equity transferee directly or indirectly owns more than 80% of the equity of the equity transferor; or (iii) more than 80% of the equity of both equity transferor and equity transferee is owned by the same party. If more than 50% (not including 50%) of the value of the equity of an enterprise abroad is directly or indirectly from the real estate in the territory of China, the proportion in items (i), (ii) and (iii) of Paragraph 1 of this article shall be 100%. The aforesaid equity indirectly held shall be calculated based on the product of the shareholding ratios of all enterprises in the shareholding chain; (2) compared with the same or similar indirect transfer occurred without this indirect transfer, the burden of taxation in China will not be reduced on the indirect transfer that may occur again after this indirect transfer; and (3) equity transferee pays all the equity transfer consideration with its equity or equity of enterprises controlled by it (not including equity of listed enterprises).

REGULATORY OVERVIEW

Value-added tax

According to the Provisional Regulations Concerning Value-Added Tax (“VAT”) of the PRC (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on 13 December 1993, which were subsequently amended on 10 November 2008 with the amendments taking effect on 1 January 2009:

- A. All entities and individuals engaged in (i) the sales of goods, (ii) the provision of processing, repairs and replacement services and (iii) the importation of goods within the PRC are taxpayers of VAT, and shall pay VAT in accordance with these regulations.
- B. Except as stipulated in these regulations, for taxpayers engaged in the aforesaid services (“**Selling Goods or Taxable Services**”), the VAT payable shall be the balance of output tax payable for the period after deducting the input tax for the period. The formula for computing the tax payable is as follows: Tax payable = Output tax payable for the period – Input tax for the period.
- C. For taxpayers engaged in Selling Goods or Taxable Services, the output tax shall be the VAT payable calculated based on the sales amounts, tax rates prescribed in these regulations and amount collected from the purchasers. The formula for computing the output tax is as follows: Output tax = Sales amount × VAT rate.
- D. VAT rates: For taxpayers selling or importing goods, other than those stipulated in these regulations, the VAT rates shall be 17%. For taxpayers exporting goods, the VAT rate shall be 0%, except as otherwise stipulated by the State Council. For taxpayer providing processing, repairs and replacement services, the VAT rate shall be 17%.

PRC custom duties

According to the Customs Law of the PRC (《中華人民共和國海關法》) which was promulgated on 22 January 1987, and came into effect on 1 July 1987 and amended on 29 June 2013 and 28 December 2013, the consignee of the imports, the consignor of exports and the owners of the imports and exports are obligated to pay custom duties. The Custom is the authority in charge of the collection of custom duties.

Custom duties in the PRC mainly fall under ad valorem duties, i.e. the price of import/export commodities is the basis for the calculation of the duties. When calculating the custom duties, import/export commodities shall be classified under appropriate tax items in accordance with the category provisions of the Custom Import and Export Tariff and shall be subject to tax levies pursuant to relevant tax rated.

Withholding tax on dividends

According to the EIT Law and the Implementation Rules of the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》), non-resident enterprises which have not set up institutions or premises in the PRC, or where the institutions or premises are set up but its subsidiary’s after-tax income has no actual relationship with such institutions or premises shall be

REGULATORY OVERVIEW

subject to the withholding tax of 10% on income derived from the after-tax profit of its subsidiary. According to the Arrangements between the Mainland of the PRC and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion With Respect to Taxes On Income (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》), profit derived by a foreign investor residing in Hong Kong from PRC enterprise in which such foreign investor owns directly at least 25% equity interest is subject to the tax rate of 5% after obtaining the approval from the relevant tax bureau.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated by the SAT and became effective on 20 February 2009, all of the following requirements shall be satisfied for a party to a tax agreement to be entitled to the tax rate specified in the tax agreement for dividends paid to it by a PRC resident company: (i) such a fiscal resident who obtains dividends should be the company as provided in the tax agreement; (ii) owner's equity interests and voting shares of the PRC resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the PRC domestic company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, shall reach the percentage specified in the tax agreement.

According to the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) (《非居民享受稅收協定待遇管理辦法(試行)》) (the “**Administrative Measures**”), which came into force on 1 October 2009, where a non-resident enterprise (as defined under the PRC tax laws) receives dividends from a PRC resident enterprise and wishes to enjoy the favourable tax benefits under the tax arrangements, it shall submit an application for approval to the relevant tax authority. Without such approval, the non-resident enterprise may not enjoy the favourable tax treatments provided in the tax agreements.

Intellectual property

The products in the PRC shall be subject to intellectual property laws, which include the Copyright Law of the PRC (《中華人民共和國著作權法》), the Patent Law of the PRC (《中華人民共和國專利法》) (the “**Patent Law**”) and the Trademark Law of the PRC (《中華人民共和國商標法》) (the “**Trademark Law**”).

According to the Trademark Law, which was promulgated on 23 August 1982 and amended on 22 February 1993, 27 October 2001 and 30 August 2013 respectively, any of the following acts is an infringement upon the right to exclusive use of a registered trademark: (i) using a trademark which is identical with the registered trademark on the same kind of commodities without a license from the registrant of that trademark; (ii) using a trademark which is similar to the registered trademark on the same kind of commodities, or using a trademark which is identical with or similar to the registered trademark on the similar commodities and mislead the public without a license from the registrant of that trademark; (iii) selling the commodities that infringe upon the right to exclusive use of a registered trademark; (iv) forging, manufacturing without authorisation the marks of a registered trademark, or selling the marks of a registered trademark forged or manufactured without authorisation; (v) changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of

REGULATORY OVERVIEW

that trademark; (vi) deliberately provide convenient conditions and help with the acts of infringement upon the right to exclusive use of a registered trademark; and (vii) causing other damages to the right to exclusive use of a registered trademark of another person.

Regulations on Domain Names

The Measures for the Administration of Domain Names for the Chinese Internet (《中國互聯網絡域名管理辦法》) were promulgated by the Ministry of Information Industry on 5 November 2004 and became effective on 20 December 2004. The aforementioned measures regulate the registration of domain names in China with the internet country code of “.cn”. The Measures on Domain Names Dispute Resolution (《中國互聯網絡信息中心域名爭議解決辦法(2012年修訂)》) were promulgated by the Chinese Internet Network Infrastructure Centre on 28 May 2012 and became effective on 28 June 2012. The aforementioned measures require domain name disputes to be submitted to institutions authorised by the Chinese Internet Network Information Centre for resolution.

Mergers and acquisitions rules

On 8 August 2006, the MOFCOM, the PRC Securities Regulatory Commission (中國證券監督管理委員會) (the “CSRC”), the SAFE and three other PRC authorities promulgated Rules on the Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”), which came into effect on 8 September 2006 and were revised on 22 June 2009.

Foreign investors should comply with the M&A Rules when they purchase shareholding equities of a domestic non-foreign-funded enterprise or subscribe to the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign investment enterprise; or when the foreign investors establish a foreign investment enterprise (“FIE”) in PRC and obtain the asset of a domestic company and operate the asset, or purchase the asset of a domestic company and establish a FIE to operate the asset. According to the M&A Rules, a SPV shall mean an offshore company directly or indirectly controlled by a domestic company or PRC residents for the purpose of listing overseas with the equity interests of a domestic company actually owned by such company or individuals, and the overseas listing of a SPV shall be subject to approval from CSRC and MOFCOM.

As each of the ultimate individual shareholders of the Company’s PRC subsidiary is a permanent resident in Hong Kong who holds an overseas passport, and the Company and its subsidiaries incorporated outside PRC do not fall within the scope of being classified as a SPV directly or indirectly established or controlled by PRC entities or individuals stipulated in the M&A Rules, the Group’s PRC Legal Advisers are of view that the M&A Rules do not apply to the restructuring exercise or the proposed Listing, and the Group is not required to obtain approvals from CSRC or MOFCOM.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

BUSINESS AND CORPORATE DEVELOPMENT

Overview

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 15 May 2015 in preparation for Listing and is the holding company of the Group. As at the Latest Practicable Date, the subsidiaries of the Company comprised AcouSystem, BuildMax (HK), Youkang, KPa (HK), KPa (SZ), KPa Contracting, KPa Engineering, Light Dimension and Sun Pool. Details of these subsidiaries and the corporate structure of the Group are set out in the section headed “History, Reorganisation and Corporate Structure — The Group’s structure and corporate history” to this prospectus.

Prior to the Listing, the Group underwent the Reorganisation and immediately following the completion of the Reorganisation, the entire issued share capital of the Company was owned by Mr. Lui, Mr. Wai, Mr. Yip and Success Wing.

Immediately following the completion of the Capitalisation Issue and the Placing, Mr. Lui, Mr. Wai, Mr. Yip and Success Wing will in aggregate own 75.0% of the voting rights in the Company (without taking into account any Shares which will be allotted and issued upon exercise of any option(s) which may be granted under the Share Option Scheme).

Business development

Prior to the establishment of the Group, Mr. Lui, Mr. Wai and Mr. Yip were friends and business partners of a business principally engaged in the trading and installation of racks through Sun Pool, which was unrelated to that of the Group (the “**Unrelated Business**”).

The Group’s history can be traced back to December 1991, when Mr. Wai established KPa Engineering with a business partner, who is an Independent Third Party. To the best knowledge of the Directors, Mr. Wai financed KPa Engineering with his personal resources when it was first established. Mr. Wai was soon joined by Mr. Lui, who decided to invest in KPa Engineering and became a shareholder in January 1992. KPa Engineering commenced its business in 1992 and was principally engaged in (i) the trading of building material products; and (ii) the provision of small scale building construction works as a subcontractor. Sun Pool acquired the issued share capital of KPa Engineering in January 1993 and thereafter, Sun Pool ceased all its operation of the Unrelated Business.

In 2001, Mr. Lui, Mr. Wai and Mr. Yip decided to expand their business in the trading of building material products. As a result, in August 2001, they incorporated BuildMax (HK) through Sun Pool together with (i) Mr. Chan, an employee of KPa Engineering; (ii) an Independent Third Party, a then employee of KPa Engineering; and (iii) Mr. Liu, a friend of Mr. Lui, Mr. Wai and Mr. Yip.

In response to demands from the customers, BuildMax (HK) also offered services related to the installation of building material products for its customers. The installation services offered by BuildMax (HK) involves construction projects which are generally smaller in scale than the projects undertaken by KPa Engineering.

As at the Latest Practicable Date, the Group was principally engaged in (i) the provision of structural engineering works with a focus on design and build projects in Hong Kong; and (ii) trading of building material products predominately in Hong Kong. During the Track Record Period and up to the

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Latest Practicable Date, KPa Engineering is a registered approved specialist contractor in the category of structural steelwork and an approved supplier of materials in the category of transparent panels for noise barriers on highways with the Development Bureau. It is also a registered minor works contractor with the Buildings Department.

Milestones of the Group

The chronological overview of the key events of development of the Group is set out below:

<u>Date</u>	<u>Milestone</u>
December 1991	KPa Engineering was incorporated in Hong Kong on 12 December 1991
March 1998	KPa Engineering was included in the List of Approved Suppliers of Materials and Specialist Contractors for Public Works under the category of Structural Steelwork with the Development Bureau
August 2001	BuildMax (HK) was incorporated in Hong Kong on 15 August 2001 and was principally engaged in the sale, distribution and installation of building material products
November 2005	KPa Engineering was included in the List of Approved Suppliers of Materials and Specialist Contractors for Public Works under the category of Prefabricated Architectural Walls and Finishes (Screens, Sound Barriers and Retaining Walls) with the Development Bureau
January 2009	KPa Engineering was accredited ISO 9001: 2008
December 2009	KPa Engineering received the certificate of “New Works Project — Outstanding Building Project” for the project, namely “Redevelopment of Upper Ngau Tau Kok Estate Phases 2 and 3”
January 2011	KPa Engineering was accredited ISO 14001: 2004 and OHSAS 18001: 2007
February 2011	BuildMax (HK) was accredited OHSAS 18001: 2007
March 2011	BuildMax (HK) was accredited ISO 9001: 2008, and ISO 14001: 2004
January 2013	The Integrated Management System of KPa Engineering was certified to have complied with ISO 9001: 2008, ISO 14001: 2004 and OHSAS 18001: 2007
May 2013	KPa Engineering was included in the List of Registered Subcontractor with the Construction Industry Council
January 2015	AcouSystem was accredited ISO 9001: 2008

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

<u>Date</u>	<u>Milestone</u>
March 2015	KPa (SZ) was incorporated in the PRC as a wholly-owned foreign enterprise, the entire equity interest of which is held by BuildMax (HK). KPa (SZ) was principally engaged in the design of aluminum curtain walls, noise barriers, ceiling, glass curtain walls and aluminum compound plate

THE GROUP'S STRUCTURE AND CORPORATE HISTORY

The following sets forth the development of the Group's subsidiaries since their respective date of incorporation:

AcouSystem

AcouSystem was incorporated in Hong Kong on 17 November 2014 as a limited liability company. It had no substantial operation during the Track Record Period. As at the date of its incorporation, AcouSystem was owned as to approximately 33.3% by each of Mr. Lui, Mr. Wai and Mr. Yip respectively.

On 3 July 2015, as part of the Reorganisation, Light Dimension acquired from each of Mr. Lui, Mr. Wai and Mr. Yip his respective entire shareholding in AcouSystem. In consideration thereof, Light Dimension allotted and issued as fully paid one share to each of Mr. Lui, Mr. Wai and Mr. Yip. The above transfers were properly and legally completed and settled and as a result, AcouSystem became a wholly-owned subsidiary of Light Dimension.

BuildMax (HK)

BuildMax (HK) was incorporated in Hong Kong on 15 August 2001 as a limited liability company. It is principally engaged in the sales, distribution and installation of building material products. As at the date of its incorporation, BuildMax (HK) was owned as to 50.0% by Sun Pool, 30.0% by Mr. Liu, 10.0% by Mr. Chan and 10.0% by an Independent Third Party. On 6 October 2004, the Independent Third Party transferred his entire shareholding interests in BuildMax (HK) to Sun Pool at the consideration of HK\$30,000, which has been properly and legally completed and settled. The consideration was arrived at after arm's length negotiations between the parties. Following the completion of the above transfer, BuildMax (HK) was owned as to 60.0% by Sun Pool, 30.0% by Mr. Liu and 10.0% by Mr. Chan.

On 14 September 2015, as part of the Reorganisation, Sun Pool acquired from each of Mr. Liu and Mr. Chan his entire shareholding interests in BuildMax (HK), and in consideration thereof, Sun Pool procured its holding company, namely, Youkang, to allot and issue as fully paid three shares and one share to Mr. Liu and Mr. Chan respectively. The said transfers had been properly and legally completed and settled. After the said transfers, BuildMax (HK) became a wholly-owned subsidiary of Sun Pool.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Youkang

Youkang was incorporated in the BVI on 29 May 2015 as a limited liability company. It is an investment holding company in the Group. At the time of incorporation, Youkang was authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.0. No subscriber share was allotted and issued as of incorporation. On 11 June 2015, three subscriber shares, credited as fully paid were allotted and issued to Light Dimension at par. After the said issue and allotment, Youkang became a wholly-owned subsidiary of Light Dimension.

After the completion of the Reorganisation, Youkang became the holding company of Sun Pool.

KPa (HK)

KPa (HK) was incorporated in Hong Kong on 8 August 2014 as a limited liability company. It is principally engaged in trading and provision of construction materials and provision of construction related works in Hong Kong. As at the date of its incorporation, KPa (HK) was owned as to approximately 33.3% by each of Mr. Lui, Mr. Wai and Mr. Yip respectively.

On 3 July 2015, as part of the Reorganisation, Light Dimension acquired from Mr. Lui, Mr. Wai and Mr. Yip their respective entire shareholding interests in KPa (HK). In consideration thereof, Light Dimension allotted and issued as fully paid one share to each of Mr. Lui, Mr. Wai and Mr. Yip. The said transfers had been properly and legally completed and settled and as a result, KPa (HK) became a wholly-owned subsidiary of Light Dimension.

KPa (SZ)

KPa (SZ) was incorporated on 2 March 2015 and is principally engaged in the design of aluminum curtain walls, noise barriers, ceiling, glass curtain walls and aluminum compound plate. As at the date of its incorporation and up to the Latest Practicable Date, KPa (SZ) had a total registered capital of HK\$1,000,000 which was wholly contributed by BuildMax (HK). By 4 May 2015, the aggregate paid-up capital of KPa (SZ) was HK\$500,000, representing 50.0% of the registered capital and the remaining of HK\$500,000 shall be paid up on or before 2 March 2018.

KPa Contracting

KPa Contracting was incorporated in Hong Kong on 25 August 2014 as a limited liability company. It had no substantial operation during the Track Record Period. As at the date of its incorporation, KPa Contracting was owned as to approximately 33.3% by each of Mr. Lui, Mr. Wai and Mr. Yip.

On 3 July 2015, as part of the Reorganisation, Light Dimension acquired from Mr. Lui, Mr. Wai and Mr. Yip their respective entire shareholding interests in KPa Contracting. In consideration thereof, Light Dimension allotted and issued as fully paid one share to each of Mr. Lui, Mr. Wai and Mr. Yip, credited as fully paid at par. The said transfers had been properly and legally completed and settled and as a result, KPa Contracting became a wholly-owned subsidiary of Light Dimension.

KPa Engineering

KPa Engineering was incorporated in Hong Kong on 12 December 1991 as a limited liability company. It is principally engaged in the provision of structural engineering services in design and build projects in Hong Kong. As at the date of its incorporation, KPa Engineering was owned as to 50.0% by Mr. Wai and 50.0% by an Independent Third Party. On 14 January 1992, KPa Engineering allotted and issued an aggregate of 9,998 new shares to the Independent Third Party, Mr. Wai and Mr. Lui, and as a result, KPa Engineering was owned as to 50.0% by the Independent Third Party, 30.0% by Mr. Wai and 20.0% by Mr. Lui, respectively. On 20 March 1992, KPa Engineering further allotted and issued an aggregate of 490,000 new shares to the said parties and their respective percentage of shareholding remained unchanged after the said allotment of new shares. On 15 January 1993, the Independent Third Party transferred its entire shareholding interest in KPa Engineering to Mr. Lui and Mr. Wai at the aggregate consideration of HK\$830,000 which had been properly and legally completed and settled. On 21 January 1993, Mr. Lui and Mr. Wai each transferred his entire shareholding interests in KPa Engineering to Sun Pool at the nominal consideration of HK\$1.00, which had been properly and legally completed and settled. After the said transfers, KPa Engineering was wholly-owned by Sun Pool. On 15 January 1998 and 13 January 1999, KPa Engineering allotted and issued as fully paid an aggregate of 1,500,000 new shares and 1,000,000 new shares respectively to Mr. Lui, Mr. Wai, Mr. Yip and Sun Pool. After the said allotments of shares and prior to the Reorganisation, KPa Engineering was owned as to approximately 27.8% by Mr. Lui, approximately 27.8% by Mr. Wai, approximately 27.8% by Mr. Yip and approximately 16.7% by Sun Pool, respectively.

On 3 July 2015, as part of the Reorganisation, (i) each of Mr. Lui, Mr. Wai and Mr. Yip transferred his entire shareholding interests in KPa Engineering to Light Dimension, in consideration thereof, Light Dimension allotted and issued as fully paid one share to each of Mr. Lui, Mr. Wai and Mr. Yip; and (ii) Sun Pool transferred its entire shareholding interests in KPa Engineering to Light Dimension, in consideration thereof and at the direction of Sun Pool, Light Dimension allotted and issued as fully paid one share to Mr. Lui, Mr. Wai and Mr. Yip jointly. The said transfers had been properly and legally completed and settled. After the said transfers, KPa Engineering became a wholly-owned subsidiary of Light Dimension.

Light Dimension

Light Dimension was incorporated in the BVI on 20 May 2015 as a limited liability company. It is an investment holding company in the Group. Light Dimension was authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.0. At the time of incorporation, no subscriber share was allotted and issued. On 11 June 2015, one subscriber share, credited as fully paid, was allotted and issued to each of Mr. Lui, Mr. Wai and Mr. Yip at par. After the said issue and allotment, Light Dimension was owned as to approximately 33.3% by each of Mr. Lui, Mr. Wai and Mr. Yip.

On 22 September 2015, as part of the Reorganisation, the Company acquired the entire share capital of Light Dimension from Mr. Lui, Mr. Wai and Mr. Yip. In consideration thereof, the Company, at the direction and request of Mr. Lui, Mr. Wai and Mr. Yip, allotted and issued as fully paid an aggregate of 99 Shares to Mr. Lui, Mr. Wai, Mr. Yip and Success Wing and the one

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

nil paid subscriber share previously issued to Success Wing was credited as fully paid. The said transfer had been properly and legally completed and settled. After the said transfers, Light Dimension became a wholly-owned subsidiary of the Company.

Sun Pool

Sun Pool was incorporated in Hong Kong on 28 February 1991 as a limited liability company. Immediately prior to its acquisition of shareholding interests in the Group, Sun Pool was owned as to approximately 33.3% by each of Mr. Lui, Mr. Wai and Ms. Lam and was engaged in the Unrelated Business. After acquiring shareholding interests in KP a Engineering, Sun Pool ceased the operation of the Unrelated Business and became an investment holding company of the Group. The respective percentage of shareholding of Mr. Lui, Mr. Wai and Ms. Lam in KP a Engineering remained unchanged since then until immediately prior to the Reorganisation, with each of them holding approximately 33.3% of the issued share capital in Sun Pool. Pursuant to a confirmatory deed executed by Ms. Lam on 12 June 2015, Ms. Lam confirmed that she held the said shareholding interests in Sun Pool for and on behalf of Mr. Yip. Ms. Lam is the spouse of Mr. Yip.

On 30 June 2015, as part of the Reorganisation, Ms. Lam entered into a sale and purchase agreement with Mr. Yip, pursuant to which Ms. Lam transferred her entire shareholding interests in Sun Pool back to Mr. Yip at a consideration of HK\$995,230, with reference to the net asset value of Sun Pool as at 31 March 2015, instead of a nominal amount (the “**Transaction**”). The said transfer had been properly and legally completed and settled. This is due to the implementation of the Announcement on Certain Issues Concerning Enterprise Income Taxes Related to Indirect Transfer of Assets by a Non-resident Enterprise* (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (“**Announcement No. 7**”), on 3 February 2015 by the State Administration of Taxation of the PRC, pursuant to which, any indirect transfer of assets of non-resident enterprise in the PRC (including equity interest in a foreign-owned enterprise) through the transfer of shares of its holding company outside the PRC (the “**offshore share transaction**”) is required to file, *inter alia*, the relevant sale and purchase agreement of the offshore transaction to the PRC tax authority for tax assessment purpose, i.e. to assess whether the offshore transaction shall be subject to Enterprise Income Tax (“**EIT**”) under the PRC tax laws, under Announcement No. 7. Since (i) pursuant to Article 1 of the said Announcement No.7 and Article 47 of the EIT Law, where enterprises have implemented other arrangement (such as offshore share transaction) without reasonable business objectives to reduce the payable income or income tax, the tax authority has the right to adjust the consideration thereunder in the manner it finds reasonable; and (ii) the policy under Announcement No. 7 had been implemented for a short period of time and the scope and application of which remained uncertain, Mr. Yip and Ms. Lam therefore decided to effectuate the Transaction at a reasonable consideration based on the net asset value of Sun Pool as at 31 March 2015.

As subsequently advised by the PRC Legal Advisers, after conducting an enquiry with the State Tax Bureau of Shenzhen Luohu District, the PRC tax authority on 29 July 2015, the PRC tax authority has, upon reviewing the relevant sale and purchase agreement and ancillary documents related to the Transaction, confirmed that the rules under Announcement No. 7 is not applicable to the said transaction between Mr. Yip and Ms. Lam, which is therefore not subject to any EIT in the PRC.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Subsequently, on 17 August 2015, as part of the Reorganisation, Youkang acquired from each of Mr. Lui, Mr. Wai and Mr. Yip his entire shareholding interests in Sun Pool, and in consideration thereof Youkang allotted and issued as fully paid an aggregate of three shares to Light Dimension as directed and requested by Mr. Lui, Mr. Wai and Mr. Yip. The said transfers of shares had been properly and legally completed and settled. After the said transfers, Sun Pool became a wholly-owned subsidiary of Youkang.

PARTIES ACTING IN CONCERT

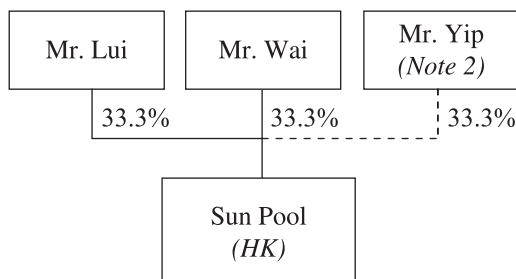
On 14 July 2015, the ultimate Controlling Shareholders, namely Mr. Lui, Mr. Wai and Mr. Yip entered into the Concert Parties Confirmatory Deed to acknowledge and confirm:

- (a) that among each of them that they are parties acting in concert of the relevant member of the Group (collectively the “**Relevant Companies**”) since the date they all became the Shareholders of such Relevant Company and continue as at and after the date of the Concert Parties Confirmatory Deed;
- (b) they shall give unanimous consent, approval or rejection on any other material issues and decisions in relation to the business of the Relevant Companies including, but not limited to, their financing and operating activities;
- (c) they shall cast unanimous vote collectively for or against all resolutions in all meetings and discussions of the Relevant Companies;
- (d) they shall cooperate with each other to obtain and maintain the collective control and the management of the Relevant Companies; and
- (e) they shall obtain written consent from all the parties to the Concert Parties Confirmation Deed in advance of purchasing, selling, pledging or creating any right to acquire or dispose of any securities of the Company and/or any of the Relevant Companies.

REORGANISATION

Immediately, prior to the Reorganisation, the respective structure of the subsidiaries of the Group was as follows:

Sun Pool (Note 1)

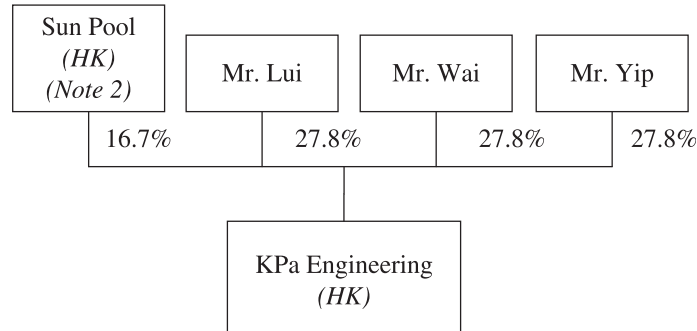


HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Notes:

1. The aggregate of the shareholding percentage figures in the diagram does not add up to 100 percent due to rounding issue of the decimal places.
2. Pursuant to a confirmatory deed dated 12 June 2015, Ms. Lam, the spouse of Mr. Yip, confirmed that she held one third of the issued share capital of Sun Pool in trust for and on behalf of Mr. Yip.

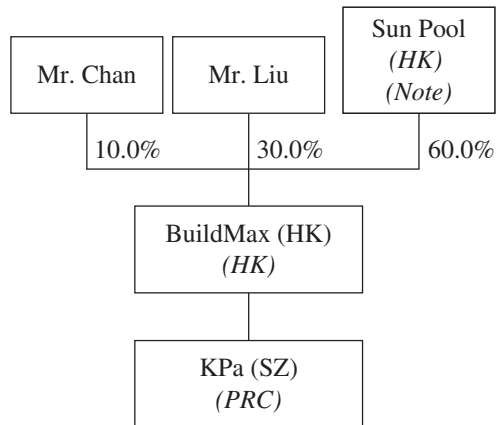
KPa Engineering (Note 1)



Notes:

1. The aggregate of the shareholding percentage figures in the diagram does not add up to 100 percent due to rounding issue of the decimal places.
2. For the shareholding structure of Sun Pool, please refer to the above diagram and section headed “History, Reorganisation and corporate structure — Reorganisation — Sun Pool” to this prospectus above.

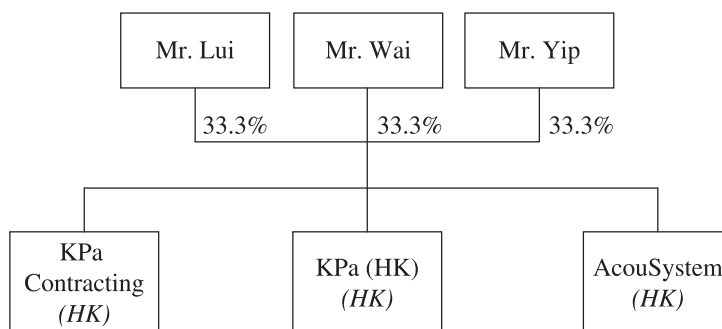
BuildMax (HK) and KPa (SZ)



Note: For the shareholding structure of Sun Pool, please refer to the above diagram and the section headed “History, Reorganisation and corporate structure — Reorganisation — Sun Pool” to this prospectus above.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

KPa Contracting, KPa (HK) and AcouSystem (Note)



Note: The aggregate of the shareholding percentage figures in the diagram does not add up to 100 percent due to rounding issue of the decimal places.

CORPORATE RESTRUCTURING

To rationalise the Group's structure in preparation for Listing, the Group underwent various corporate restructuring as more particularly described as follows:

- (1) The Company was incorporated in the Cayman Islands on 15 May 2015 as an exempted company with limited liability under the Companies Law. At the time of incorporation, the Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which one nil paid Share was allotted and issued to a subscriber, which was transferred to Success Wing on 21 May 2015.
- (2) Light Dimension was incorporated in BVI with limited liability on 20 May 2015. At the time of incorporation, Light Dimension was authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.0, and no subscriber share was allotted and issued. On 11 June 2015, one subscriber share of Light Dimension credited as fully paid at par was allotted and issued to each of Mr. Lui, Mr. Wai and Mr. Yip.
- (3) Youkang was incorporated in the BVI on 29 May 2015 as a limited liability company. At the time of incorporation, Youkang was authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.0, and no subscriber share was allotted and issued. On 11 June 2015, three subscriber shares, credited as fully paid at par, were issued and allotted to Light Dimension. After the said issue and allotment, Youkang became a wholly-owned subsidiary of Light Dimension.
- (4) On 30 June 2015, Ms. Lam entered into a sale and purchase agreement with Mr. Yip, pursuant to which Ms. Lam transferred her entire shareholding interests in Sun Pool back to Mr. Yip at the consideration of HK\$995,230. The said transfer of shares had been properly and legally completed and settled. After the said transfer, Sun Pool was owned as to approximately 33.3% by Mr. Lui, 33.3% by Mr. Wai and 33.3% by Mr. Yip.
- (5) On 3 July 2015, (i) Mr. Lui, Mr. Wai and Mr. Yip each transferred his entire shareholding interests in KPa Engineering to Light Dimension, in consideration thereof, Light Dimension allotted and issued as fully paid one share to each of Mr. Lui, Mr. Wai and Mr. Yip; and (ii) Sun Pool transferred its entire shareholding interests in KPa Engineering to Light Dimension,

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

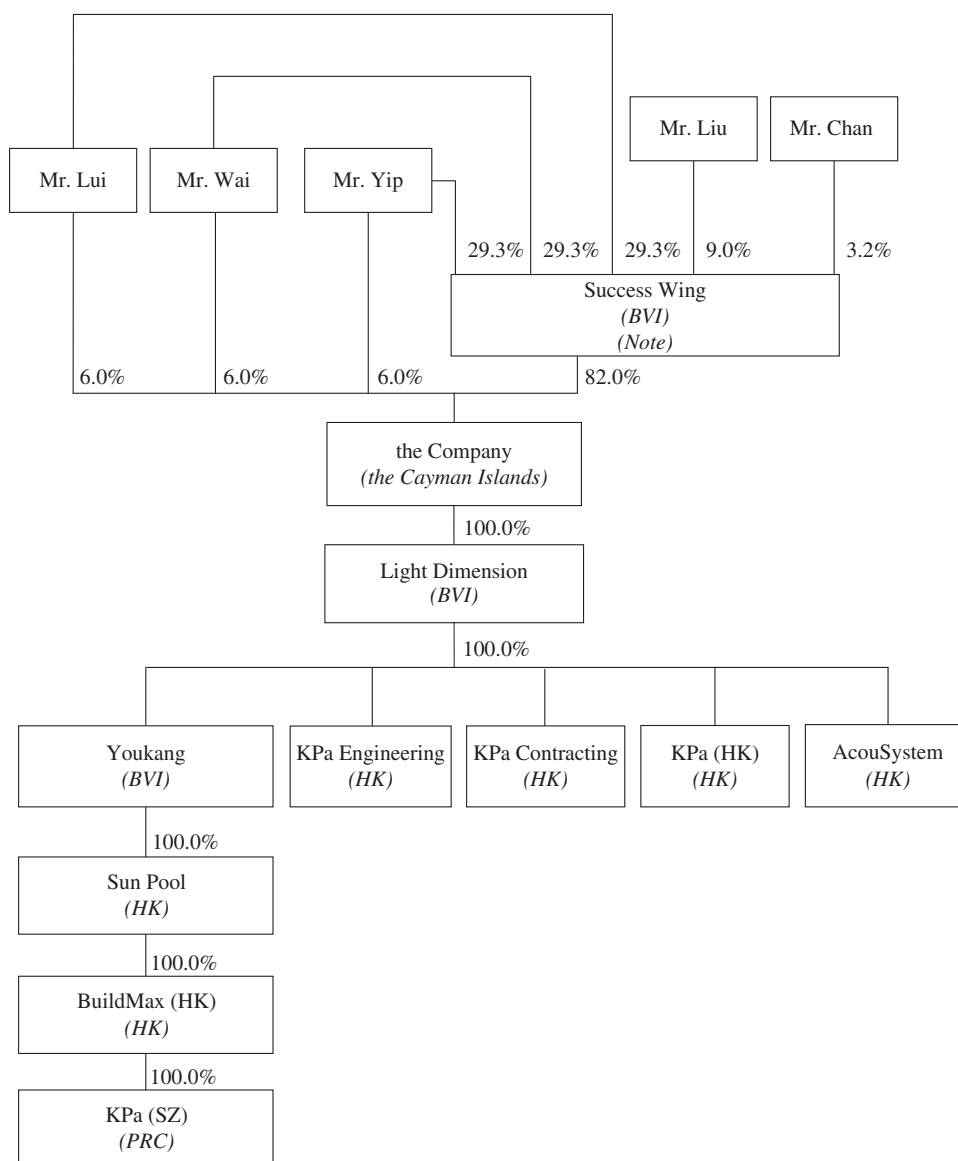
in consideration thereof and at the direction of Sun Pool, Light Dimension allotted and issued as fully paid one share to Mr. Lui, Mr. Wai and Mr. Yip jointly. The said transfers had been properly and legally completed and settled. After the said transfers, KPa Engineering became a wholly-owned subsidiary of Light Dimension.

- (6) On 3 July 2015, Mr. Lui, Mr. Wai and Mr. Yip each transferred his entire shareholding interests in KPa Contracting to Light Dimension. In consideration thereof, Light Dimension allotted and issued as fully paid one share to each of Mr. Lui, Mr. Wai and Mr. Yip. The said transfers had been properly and legally completed and settled and as a result, KPa Contracting became a wholly-owned subsidiary of Light Dimension.
- (7) On 3 July 2015, Mr. Lui, Mr. Wai and Mr. Yip each transferred his entire shareholding interests in KPa (HK) to Light Dimension. In consideration thereof, Light Dimension allotted and issued as fully paid one share to each of Mr. Lui, Mr. Wai and Mr. Yip. The said transfers had been properly and legally completed and settled and as a result, KPa (HK) became a wholly-owned subsidiary of Light Dimension.
- (8) On 3 July 2015, Mr. Lui, Mr. Wai and Mr. Yip each transferred his entire shareholding interests in AcouSystem to Light Dimension. In consideration thereof, Light Dimension allotted and issued as fully paid one share to each of Mr. Lui, Mr. Wai and Mr. Yip. The said transfers had been properly and legally completed and settled and as a result, AcouSystem became a wholly-owned subsidiary of Light Dimension.
- (9) On 17 August 2015, Youkang acquired from each of Mr. Lui, Mr. Wai and Mr. Yip his entire shareholding interests in Sun Pool, and in consideration thereof Youkang allotted and issued as fully paid an aggregate of three shares to Light Dimension as directed and requested by Mr. Lui, Mr. Wai and Mr. Yip. The said transfers of shares had been properly and legally completed and settled. After the said transfers, Sun Pool became a wholly-owned subsidiary of Youkang.
- (10) On 14 September 2015, Sun Pool acquired from each of Mr. Liu and Mr. Chan his entire shareholding interests in BuildMax (HK), and in consideration thereof Sun Pool procured Youkang to allot and issue as fully paid three shares and one share to Mr. Liu and Mr. Chan respectively. The said transfers of shares had been properly and legally completed and settled. After the said transfers, BuildMax (HK) became a wholly-owned subsidiary of Sun Pool.
- (11) On 22 September 2015, pursuant to the Reorganisation Agreement, the Company acquired from Mr. Lui, Mr. Wai and Mr. Yip their entire shareholding interests in Light Dimension, and in consideration thereof, (i) at the direction and request of Mr. Lui, Mr. Wai and Mr. Yip, the Company allotted and issued as fully paid 6 Shares to Mr. Lui, 6 Shares to Mr. Wai, 6 Shares to Mr. Yip and 81 Shares to Success Wing; and (ii) the one nil paid subscriber Shares held by Success Wing was credited as fully paid. The said transfers had been properly and legally completed and settled. After the said transfers, Light Dimension became a wholly-owned subsidiary of the Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(12) On 22 September 2015, Light Dimension acquired from each of Mr. Liu and Mr. Chan, his entire shareholding interests in Youkang, and in consideration thereof Light Dimension procured Success Wing to allot and issue as fully paid 74 shares and 26 shares to Mr. Liu and Mr. Chan respectively. The said transfers of shares had been properly and legally completed and settled. After the said transfers, Youkang became a wholly-owned subsidiary of Light Dimension.

Upon completion of the Reorganisation set out above, the Company became the holding company of the Group. The following chart sets out the shareholding and corporate structure of the Group immediately after the Reorganisation but prior to completion of the Placing and the Capitalisation Issue:

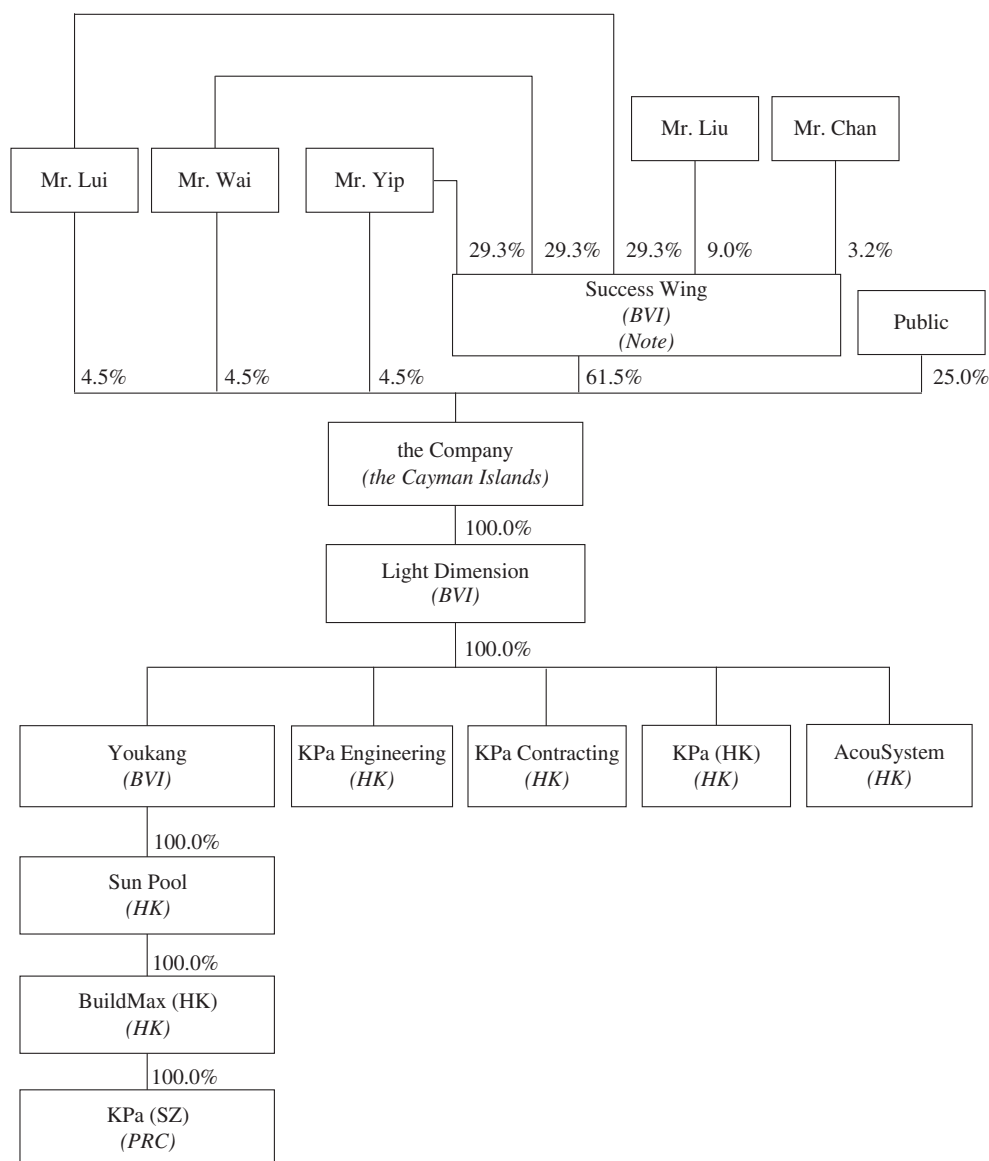


Note: The aggregate of the shareholding percentage figures of Success Wing in the diagram does not add up to 100 percent due to rounding issue of the decimal places.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Conditional on the share premium account of the Company being credited as a result of the Placing, certain amounts standing to the credit of the share premium account of the Company will be capitalised and applied in paying up in full such number of Shares for allotment and issue to its shareholders (i.e. Mr. Lui, Mr. Wai, Mr. Yip and Success Wing) in proportion to their respective shareholdings in the Company prior to trading and dealing of the Shares commence on GEM, so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by them, will constitute not more than 75.0% of the total issued share capital of the Company.

The following chart sets forth the shareholding structure of the Group immediately following the Placing and the Capitalisation Issue (but assuming that no Share is issued pursuant to the exercise of options which may be granted under the Share Option Scheme):



Note: The aggregate of the shareholding percentage figures of Success Wing in the diagram does not add up to 100 percent due to rounding issue of the decimal places.

BUSINESS

OVERVIEW

The Group is principally engaged in (i) the provision of structural engineering works with a focus on design and build projects in Hong Kong; and (ii) trading of building material products predominately in Hong Kong.

During the Track Record Period, the Group's revenue was mainly derived from the structural engineering works while the remaining were generated from trading of building material products. The following table sets out a breakdown of the Group's revenue during the Track Record Period by business segments:

	For the year ended 31 March			
	2014		2015	
	HK\$'000	%	HK\$'000	%
Structural engineering works	199,542	97.2	183,913	93.2
Trading of building material products	<u>5,743</u>	<u>2.8</u>	<u>13,522</u>	<u>6.8</u>
	<u><u>205,285</u></u>	<u><u>100.0</u></u>	<u><u>197,435</u></u>	<u><u>100.0</u></u>

During the Track Record Period, the majority of the Group's revenue was derived in Hong Kong. The following table sets out a breakdown of the Group's revenue during the Track Record Period by geographical locations:

	For the year ended 31 March			
	2014		2015	
	HK\$'000	%	HK\$'000	%
Hong Kong	204,640	99.7	196,530	99.5
Others (Note)	<u>645</u>	<u>0.3</u>	<u>905</u>	<u>0.5</u>
	<u><u>205,285</u></u>	<u><u>100.0</u></u>	<u><u>197,435</u></u>	<u><u>100.0</u></u>

Note: Others denote the Group's revenue derived from trading of building material products to locations other than Hong Kong such as the PRC, Macau, Singapore and the United Kingdom.

(i) Structural engineering works

Structural engineering is concerned with the analysis, design and construction of a structure. The structural engineering works undertaken by the Group mainly include developing structural designs, calculation and drawings, sourcing and procurement of materials, monitoring of works, supervision and management of subcontractors and after-sales services. During the Track Record Period, the Group was mainly engaged in design and build projects in Hong Kong as a subcontractor. The design and build projects undertaken by the Group can be broadly divided into three categories: (i) facade, roof and related works; (ii) structural steelwork and noise barriers; and (iii) flagpoles and related works. KPa Engineering, a member of the Group, is an approved specialist contractor in the category of structural steelwork and an approved supplier of materials in the category of transparent panels for noise barriers on highways with the Development Bureau. It is also a registered minor works contractor with the

BUSINESS

Buildings Department. The Group provides structural engineering works in design and build projects to both the private sector and public sector. The Group classifies public sector contracts as contracts in which the ultimate employer is a government department or statutory body. During the Track Record Period, the Group generated approximately 61.1% and 33.5% of its revenue from design and build projects in the private sector, respectively, with the remaining revenue of approximately 38.9% and 66.5% from design and build projects in the public sector, respectively.

The duration of the Group's design and build projects completed during the Track Record Period varied from less than one month to approximately 54 months, depending on the size of the contract and the complexity of the works undertaken pursuant to the contract. During the Track Record Period, the Group undertook 204 and 298 design and build projects, contributing approximately HK\$199.5 million and HK\$183.9 million to the Group's revenue respectively. Set out below is a breakdown of the Group's revenue attributable to the design and build projects during the Track Record Period by categories:

	For the year ended 31 March			
	2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Facade, roof and related works	169,928	85.1	144,736	78.7
Structural steelwork and noise barriers	27,863	14.0	33,273	18.1
Flagpoles and related works	1,751	0.9	5,904	3.2
	199,542	100.0	183,913	100.0

Note: A design and build project may cover works in one or more of the above work categories. The classification depends on the nature of works the Group principally undertakes in such project, and the major revenue contributing works in the project.

Set out below is the breakdown of the Group's design and build projects based on their scales of respective revenue recognised during the Track Record Period:

	For the year ended 31 March	
	2014	2015
	<i>Number of projects</i>	<i>Number of projects</i>
Revenue		
HK\$10,000,000 or above	6	3
HK\$5,000,000 to below HK\$10,000,000	4	5
HK\$1,000,000 to below HK\$5,000,000	11	12
Below HK\$1,000,000	183	278
	204	298

BUSINESS

As at 31 March 2015, the Group had 102 design and build projects in progress (including projects that have commenced but not yet completed and projects that have been awarded to the Group but not yet commenced) with an aggregate contract sum of approximately HK\$742.1 million, of which approximately HK\$253.9 million is expected to be recognised as the Group's revenue for the year ending 31 March 2016. For details on the Group's latest development, please refer to the section headed "Summary — Recent development subsequent to the Track Record Period" to this prospectus.

(ii) Trading of building material products

The Group is also engaged in the trading of building material products mainly through BuildMax (HK), a member of the Group, predominately in Hong Kong. During the Track Record Period, the Group's revenue generated by trading of building material products amounted to approximately HK\$5.7 million and HK\$13.5 million, respectively. The building material products sold by the Group mainly include (i) roof and noise barrier materials; (ii) curtain wall fixing components; and (iii) other auxiliary materials. The Group does not provide installation service to its customers under this trading segment.

As at the Latest Practicable Date, the Group is currently the authorised distributor of six international brands of building material products in Hong Kong, Macau and/or the PRC. Among these six international brand products, four of which the Group has been engaged as the sole distributor of the products in Hong Kong, Macau and/or the PRC exclusively. These international brand products are mainly imported from various countries such as Germany, the United Kingdom and USA. Apart from selling products of third party brands, the Group also sells a small portion of building material products under its own brand names. Please refer to the section headed "Business — Services and products — Trading of building material products" to this prospectus for further details.

MARKET AND COMPETITION

According to the IPSOS Report, the facade market is driven by architects who produce designs which demand new production and material technologies. It is expected that there will be an increasing demand for high performance energy efficient facade systems. The growth of the structural steelworks industry will be mainly driven by ongoing public investment in infrastructure, but at the same time challenged by shortage in labour and increase in wage. Tighter regulation for noise pollution and new infrastructure development will increase the demand for noise barriers.

The facade works industry and the structural steelworks industry in Hong Kong are relatively consolidated markets with major players dominating the industry while the noise barrier works industry in Hong Kong is relatively concentrated with a small number of major players dominating the industry. According to the IPSOS Report, KPa Engineering is one of the top players of the facade and roof works sector in Hong Kong. For further information regarding the competitive landscape of the industry in which the Group operates, please refer to the section headed "Industry overview" to this prospectus.

COMPETITIVE STRENGTHS

The Directors believe the following competitive strengths contribute to the Group's continued success and potential for growth:

Tailor-made structural designs provided by in-house experienced design and technical teams

The Group provides tailor-made structural design according to the specific needs of and requirements of its customers for each project. The Group has a design team in Hong Kong, which takes the lead in managing the structural design work for the projects and allocating certain shop drawing work to the design team in its Shenzhen office.

The Group's in-house designers have extensive experience in the design of (i) structural steelwork and noise barriers; and (ii) facade, roof and other works. Combined with their understanding and knowledge of building materials industry, they are able to provide tailor-made design for the Group's customers to fulfill their requests. The Group's technical team consists of experienced engineering technicians who have extensive and relevant technical knowledge and exposure of various construction projects, these technicians work closely with the designers to deliver feasible tailor-made design that satisfies the customers' particular requirements. The Directors believe that having the in-house design and technical teams enables the Group to have a high level of control in ensuring the quality and consistency of the design and the works completed for each project.

Based on the above, the Directors consider that the Group's in-house design and technical teams play a pivotal role in each design and build project of the Group and the tailor-made designing service helps the Group stand out from its competitors within the industry.

For further details of the biographies and relevant industry experience of the management team, please refer to the section headed "Directors and senior management" to this prospectus.

One-stop solution provider of services ranging from design, sourcing, implementation and after-sales services

The Group provides one-stop solution for its customers' design and build projects. The Group offers a wide range of services ranging from developing structural designs, calculation and drawings, sourcing and procurement of materials, monitoring of works, supervision and management of subcontractors to after-sales services.

In each design and build project, the Group will assign a project manager to take charge for the quality and progress of the project. In order to maintain the high quality of work for each project, the Group has established effective operation procedures to allocate the different stages of the workflow to the corresponding team within the Group. As mentioned above, the Group's in-house design and technical team will be responsible for a feasible tailor-made structural design. The Group's draftsmen (referring to the Group's staff members who are responsible for preparing drawings by making use of computer software) will then prepare the technical drawings. When the design is approved by the project architect, the Group will start to source suitable building materials and collect quotations from its suppliers and subcontractors, followed by the assembly of the chosen materials. Upon the arrival of materials at the project site, the Group's project

BUSINESS

management team and site personnel will supervise the works at the site and instruct the subcontractor to complete the execution of the installation process. From the completion date of the project, the Group and its material suppliers may provide a warranty of normally up to ten years to its customers and the Group would provide a defect liability period of normally one year after completion of the project during which the Group will be liable to making good any defects of its works which are discovered within such defect liability period.

The Directors believe that being a one-stop solution provider allows the Group to minimise any significant deviation from the original design and provide its customers with a higher convenience with less time and financial cost in searching for and engaging different parties to provide the different types of services at each stage of a project. In addition, it is easier for the Group to ensure the quality of work and to manage the timeline of each project.

Quality products and services provided in a cost-effective manner

With the main objective of the Group being maximisation of Shareholders' equity value, the Group has adopted several ways to control the costs of each design and build project to maintain the profit margin of the Group for each project. The Group has in-house structural engineering technicians who are able to conduct feasibility studies at the early stage of each project with regard to the construction design and provide cost-effective options for implementation of its design and build projects. In addition, the Group's project managers are responsible for monitoring the budget plan and actual financial information of each project in order to prevent cost overruns.

In order to control the quality of the Group's products and services, the Group will only select suppliers and subcontractors on its internal approved list of suppliers and subcontractors. In assessing whether to include a subcontractor in the Group's internal approved list, the Group will rely on referrals by other parties in the industry, request for past job references completed by such subcontractors in order to ascertain the quality of their products, the subcontractors' capabilities and work quality and will also take into consideration the prices quoted by the subcontractors. The Group has adopted a policy to require its subcontractor which is engaged by the Group for the first time to submit a series of documents for the Group to assess whether it is suitable to be on the internal list of approved subcontractors. Such required documents generally include business registration, relevant licences (if required) to carry out the corresponding types of work, job references and financial statements. As at the Latest Practicable Date, the Group has more than 50 subcontractors on its internal list of approved subcontractors, which offers a wide range of choices for the Group to acquire direct labour who has proven track record at a competitive price.

Well-established business relationship with renowned international building material suppliers

As at the Latest Practicable Date, the Group is currently the authorised distributor of six international brands of building material products in Hong Kong, Macau and/or the PRC. Among these six international brand products, four of which were sold and distributed by the Group exclusively.

The Group has maintained stable business relationship with its major building material products suppliers and the longest relationship that the Group has with its major building material products suppliers is over 15 years. Over the years, the Directors believe that the Group has

BUSINESS

fostered a trustworthy and reliable business relationship with its major building material product suppliers upon its proven track record, industry and product know-how. The Directors consider that its established business relationship with its major building material product suppliers can ensure the stable and timely supply of building materials and products, which is crucial to the future development and business expansion of the Group.

The Group's management team possesses extensive experience and technical know-how

The Group's management team has extensive industry and managerial knowledge, skill and technical know-how throughout the industry. Each of the executive Directors, Mr. Yip, Mr. Wai and Mr. Lui, has more than 20 years of experience respectively in Hong Kong construction industry. For further details of the biographies and relevant industry experience of the management team, please refer to the section headed "Directors and senior management" to this prospectus.

Other than the Group's management team, the Group has also employed a stable pool of skilled employees who has been with the Group for more than 10 years. The Directors believe that the extensive experience and technical know-how of the management team as well as the skilled employees are essential to the Group's success and further development.

BUSINESS STRATEGIES

The Group's goals are to achieve sustainable growth and further strengthen its overall competitiveness and business growth in the design and build business in Hong Kong. To achieve this, the Directors plan to continue to capture more opportunities by leveraging on the Group's competitive strengths and experience and implement the following strategies:

Further expanding the Group's capacity to capture more business opportunities

The Directors believe that the Group's ability to secure contracts primarily depends on the available working capital, the Group's capacity, experience and track records. KPa Engineering, a member of the Group, is an approved specialist contractor in the category of structural steelwork and an approved supplier of materials in the category of transparent panels for noise barriers on highways with the Development Bureau. For retention as an approved specialist contractor, the Group is required to maintain certain minimum levels of employed and working capital and annual turnover applicable to the appropriate category and group. Please refer to the section headed "Regulatory overview — Development Bureau projects" to this prospectus for further details. The Directors believe that the net proceeds from the Placing will strengthen the Group's available financial resources, which allows the Group to undertake more projects of larger scale that demand higher working capital requirements.

Further, the Group plans to capture more business opportunities by expanding its capacity and scale. All the Group's projects require the involvement of the senior management team at various stages, such as assessment of potential projects, preparation and submission of tenders, project planning and administration, project implementation and quality control. While the senior management team plays an important role in different stages of a project, the Group's capacity to take up and execute projects is largely determined by the capacity of the Group's senior management team. The Group intends to recruit additional experienced and skilled candidates so as to enhance the Group's capacity to undertake more projects for its structural engineering works.

BUSINESS

The Group will continue to leverage its experience in the industry in order to explore the business opportunities so as to solidify its market position in the industry and expand its market share in Hong Kong.

Further development of the Group's structural engineering business

In deciding whether to undertake a project, the Group would consider, among other things, the amount of available working capital and requirements for projects in progress. There are often time lags between making payments to the Group's suppliers and subcontractors and receiving payments from the Group's customers.

In addition, some design and build projects may require the subcontractors like the Group, to take out surety bonds which usually amount to 10.0% of the contract sum. The Group had provided surety bonds to its customers in a number of design and build projects during the Track Record Period. The Group intends to utilise a portion of the net proceeds from the Placing to satisfy the amount of bank deposits necessary for the issue of surety bonds for future contracts, thereby allowing the Group to undertake projects of larger contract value. The Group believes that by expanding its capacity and scale, the Group will be able to undertake projects of more sizeable scale and broaden its customer base by meeting the pre-qualifications of tenderers prescribed by potential customers.

Enhancing the Group's design and customisation capabilities

The Directors believe that the tailor-made structural design capacity is one of the Group's competitive strengths. In this connection, the Group will continue to recruit experienced designers and draftsmen to further enhance the Group's design and customisation capabilities as well as to improve its industrial techniques and increase service quality. In addition, the Group will continue to sponsor its designers and other relevant staff to attend technical seminars and occupational health and safety courses so as to improve their expertise and industry know-how.

For further details on the implementation of the abovementioned business strategy, please refer to the section headed "Statement of business objectives and use of proceeds" to this prospectus.

SERVICES AND PRODUCTS

The Group is principally engaged in (i) the provision of structural engineering works with a focus on design and build projects in Hong Kong; and (ii) trading of building material products predominately in Hong Kong.

BUSINESS

During the Track Record Period, the Group's revenue was mainly derived from the structural engineering works while the remaining were generated from trading of building material products. The following table sets out a breakdown of the Group's revenue during the Track Record Period by business segments:

	For the year ended 31 March			
	2014		2015	
	HK\$'000	%	HK\$'000	%
Structural engineering works	199,542	97.2	183,913	93.2
Trading of building material products	5,743	2.8	13,522	6.8
	205,285	100.0	197,435	100.0

Structural engineering works

During the Track Record Period, the Group was mainly engaged in design and build projects in Hong Kong as a subcontractor. The structural engineering works undertaken by the Group mainly include developing structural designs, calculation and drawings, procurement of materials, monitoring of works, supervision and management of subcontractors and after-sales services. The Group provides its customers with a one-stop solution that are customised to meet the technical specifications and aesthetic requirements of the design and build projects. During the Track Record Period, the design and build projects undertaken by the Group can be broadly divided into three categories: (i) facade, roof and related works; (ii) structural steelwork and noise barriers; and (iii) flagpoles and related works.

The following table sets out a breakdown of the Group's revenue attributable to the design and build projects during the Track Record Period by categories:

	For the year ended 31 March			
	2014		2015	
	HK\$'000	%	HK\$'000	%
Facade, roof and related works	169,928	85.1	144,736	78.7
Structural steelwork and noise barriers	27,863	14.0	33,273	18.1
Flagpoles and related works	1,751	0.9	5,904	3.2
	199,542	100.0	183,913	100.0

Note: A design and build project may cover works in one or more of the above work categories. The classification depends on the nature of works the Group principally undertakes in such project, and the major revenue contributing works in the project.

Facade, roof and related works

Facade is generally installed on the podium or atrium portion of a building and made up of a combination of different materials, such as glass, granite and other cladding materials. Facade can be supported by aluminium frames and other structural materials that are attached onto the concrete

structure of the building. Roof is an upper exterior surface of a building and the most commonly used materials for roof claddings are steel and aluminum. The facade and/or roof projects undertaken by the Group through KPa Engineering mainly involve developing structural designs, calculation and drawings, procurement of materials, monitoring of works, supervision and management of subcontractors and after-sales services.

Related works under this sub-category generally refers to the supply and installation of roof materials, such as sandwich panels and trapezoidal roofing sheets, which generally does not involve any structural calculation and are less complex compared to the facade and roof projects, will be carried out by BuildMax (HK).

Structural steelwork and noise barriers

Structural steelworks include various steel materials used in the construction of structures and these steel materials are connected with each other through welding and bolting joints. Structural steelworks are widely used in cladding, balustrades, staircases, bridges, high-rise buildings and structural frames of public utilities such as walkways and noise barriers. Structural engineering works in the structural steelworks industry include the planning and design of structures using steel, fabrication of steel as well as installation of the structural steel onsite.

Noise barrier works include the design and installation of noise barrier systems. The primary function of noise barriers are to shield receivers from excessive noise generated by road traffic. Noise barriers typically comprise main structural steel frame, steel sub-frame, noise barrier panels, acoustical gasket profiles, acoustic sealing, fasteners, and any other accessories necessary for the completion of the entire noise barrier. Based on the materials used in the noise barrier panel, the noise barriers can be broadly classified into two categories, namely (i) sound reflective type; and (ii) sound absorptive type. Sound reflective type is normally made up of glass or acrylic sheets with aluminum frame whereas the sound absorptive type is made up of rock wool with perforated aluminum sheet.

For structural steelwork and noise barrier works in public sectors, the Group is required to have specific licences, permits and qualifications such as being on a certain list of approved suppliers of materials and specialist contractors for public works. Please refer to the section headed “Business — Licences and permits” to this prospectus for further details.

Flagpoles and related works

Flagpoles are poles for the displaying of flags or banners made from aluminum. Aluminum flagpoles contain raw materials such as aluminum and the flag display wires and attachments and are mainly used for the display of flags and banners outside various buildings including public buildings, museums, embassies, hotels, schools and shopping malls. The materials used in the flagpole project are generally sourced and provided by the Group under the brand name of “BM-POLES”. BM-POLES provides a wide range of flagpoles, banner poles and decorative poles made of aluminum and stainless steel. The Group is able to provide different size of flagpole in accordance with the customers’ specifications. Please refer to the section headed “Intellectual property rights of the Group” as set out in Appendix V to this prospectus. Related works under this sub-category generally refer to the supply and installation of fall arrest system. In general, the Group is responsible for preparing the shop drawings,

BUSINESS

procurement of materials, monitoring of works, arrangement for the necessary labour to execute the projects and providing after-sales services. Flagpoles and related works generally do not involve any structural calculation and are carried out by BuildMax (HK).

Projects awarded during the Track Record Period

During the Track Record Period, the Group had been awarded 146 and 242 design and build projects, respectively. The following table sets out the number of projects awarded during the Track Record Period by categories:

	For the year ended 31 March	
	2014	2015
	<i>Number of projects awarded</i>	<i>Number of projects awarded</i>
Facade, roof and related works	85	129
Structural steelwork and noise barriers	4	3
Flagpoles and related works	57	110
	146	242

Projects completed during the Track Record Period

During the Track Record Period, the Group completed 157 and 189 projects, respectively. Set out below is a summary of the completed projects during the Track Record Period by categories:

	For the year ended 31 March			
	2014		2015	
	<i>Number of completed projects</i>	<i>Range of project period (months)</i>	<i>Number of completed projects</i>	<i>Range of project period (months)</i>
Facade, roof and related works	130	from less than 1 to 54	94	from less than 1 to 7
Structural steelwork and noise barriers	1	26	2	15 to 26
Flagpoles and related works	26	from less than 1 to 10	93	from less than 1 to 9
	157		189	

Note: A design and build project may cover works in one or more of the above work categories. The classification depends on the nature of works the Group principally undertakes in such project, and the major revenue contributing works in the project.

BUSINESS

Set out below is the breakdown of projects completed during the Track Record Period by range of contract sum:

Contract Sum	Number of projects completed for the year ended 31 March	
	2014	2015
HK\$10,000,000 or above	9	2
HK\$5,000,000 to below HK\$10,000,000	1	—
HK\$1,000,000 to below HK\$5,000,000	8	1
Below HK\$1,000,000	139	186
	157	189

The following table sets out the top ten design and build projects completed by the Group during the Track Record Period in descending order by contract sum:

<u>Location of project</u>	<u>Type of works undertaken</u>	<u>Project period</u> <i>months</i>	<u>Contract sum</u> <i>(Note 1)</i> <i>HK\$ million</i>	<u>Accumulated revenue recognised</u> <i>HK\$ million</i>
Tuen Mun Road Town Centre	Structural steelwork and roof works	54	55.4	62.9
Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong	Facade	24	35.8	40.2
Fanling Highway between MTR Fanling Station and Wo Hing Road	Structural steelwork and noise barriers	26	30.4	28.3
Kai Tak Development Site 1A	Facade	27	19.8	27.0
Deep Water Bay Road, Shouson Hill	Facade	13 <i>(Note 2)</i>	16.5	18.2
Tseung Kwan O Town Lot No. 90, Area 85, Site A	Facade	22	16.0	13.2
Sai Chuen Road, Sham Shui Po	Noise barriers and roof works	26	11.7	11.8

BUSINESS

<u>Location of project</u>	<u>Type of works undertaken</u>	<u>Project period</u> <i>months</i>	<u>Contract sum</u> <i>(Note 1)</i> <i>HK\$ million</i>	<u>Accumulated revenue recognised</u> <i>HK\$ million</i>
Lamma power station	Facade	18	11.2	10.2
Tai Wo Road, Tai Po	Structural steelwork and noise barriers	15	10.7	10.7
No. 703–705 Nathan Road	Facade	15	10.6	11.1

Notes:

1. The contract sum does not take into account of any variation orders issued by the customers and is only based on the initial engagement agreements entered into or quotation agreed upon between the Group and its customers.
2. The contract period estimated by reference to the certificate of practical completion issued by the project architect in October 2010 but the Group had continued to carry out additional works pursuant to variation orders issued by the customer until February 2014.

Projects in progress as at 31 March 2015

As at 31 March 2015, the Group had 102 projects in progress which represented projects that had commenced but not yet completed. The following table sets out the Groups' major projects in progress as at 31 March 2015 in descending order by contract sum:

<u>Location of project</u>	<u>Type of works undertaken</u>	<u>Expected/actual completion date</u>	<u>Expected/actual project period</u> <i>months</i>	<u>Contract sum</u> <i>(Note)</i> <i>HK\$ million</i>	<u>Accumulated revenue recognised as at 31 March 2015</u> <i>HK\$ million</i>
Fire Services Training School cum Driving Training School at Pak Shing Kok, Area 78, Tseung Kwan O	Facade, roof works and structural steelwork	October 2015	22	106.5	76.5
Kennedy Town Swimming Pool	Structural steelwork and roof works	December 2016	20	81.5	7.9

BUSINESS

<u>Location of project</u>	<u>Type of works undertaken</u>	<u>Expected/actual completion date</u>	<u>Expected/actual project period</u> <i>months</i>	<u>Contract sum (Note)</u> <i>HK\$ million</i>	<u>Accumulated revenue recognised as at 31 March 2015</u> <i>HK\$ million</i>
Liantang/ Heung Yuen Wai Boundary Control Point	Structural steelwork and noise barriers	December 2017	43	70.7	3.1
No. 183, Fung Yuen, Tai Po	Facade	June 2015	35	67.1	57.3
11 Sheung Yuet Road, New Bright Building Kowloon Bay	Facade	March 2016	13	57.3	4.9
Sai Yee Street, Mongkok	Facade	February 2016	14	50.1	1.2
Un Chau Street Kowloon	Facade	May 2015	30	41.9	43.3
Shatin Area 52 Phase 1 and 2	Structural steelwork and noise barriers	July 2016	36	38.7	16.2
Yuen Long Public Library and Indoor Recreation Centre	Roof and related works	December 2015	14	38.0	8.0
Urban Renewal Project, Shamshuipo	Facade	October 2016	30	31.6	3.7

Note: The contract sum does not take into account of any variation orders issued by the customers and is only based on the initial engagement agreements entered into between or quotation agreed upon the Group and its customers.

Trading of building material products

The Group is also engaged in trading of building material products predominately in Hong Kong. The Group distributes and sells the products to its customers directly and typically does not provide installation services to its customers in this segment. For those customers which require the Group's installation services, please refer to the section headed "Business — Operating procedures — Design and build projects" to this prospectus for further details.

BUSINESS

During the Track Record Period, the Group's revenue generated from trading of building material products were approximately HK\$5.7 million and HK\$13.5 million, respectively. The building material products sold by the Group mainly include (i) roof and noise barrier materials; (ii) curtain wall fixing components; and (iii) other auxiliary materials.

The roof materials generally refer to the covering applied to a roof in order to provide protection from the weather and/or for aesthetic appeal. The roof materials sold and distributed by the Group include metal sheeting which are typically made of aluminum and stainless steel, such as galvanised and plastic coated steel sheets, sandwich panels, trapezoidal roofing sheets, standing seam roofing system. The noise barrier materials sold by the Group mainly include different kinds of acrylic (PMMA) sheet while the curtain wall fixing components are those fittings or fixing components used in supporting and fixing of the facade panel system; and other auxiliary materials include the fall arrest equipment and devices that are used for providing fall protection to prevent injury to employees whilst performing work assignments at elevated levels. The fall arrest equipment and devices sold by the Group mainly include roofing kits, anchors and lifeline products.




As at the Latest Practicable Date, the Group is currently the authorised distributor of six international brands of building material products in Hong Kong, Macau and/the PRC. Among these six international brand products, four of which were distributed and sold by the Group exclusively. These international brand products are mainly imported from various countries such as Germany, the United Kingdom and USA. For the two years ended 31 March 2015, the sales of a German brand product accounted for approximately 36.3% and 22.0% of the Group's revenue generated from trading of building material products respectively. Save and except the aforesaid, there was no particular brand of products accounted for 30% or more of the Group's revenue generated from trading of building material products during the Track Record Period. As such, the Directors consider that the Group's trading business was not reliant on any particular brand of products.

The Group is responsible for sourcing and supplying products in accordance with the specifications and requirements set out by the Group's customers. For details in relation to the operation flow of this business segment, please refer to the section headed "Business — Operating procedures — Trading of building material products" to this prospectus.

According to the Directors and the IPSOS Report, the increasing awareness of controlling noise pollution and the related legislation for the management of noise pollution has led to the construction of an increasing number of noise barriers in Hong Kong. As such, the Directors are of the view that there will be an increase in the demand for noise barriers in response to an increasing level of environmental concerns. Over the years of various noise barrier projects completed by the Group, the Group has accumulated extensive understanding of market awareness, industry and product know-how. To this end, leveraging on the Group's track record and experience in both structural engineering works and trading of building material products, the Group designed and developed a series of noise barrier materials under its own brand names. The Group's structural design and drawing team was responsible for devising the products design in accordance with the guidelines on design of noise barriers published by Highways Department. Such team was led by Mr. Lui and Mr. Wai, both of them are executive Directors and have not less than 25 years of experience in the structural engineering and construction industry. For biographical details of Mr. Lui and Mr. Wai, please refer to the section headed "Directors and senior management — Directors — Executive Directors" to this prospectus. These noise barrier products did not contribute any revenue during the Track Record Period since they were first introduced

BUSINESS

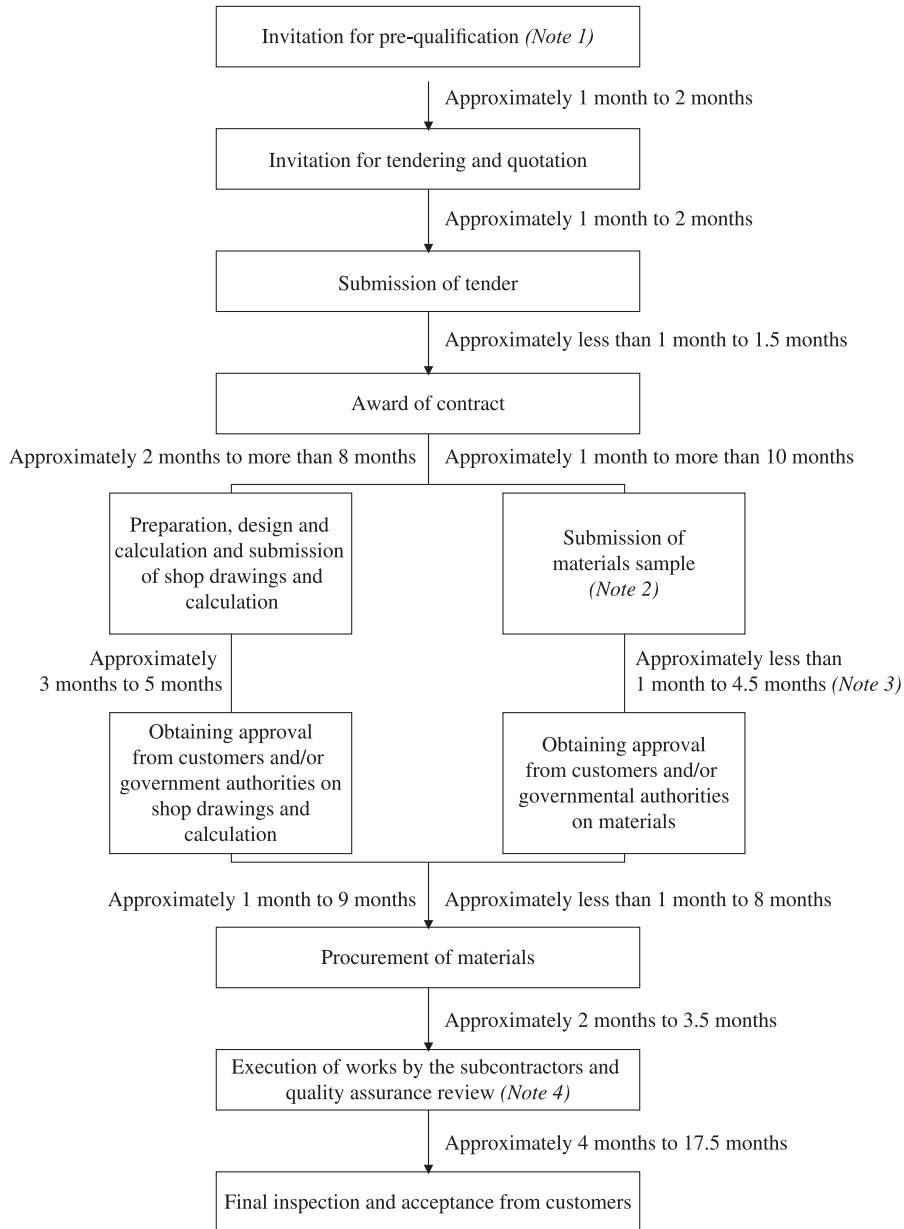
in late 2014 and the Group has not yet concluded any sale of these products during the Track Record Period. Since the Group does not have the requisite production facilities to produce internally, except for deriving the product designs, the Group will outsource the production processes of its noise barrier materials, such as acrylic (PMMA) sheet and aluminum acoustic panel and the fabrication processes, to external product suppliers. It is the business strategy of the Group to sell its noise barrier material to the customers from design and build projects and its trading business. The Group will actively market its noise barrier materials through various marketing channels, such as identifying and approaching potential customers. The Group's own brand name noise barrier materials, namely, "AcouGlas", "AcouSafe" and "AcouGuard" have passed the relevant tests conducted by independent accredited laboratories in relation to international standards. For further details of the Group's trademarks, please refer to the section headed "Intellectual property rights of the Group" as set out in Appendix V to this prospectus. Set out below is a list of the building material products under the Group's brand names:

<u>Trademark</u>	<u>Product description</u>
	AcouGlas is a cast acrylic sheet made of Polymethyl Methacrylate (PMMA), which passed the tests conducted by an independent accredited acoustics laboratory and complies with the international standard BS EN 1793-2:1998 "Road traffic noise reducing devices — Tests method for determining the acoustic performance". Products offered under the brand "AcouGlas" include a variety of acrylic glass of different sizes and colours.
	AcouSafe is aluminium acoustic panels for noise barriers, which passed the tests conducted by an independent accredited acoustics laboratory and complies with the international standard BS EN 1793-2:1998. There are three types of aluminium acoustic panels under the brand "AcouSafe": (i) sound reflective panel without any perforation; (ii) sound absorptive panel with one side perforation; (iii) sound absorptive panel with both sides perforation; and (iv) sound absorptive panel for wall lining.
	AcouGuard is an integrated noise barrier system that is a combination of high rigidity aluminum profile and AcouGlas or tempered glass or laminated glass. AcouGuard passed the tests conducted by an independent accredited acoustics laboratory and complies with the international standard BS EN ISO 140-3:1995 "Acoustics — Measurement of sound insulation in buildings and of building elements".

OPERATING PROCEDURES

Design and build projects

The following flow chart is a general overview of the major steps involved in a design and build project:



Notes:

1. Invitation of pre-qualification is only required when the Group undertakes the design and build projects as a nominated subcontractor.
2. For smaller scale design and build projects undertaken by BuildMax (HK), submission of material sample for approval is generally not required.

BUSINESS

3. Testing of materials and quality control tests on completed works will be carried out from time to time at different stages since the approval of customers on shop drawing and calculation and until the final inspection and acceptance from customers.
4. In some of the design and build projects undertaken by the Group, execution of works by the subcontractors may commence shortly after award of contracts if no approval from customers and/or government authorities on the relevant materials is needed.
5. The time frame in the above flow chart is based on three of the projects completed during the Track Record Period, namely (i) Kai Tak Development Site 1A project; (ii) Sai Chuen Road, Sham Shui Po project; and (iii) Fanling Highway between MTR Fanling Station and Wo Hing Road project, which were selected as examples as the Directors consider that most of the typical steps in a design and build project had taken place in such three projects and there were no significant unforeseeable delay in between the major steps in such three projects.

The typical process of a design and build project undertaken by the Group commencing from the submission of tender and award of the contract or submission of quotation and acceptance by customers, procurement of the building material products to installation of the products the duration of which generally ranges from less than one month to approximately 54 months. This period varies according to a number of factors, including the size of the site area, the technical features and complexity of the design and build project, the progress of construction of the projects, the timelines specified by the customers and timing of approvals and consents for the shop drawings and sample materials from the customers or relevant government authorities.

Tendering for contracts

The Group is generally invited by its customers to submit a tender or provide a quotation for tendering a potential project or receives referrals and recommendations to submit bids for a project from architectural firms with whom the Group has a previous business relationship. The Group acts as a domestic subcontractor for projects when engaged by the main contractors and as a nominated subcontractor for projects when engaged by the main contractor through the nomination of the ultimate owners of the projects, such as developers or landlord of the relevant project site. To be a nominated subcontractor in a design and build project, the Group is usually required to participate in pre-qualification where a list of current and past projects undertaken by the Group, an organisational chart and the resumes of proposed project management team have to be submitted for its customers' consideration. Once the Group's qualification and experience are accepted by its customers, the Group will be informed and provided with the tender documents with an invitation to submit a tender. In the case of a domestic subcontractor project for which pre-qualification is not required, the Group will be invited to collect the tender documents and/or to attend the pre-tender submission interview. In deciding whether to submit a tender, the executive Directors will consider a number of factors, such as the capability and the then capacity of the Group, the availability of resources, the contract size, the profitability of the project and the worthiness to bid for a particular tender.

In the course of preparation of the tender submission, the executive Directors and the project manager will prepare a tender or quotation in accordance with the technical specifications and requirements of the potential project as set out by the Group's customers in the tender documents. The Group will take into account various factors, including (i) the nature and scope of works; (ii) the project specifications and requirements; (iii) the construction materials; (iv) design requirement; (v) labour and subcontracting costs; (vi) schedule of works; and (vii) the availability of resources.

BUSINESS

Tenders or quotations submitted during the Track Record Period

The following table sets out the number of tenders or quotations submitted, number of successful projects and the Group's success rate during the Track Record Period:

	For the year ended 31 March	
	2014	2015
Number of tenders or quotations submitted	406	510
Number of successful projects	166	240
Success rate (%)	40.9	47.1

The success rate for tender or quotation was approximately 40.9% and 47.1% for the year ended 31 March 2014 and 2015 respectively. The success rate for tender increased during the Track Record Period mainly due to more tenders and quotations of smaller scale submitted, and the Directors consider that the success rate of smaller scale projects were generally higher than that of the sizable projects.

Award of contract

Upon receiving the Group's tender or quotation, the customers may by way of interview or enquiries clarify with the Group the particulars of the tender. Based on the tender or quotation submitted by the Group, the customers may further negotiate with the Group on the commercial and technical terms. Usually the Group will be informed by way of a letter of intent issued by its customers pursuant to which the contract is awarded to the Group. To formalise the award of contracts, the Group will enter into a formal engagement agreement with its customers accordingly. For the salient terms of the contract in relation to a design and build project, please refer to the section headed "Business — Customers — General terms of construction contracts" to this prospectus.

Project management

After successfully securing a project, a project management team will be formed which typically comprises an executive Director, a project manager, a structural engineering technician, a design manager, a quantity surveyor and site foremen. The project management team is headed by a project manager, who is responsible for all aspects of the project including general project management, material procurement, communicating with other team members, coordinating with the customers' team and subcontractors, quality control management, supervising the work progress and budget monitoring. The project manager will directly report to an executive Director for the work progress or issues of the project and attend meetings with the customers to review the project status, if necessary.

Design and engineering

The Group's structural design and drawing teams will work closely with the project architect to modify the preliminary design into the detailed proposal, including but not limited to structural calculation, shop drawings, fabrication techniques as well as the installation method. Such detailed proposal will be submitted to the customers and/or the relevant government authorities for approval.

BUSINESS

The Group's design team in Hong Kong takes the lead in managing the design works for the projects and is primarily responsible for developing the detailed structural drawings and detailed sketches in accordance with the specifications as set out by the customers. In the developing process, certain design works which generally do not involve any structural calculations, such as sketching by using computer-aided design techniques, will be allocated to the design team in Shenzhen office. Prior to the establishment of KPa (SZ), the Group had engaged independent third parties to provide such design works. The detailed structural drawings together with the sketching will be reviewed by the project management team in Hong Kong before submission to the customers.

During the Track Record Period, the design fees paid to independent third parties were approximately HK\$3.7 million and HK\$3.8 million, respectively. The Directors believe that it is more cost-effective to allocate certain parts of the design works such as drawings to Shenzhen office than to recruit a team of draftsmen in Hong Kong. As at the Latest Practicable Date, the Group had 12 staff in structural design and drawing team in Hong Kong and 23 staff in shop drawing team in the PRC.

In order to maintain the quality of the Group's design works, including structural calculation and shop drawings, the Group has a systematic work allocation mechanism and quality control measures. The Group has obtained the certificates of ISO 9001, ISO 14001 and OHSAS 18001 in respect of the Group's quality management system.

Procurement of materials

After obtaining the approval of the detailed proposal, the Group will then submit the raw material samples together with the certificates and testing reports of the materials to the customer for approval before the Group use such materials in any design and build contract. The materials that the Group principally uses in its design and build projects include aluminium extrusions, aluminium sheet, steel, stainless steel, glass and roof cladding materials. The Group's procurement department is responsible for purchasing the required materials and accessories for the projects. It is the Group's policy to maintain minimal inventory level such that the Group often requires its suppliers to deliver the materials directly to the construction site if no fabrication or processing is required. For materials which required to be further processed, the Group will then engage processing factories to carry out processing and fabrication procedures. Pre-fabrication of the structural parts of the products enables the Group to have close control over their quality and also helps to reduce the work required to be done after the products are delivered to the construction sites. Depending on the terms of the relevant contracts, some customers may require the Group to engage the external testing laboratories to perform onsite inspection before packaging for delivery.

Delivery, subcontracting and on-site installation

After passing the quality inspection, all the pre-fabricated products will be sent for packing. The Group may require its suppliers to deliver the pre-fabricated products, at the cost of the Group, to the designated construction sites for installation. The Group does not directly employ any workers for installation works and it will engage local subcontractors to undertake the labour intensive process of installation works by entering into separate contracts with the Group's subcontractors. With the use of subcontractors, the Group can undertake labour intensive works as well as works involving specified construction and installation skills through a significant pool of workers and technical staff in a wide variety of specific skills without the need for keeping them under permanent employment, thereby bringing economic benefits to the Group. In order to control and ensure the quality and progress of the works of subcontractors, the Group typically engages subcontractors from the approved list, which is reviewed and updated by the Group from time to time. Please refer to the section headed "Business — Subcontractors" to this prospectus for further details of the Group's subcontractor. The assigned project manager is responsible for overseeing and supervising the installation process to ensure the installation satisfies the industry standard.

Variation orders

During the course of a project, the Group's customers may require additional services or changes in the specifications which will result in extra works to be done and extra payments to be charged by the Group to the customers. The unit rates for the works under such variation order(s) are in general agreed upon between the Group and the customers and set out in the schedule of rates as provided in the relevant project contract.

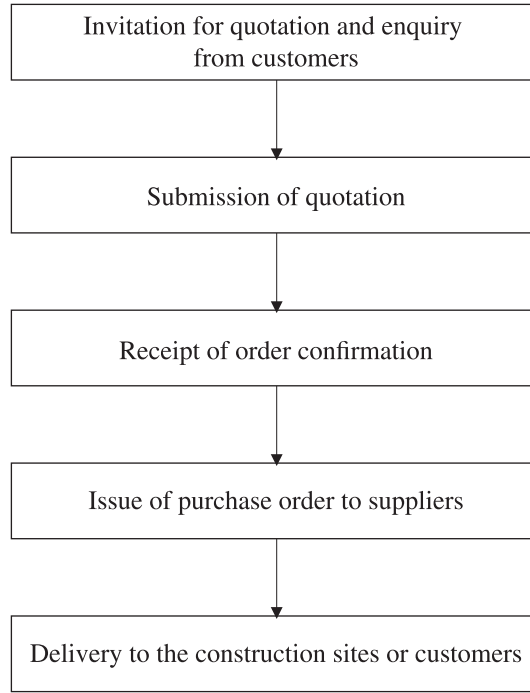
Inspection and contract payment

During the course of project execution, the Group and its customers will conduct inspection on all works completed to ensure that the works performed by the Group comply with the requirements and schedules as set out in the contracts. The Group will submit a payment application based on the work done on a monthly basis in accordance with the terms of each contract. After the inspection of the completed works by the customers and/or the authorised person of the customers, a payment certificate will be issued to the Group certifying the portion of work completed which normally takes approximately one month from the date of application.

The Group's project contract with its customer generally contains a provision of retention money for up to 5% of the total contract sum of the project. The retention money will be withheld by the Group's customer and 50% of which will be released to the Group upon issuance of the certificate of practical completion and the remaining 50% upon the expiration of the defect liability period and issuance of the certificate of making good defects by the authorised person of the project in respect of all the different trades of works completed for the whole construction project completed at the site.

Trading of building material products

The following flow chart illustrates a general operation flow of the Group's business segment in relation to trading of building material products:



In respect of the Group's trading of building material products business, the process from customers' order placement to delivery can range from a few days to several months. The Group's products are sold to its customers on an order-by-order basis and the actual lead time depends on a number of factors, such as the quantity of an order, the availability of the building material products, and the delivery time required by the Group's suppliers and/or specified by the customers.

Invitation for quotation

The Group generally sells and distributes its building material products through (i) direct order placements from its customers; and (ii) an invitation for quotation or incoming enquiries from potential customers. After receiving such invitation or enquiry, the Group will then prepare a quotation for its customers' consideration. As certain products are sold and distributed by the Group as exclusive distributor in Hong Kong, some customers may directly place purchase orders to the Group without invitation for quotation. Based on the specifications of the customers, the Group's quotation will set out the type, price and quantity of building material products, payment terms and the estimated delivery time.

BUSINESS

Quotations submitted during the Track Record Period

The following table sets out the number of quotations submitted, number of successful orders placed and the Group's success rate during the Track Record Period:

	For the year ended 31 March	
	2014	2015
Number of quotations submitted and direct order placements	191	166
Number of successful orders placed and direct order placements	157	153
Success rate (%)	82.2	92.2

Order confirmation with customers

The Group does not enter into any separate sales and purchase agreements with its customers. Instead, a signed quotation will be returned to the Group upon the acceptance of the quotation by the customer. The Group will then issue an initial invoice to the customer and usually requires its customer to pay 30% of the purchase amount as deposit after the customer's order is confirmed.

Placing of purchase orders to suppliers

Subject to the availability of stock, the Group may issue a purchase order for the purchase of building material products to the suppliers in accordance with the customers' orders. The Group's purchase order will set out the type, price and quantity of building material products based on the specifications of the Group's customers. For further details of the salient terms in a typical purchase transaction, please refer to the section headed "Business — Suppliers — Salient purchase terms" to this prospectus.

Delivery

After receiving the order confirmation from the Group's suppliers, the Group normally will engage the forwarding agent to collect the products from the suppliers' warehouses and deliver to Hong Kong. Upon arrival, such products are either temporarily stored in the Group's warehouse before delivery to its customers or delivered to the designated location as specified by the customers. Generally, the products will be inspected by the customers prior to the acceptance of them. For further information on the typical delivery details in respect of the Group's trading business, please refer to the section headed "Business — Customers — General terms of order confirmation" to this prospectus.

BUSINESS

LICENCES AND PERMITS

To facilitate the Group's design and build projects in Hong Kong, the Group has obtained and held several licences and permits. The following table sets out the details of the Group's major licences and qualification as at the Latest Practicable Date:

<u>Licences and qualifications</u>	<u>Holder</u>	<u>Issuing authority</u>	<u>Type(s) of works covered</u>	<u>Expiry date</u>
List of Approved Suppliers of Materials and Specialist Contractors for Public Work	KPa Engineering	Development Bureau	Structural steelwork	— (Note 1)
List of Approved Suppliers of Materials and Specialist Contractors for Public Work	KPa Engineering	Development Bureau	Transparent panels for noise barrier in highways	— (Note 1)
Registered Minor Works Contractors (Classes II and III) (Note 2)	KPa Engineering	Buildings Department	Minor works include those comparatively lower complexity and risk to safety and common household minor works as set out in the Building (Minor Works) Regulation	18 June 2016
Registered Subcontractor	KPa Engineering	Construction Industry Council	Structural steelwork, marble/granite work, aluminum window/louvers, curtain wall/glass wall, stainless steel work, metal roof/skylight/cladding/space frame, glazier work, false ceiling, and renovation and fitting-out	10 May 2017

Note:

1. “—” denotes not subject to any periodic renewal conditions.
2. Class II comprises those of comparatively lower complexity and risk to safety while Class III mainly includes common household minor works. KPa Engineering is registered under Classes II and III for carrying out different types of minor works, including Type A (Alteration & Addition Works) minor works, Type C (Works relating to Signboards) minor works and Type F (Finishes works) minor works. Please refer to the section headed “Regulatory overview” to this prospectus for further details.

BUSINESS

KPa Engineering is an approved specialist contractor in the category of structural steelwork and an approved supplier of materials in the category of transparent panels for noise barriers on highways with the Development Bureau. It is also a registered minor works contractor with the Buildings Department. As at the Latest Practicable Date, the roles of authorised signatory and technical director were taken up by Mr. Lui for registration of Register Minor Works Contractors (Classes II and III).

As advised by the Hong Kong Legal Advisers, for any works where KPa Engineering is involved as a subcontractor, if there is a registered general contractor and/or specialist contractor under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) to supervise the works and liaise with the Building Authority, KPa Engineering itself does not need to be such registered contractor or to obtain any requisite licences, permits and approval for its operation and business except the business registration.

In order to build up a pool of capable and responsible subcontractors with specialised skills and strong professional ethics, the Construction Industry Council has introduced a registration scheme for trade subcontractors taking part in building and engineering works. KPa Engineering is one of the subcontractors registered under the trade specialties of “Structural steelwork”, “marble/granite work”, “aluminum window/louvers”, “curtain wall/glass wall”, “stainless steel work”, “metal roof/skylight/cladding/space frame”, “glazier work”, “false ceiling”, and “renovation and fitting-out” with the Construction Industry Council. Being registered on the Subcontractor Registration Scheme at the Construction Industry Council is required for subcontractors to participate in public projects commissioned by certain Government authorities and statutory bodies, such as the Development Bureau and Hong Kong Housing Authority.

BuildMax (HK) undertakes works, such as roof related works, and flagpoles and related works, which do not fall into the minor works category. As advised by the Hong Kong Legal Advisers, BuildMax (HK) is not required to obtain any requisite licences, permits or approval other than the business registration for carrying on the above works.

After obtaining advices from the Hong Kong Legal Advisers, the Directors confirmed that the Group has obtained all necessary licences, permits, consents and approvals for the Group’s business operations in Hong Kong respectively and all of them are valid. The Directors confirm that the Group did not experience any material difficulties in obtaining and/or renewing such licences, permits, consents and approvals. Further, the Directors confirm that they are not aware of any circumstances that would significantly hinder or delay the renewal of such licences, permits, consents and approvals.

CUSTOMERS

Characteristics of the Group’s customers

The Group’s customers for design and build projects primarily include main contractors of various types of construction projects and property occupiers in Hong Kong. The Group’s customers for trading of building material products are mainly main contractors and subcontractors in Hong Kong. For the two years ended 31 March 2014 and 2015, there were 121 and 159 customers who contributed to the Group’s revenue respectively. During the Track Record Period, the majority of the Group’s customers are located in Hong Kong.

BUSINESS

Top five customers

During the Track Record Period, the Group's top five customers in aggregate accounted for approximately 81.0% and 75.7% of the Group's total turnover respectively, while the Group's largest customer accounted for approximately 30.4% and 49.9% of the Group's total turnover respectively. The top five customers of the Group during the Track Record Period have maintained business relationships with the Group for a period ranging from less than one year to more than 13 years.

Set out below is a breakdown of the Group's revenue attributable to the Group's top five customers during the Track Record Period:

	For the year ended 31 March 2014	
	<i>HK\$'000</i>	%
Customer A	62,323	30.4
Customer B	37,311	18.2
Customer C	29,166	14.2
Customer D	24,028	11.7
Customer E	13,420	6.5
Five largest customers in aggregate	166,248	81.0
All other customers	39,037	19.0
Total revenue	205,285	100.0
	For the year ended 31 March 2015	
	<i>HK\$'000</i>	%
Customer C	98,602	49.9
Customer A	27,129	13.7
Customer F	10,250	5.2
Customer G	8,095	4.1
Customer H	5,466	2.8
Five largest customers in aggregate	149,542	75.7
All other customers	47,893	24.3
Total revenue	197,435	100.0

All of the Group's top five customers during the Track Record Period are Independent Third Parties. To the best knowledge of the Directors, none of the Directors, their close associates, or any Shareholders (which to the knowledge of the Directors owns more than 5.0% of the Company's issued share capital upon completion of the Placing) had any interest (direct or indirect) in any of the Group's five largest customers during the Track Record Period.

BUSINESS

Set out below is the background information of the Group's top five customers during the Track Record Period:

<u>Customer</u>	<u>Products/ services purchased (Note)</u>	<u>Principal business</u>	<u>Location</u>	<u>Years of business relationship</u>	<u>Typical credit terms and payment method (approximately)</u>
Customer A	1, 2 and 3	Construction contractor	Hong Kong	more than 9 years	30 days after payment application
Customer B	2	Construction contractor	Hong Kong	more than 2 years	60 days after payment application
Customer C	1, 2 and 3	Construction contractor	Hong Kong	more than 13 years	30 days after payment application
Customer D	1 and 2	Construction contractor	Hong Kong	more than 4 years	45 days after payment application
Customer E	1	Construction contractor	Hong Kong	more than 3 years	60 days after payment application
Customer F	1 and 2	Construction contractor	Hong Kong	more than 11 years	30 days after payment application
Customer G	2	Construction contractor	Hong Kong	less than 1 year	30 days after payment application
Customer H	2	Retail bank	Hong Kong	less than 1 year	45 days after payment application

Notes:

1. Design, supply and installation of structural steelwork and noise barriers
2. Design, supply and installation of facade, roof and related works
3. Trading of building materials products

BUSINESS

Customer A is a group of companies incorporated in Hong Kong under the same ultimate holding company and is principally engaged in civil engineering, building construction and other specialist works. The parent company of Customer A is a company listed on the Main Board and its principal activities are management contracting, property development management, property management and hotel development. According to the 2015 annual report of Customer A's parent company, it recorded a revenue of approximately HK\$9.3 billion and a net loss of approximately HK\$7.9 million for the year ended 31 March 2015, respectively. Its market capitalisation on the Stock Exchange was approximately HK\$2.1 billion as at the Latest Practicable Date.

Customer B is principally engaged in civil engineering and general building works in Hong Kong. It is a wholly-owned subsidiary of a company listed on the Main Board. The principal business of Customer B's parent company is foundation, civil engineering and general buildings works in Hong Kong. According to the 2015 annual report of Customer B's parent company, its revenue and net profit were approximately HK\$780.9 million and approximately HK\$53.4 million for the year ended 31 March 2015, respectively. Its market capitalisation on the Stock Exchange was approximately HK\$1.0 billion as at the Latest Practicable Date.

Customer C is principally engaged in building construction, civil and foundation engineering works in Hong Kong. It is a wholly-owned subsidiary of a company listed on the Main Board. According to the 2014 annual report of Customer C's parent company, the revenue and net profit of such company were approximately HK\$34.4 billion and approximately HK\$3.4 billion for the year ended 31 December 2014, respectively. Its market capitalisation on the Stock Exchange was approximately HK\$46.1 billion as at the Latest Practicable Date.

Customer D is principally engaged in infrastructure construction work in Hong Kong and the PRC. It is a wholly-owned subsidiary of a company listed on the Main Board. According to the 2014 annual report of such company, its revenue and net profit were approximately RMB366.0 billion and approximately RMB13.9 billion for the year ended 31 December 2014, respectively. Its market capitalisation on the Stock Exchange was approximately HK\$45.0 billion as at the Latest Practicable Date.

Customer E is a private company incorporated in Hong Kong in 1996. It is a Buildings Department's registered general building contractor who specialises in interior design, fitting-out, alteration and addition works.

Customer F is a group of companies incorporated in Hong Kong which is principally engaged in construction, interior design and decoration. The parent company of Customer F is listed on the Main Board and its principally business is engaged in civil engineering, electrical and mechanical engineering, foundation and building construction work, property development, property investment, professional services including provision of security and property management services. According to the 2015 annual report of Customer F's parent company, its revenue and net profit were approximately HK\$8.3 billion and approximately HK\$103.3 million for the year ended 31 March 2015, respectively. Its market capitalisation on the Stock Exchange was approximately HK\$2.1 billion as at the Latest Practicable Date.

BUSINESS

Customer G is principally engaged in all kinds of construction work in Hong Kong as main contractor. It is currently in the List of Approved Contractors for Public Works under Group C (Confirmed) of the Building Category under the Development Bureau, the List of Approved Contractors for Public Works under Group A (on probation) of the Roads & Drainage Category under Environment, Transport and Works Bureau, the List of Building Contractors for New Works — Group NW1, and Building (Maintenance Works) Category — Group M2 administered by the Hong Kong Housing Authority and holds the certificate of Registration of General Building Contractor issued by the Buildings Department.

Customer H is the Hong Kong banking subsidiary of a leading banking group headquartered in the PRC and listed on the Main Board. According to the latest annual report of Customer H's parent company, its revenue and net profit were approximately RMB456.3 billion and approximately RMB177.2 billion for the year ended 31 December 2014, respectively. Its market capitalisation on the Stock Exchange was approximately HK\$291.8 billion as at the Latest Practicable Date.

Pricing strategies

Construction contracts for design and build projects

The Group usually determines the price on a project-by-project basis depending on: (i) the nature, scope and complexity of the project; (ii) the estimated number and types of workers required; (iii) the costs of raw materials and subcontracting charges; (iv) the completion time requested by customer; and (v) the prevailing market conditions.

Among the design and build projects completed by the Group during the Track Record Period, the Group recorded three material loss-making projects:

(i) The original contract sum, excluding variation orders, of the first loss-making project (“**Project A**”) was approximately HK\$19.8 million and this was a design and build project related to facade works for a residential development project located in Kai Tak Development Site. Project A was completed in June 2013 and the loss recorded during the Track Record Period was approximately HK\$4.8 million. Project A was loss-making mainly due to the extra costs incurred by employing extra labour for the installation works in order to complete the project on time.

(ii) The original contract sum, excluding variation orders, of the second loss-making project (“**Project B**”) was approximately HK\$16.5 million and this was a design and build project related to facade and related works for a residential property located in the southern area of Hong Kong. Project B was completed in March 2014 and the loss recorded during the Track Record Period was approximately HK\$0.5 million. Project B was loss-making due to the extra costs incurred by construction materials replacement as required by the customer for higher standard of the construction materials.

BUSINESS

(iii) The original contract sum, excluding variation orders, of the third loss-making project (“**Project C**”) was approximately HK\$3.3 million and this was a design and build related to roof works for a park and cycling stadium located in Tseung Kwan O. Project C was completed in September 2013 and the loss recorded during the Track Record Period was approximately HK\$0.6 million. Project C was loss-making mainly due to underestimation of steel required for the related works.

In order to minimise the losses incurred by the Group in the aforesaid loss-making projects, the Group had adopted the following remediation measures during the course of project implementation: (i) to review the implementation method of the works with the customers so as to speed up the work progress; and (ii) to consolidate the deliveries orders and hence reduce the logistics costs; and (iii) to rearrange the staff involved in the project to reduce manpower resources; and (iv) to closely supervise and remind the subcontractors to catch up with the work progress in accordance with the project schedule.

Save as disclosed above, the Group did not have any other material loss-making projects, whether due to reason of cost overruns or not, during the Track Record Period and up to the Latest Practicable Date.

The actual amount of total costs incurred in completing a project may be adversely affected by many factors, such as adverse weather conditions, accidents, unforeseen site conditions and fluctuations in the price of raw materials. In order to minimise the cost overruns and losses suffered by the Group in the project, the Group had also adopted the following cost control measures during the Track Record Period: (i) the procurement department will obtain preliminary quotations from the suppliers and sub-contractors in order to have a more accurate estimation for the project to be involved; (ii) based on the details of tender specifications and the complexity of the works, a detailed estimate of time and costs expected to be incurred in the project will be prepared by the project manager and generally will be reviewed by the executive Director before submitting tender to the customer; (iii) a fixed scope of works is to be agreed with customers, based on which the Group’s tender is prepared. Customers’ requests for variation in the scope of work are to be accepted on the basis that a variation order is agreed upon; and (iv) during the course of project implementation, the project manager will regularly liaise with customers and sub-contractors so as to monitor and control the work progress of the subcontractors and the project budget.

The Directors believe that the effective cost control measures are the key to achieve the Group’s competitive advantage as well as to enhance the Group’s profitability. In this connection, the Group has implemented the following additional measure as recommended by the Internal Control Adviser to manage the potential risk of project cost overruns since July 2015:

“an actual-to-budget cost variance report will be prepared by the project manager and reported to the Directors and the financial controller of the Group on a monthly basis in order to monitor the actual expenses and budget cost for each project so as to determine any cost overruns as soon as practicable. Should the cost incurred is over the cost target, the approval of revision to budget cost is required from one of the executive Directors in order to control the cost target of the project. The financial controller of the Group has also to check the calculation of revision to budget cost. To approve the revisions to budget cost, such revisions shall also (i) identify the causes of the increase in cost of the project; and (ii) set out the measures to be taken to control the cost of the

project. Causes of increase in cost of a project may include, among others, revision of project schedule by the customer, or delay in the work progress of subcontractors. Measures to be taken may include, as the case may be, the remediation measures as aforementioned.”

“Before the tender is reviewed by the executive Director, the quantity surveyors (which have been appointed by the Group since May 2015 and June 2015 respectively) will review the cost budget prepared by the project manager and the financial controller of the Group (which has been appointed by the Group since May 2015) will also review the tender and check all estimation and calculation.”

Notwithstanding the Group recorded three loss-making projects during the Track Record Period, taking into account the facts that (i) the special requests for the construction material replacement by the customer of Project B exceed the terms as set out in the project contract. However, the Group agreed to waive the additional costs incurred with a view to maintain a business relationship with it in a long run. Project B was therefore in an exceptional circumstance; (ii) Projects A and C recorded losses were mainly due to the underestimation of time and costs involved in the projects, and the estimation was not reviewed by the quantity surveyors and the financial controller of the Group; (iii) in addition to the past control measures, the Group has subsequently reinforced the enhanced cost control measure recommended by the Internal Control Adviser since July 2015, including but not limited to the additional review by the quantity surveyors and financial controller of the Group before the submission of tender and implementation of actual-to-budget variance report on a monthly basis to identify any possible cost overruns in earlier stage so as to take any remedial action as early as possible; (iv) the Internal Control Adviser has completed the follow up review on the enhanced cost control measure in August 2015 and there were no findings of material weakness in such area; the Directors are of the view, and the Sponsor concurs, that the Group’s measures to manage the potential risk of cost overruns are adequate and effective for its current operation.

Order confirmations for building material products

The Group usually determines the price at cost-plus basis with the consideration of (i) the specification of the products; (ii) the size of order; (iii) the costs of products; and (iv) the estimated time and labour cost required. The price quotes will be reviewed and approved by the Group’s senior management to ensure the products sold are at the accepted profit margin.

General terms of construction contracts

Instead of entering into long-term contract, the Group is generally engaged by its customers in design and build projects on a project-by-project basis. The Group’s project contracts are mainly remeasurement contracts containing, among other things, bills of quantities, or schedule of rate which is one of the contract types commonly adopted in the industry. The agreed unit rates of each item and the estimated quantities of various items of works based on the tender drawings are set out in the bills of quantity. Such bills of quantities are generally prepared by the project architect engaged by the customer or main contractor. When the works are completed, the customer will measure the actual quantities of works executed onsite and the Group will be paid based on works done. Other than remeasurement contracts containing bills of quantities, some of the Group’s project contracts are lump sum fixed price contracts in which the contract payment will be based on a fixed contract sum agreed in the contract for carrying out the whole of the works as specified in the specification, drawings and technical requirements of customers and no remeasurement will be conducted except for works done pursuant to

BUSINESS

variation order issued by customers. The Directors believe that such practice is in line with the general practice within the industry. The general terms of project contracts may vary based on negotiations with the customers but generally follow the form set out in the customer's tender documents. The major contracts terms are summarised as below:

- Scope of works : The scope of services and type of works to be carried out by the Group are specified in the project contract. Contracts may also include the product specifications and requirements as set out by its customers.
- Duration of work : The Group shall follow the pre-determined construction work schedule as specified by the customers, which may be extended from time to time pursuant to the terms of the contract.
- Subcontracting : Subcontracting is subject to prior written approval of the Group's customers. The Group shall supervise, carry out inspection on and be liable for the works done by its subcontractors. For details of the subcontracting arrangement, please refer to the section headed "Business — Subcontractors" to this prospectus.
- Payment terms : Interim payment application shall be submitted to the customers on a monthly basis. Please refer to the paragraph headed "Credit policy" under this section for details.
- Insurance : All projects undertaken by the Group and the relevant employees are respectively protected by contractors' all risks and employees' compensation insurances which, depending on the terms of the relevant contracts, are taken out either by the main contractors or the Group.
- Retention money : The Group's customers generally withhold approximately 10% of each progress payment to the Group as retention money. The total amount of the retention money is generally capped at 5% of the total contract sum of each project. In general, half of the retention money will be released upon the practical completion while the rest will be released upon the expiry of the defect liability period.
- Surety bond : For some of the contracts, the Group is required to provide a surety bond generally equal to approximately 10% of the total contract sums issued by banks or insurance companies in favour of the customers as security for the due performance and observance of the Group's obligations under the relevant project. The surety bonds are normally released upon completion of the project or as specified in the relevant contract.

BUSINESS

Defect liability period : In general, the Group is required to provide a defect liability period of 12 months after the practical completion of the contract works or for such other period as the customer may specify depending on the nature and the scale of the project. During the defect liability period, the Group is responsible for, at its own expense, rectifying any defects in relation to the works completed by it.

General terms of order confirmation

In respect of the Group's trading of building material products segment, its customers generally place a single purchase order instead of entering a long-term supply contract with the Group. The general terms of order confirmation may vary based on negotiations with the customers but generally follow the form set out in the Group's quotation. The major terms are summarised as below:

Product description : A description of the products is contained, including the type, size and technical specification of the products. The quantity, the unit price and total amount are specified.

Payment terms : A deposit of 30% of the total amount of the purchase is required upon the confirmation and a credit period of 30 days is generally granted to the Group's customers.

Delivery : The estimated delivery time is specified, which is usually 4 to 120 days from the date of order confirmation for the products which the Group does not have any inventory. For customers' purchase of products from the Group's inventory that are available for immediate delivery, delivery is usually 4 days. The Group may engage third party logistics companies to deliver the products to the designated location as specified by its customers on or before the agreed delivery date.

Warranty : The Group may provide a warranty of normally up to 10 years from the date of delivery if a warranty of a corresponding period is provided by the supplier of the product.

Credit policy

Construction contracts for design and build projects

In respect of the Group's structural engineering business, the Group needs to submit a payment application for an interim payment to its customers on a regular basis, usually on a monthly basis. The monthly cut-off date of such payment applications is normally specified in the relevant contracts. The payment application generally includes the estimated value of all works properly done and materials delivered to site, if applicable, by the Group during the period covered by the payment application. Once the Group's customer has reviewed and agreed on the interim payment application, an interim payment certificate will be issued to the Group and this process usually takes about one month. Subsequently, the interim payment will be settled within about another one month. During the Track Record Period, all construction contracts signed by the Group with its customers are denominated in Hong Kong dollars and the Group's customers usually settle the payment by cheque.

BUSINESS

The Group's customers generally retain one moiety of each interim payment, usually 10%, with a maximum limit being usually 5% of the total contract sum as retention money. Normally, half of the retention money held will be released upon substantial completion of the Group's works after inspection by its customer and the other half of the retention money held will be released upon the expiry of the defect liability period and the certificate of making good defects being issued by the representative of the employer of the project in respect of all the different types of works completed for the whole of the construction project completed at the site.

In order to ensure all payments have been received by the Group or followed up with its customers, the Group maintains a register of interim payment applications submitted and payment certificates received on a timely basis. Upon the due date of retention receivables, the Group will follow up with its customers by contacting the customers directly and re-issue the invoice if necessary. If there is any difficulties in collecting the retention receivables, the Group's management will also consider issuing demand letter to its customers. For details on the Group's receivable turnover days, please refer to the section headed "Financial information — Trade receivables analysis" to this prospectus.

Trading of building material products

In respect of the Group's trading of building material products business, the Group normally requires its customers to pay a deposit of 30% of the total amount of the purchase upon the confirmation and the Group usually grants a credit period of 30 days upon the delivery of products to its customers.

During the Track Record Period, the purchase orders or quotations signed by the Group with its customers were denominated in Hong Kong dollars and the Group's customers usually settle the payment by cheques. Normally no retention money is required for the Group's trading business. For details on the Group's receivable turnover days, please refer to the section headed "Financial information — Trade receivables analysis" to this prospectus.

Seasonality

The Directors consider that there is no material seasonal pattern of the sales of the Group.

Sustainability of the Group's business in view of the reliance on major customers

During the Track Record Period, the percentage of the revenue attributable to the Group's five largest customers amounted to approximately 81.0% and 75.7% of the Group's total revenue, respectively, while the percentage of the revenue attributable to the Group's largest customer amounted to approximately 30.4% and 49.9% respectively for the same period. Please refer to the section headed "Risk factors — The Group's top five customers accounted for over 75.0% of the Group's total revenue, failure to retain business relationship with them or secure new business may affect the Group's operations and financial performance" to this prospectus for the customer concentration risk.

Despite the aforesaid figures during the Track Record Period exhibit certain degree of customer concentration, the Directors consider that the Group is not reliant on any single customer because:

- (i) the Group undertakes projects of considerably different scale. A sizeable project undertaken by the Group would contribute to a significant portion of the Group's revenue in the particular period which would result in the relevant customer becoming one of the Group's top customers in that particular period;

BUSINESS

- (ii) among the top five customers, only Customer A and Customer C were the Group's top five customers for both of the two years ended 31 March 2014 and 2015, respectively. The Group has an established business relationship with its top customers for a period ranging from less than 1 year to over 13 years. The Directors believe that the close relationship with its major customers is built on the Group's past performance and its ability to provide services that meet its customers' needs;
- (iii) subsequent to the Track Record Period, the Group has been awarded with seven new projects with a contract sum of over HK\$1.0 million each and the aggregated contract sum for these projects on hand amounted to approximately HK\$108.2 million; and
- (iv) as at the Latest Practicable Date, the remaining contract sum (excluding the variation orders) with Customer C was approximately HK\$16.4 million, representing approximately 15.2% of the aggregated contract sum for the new contracts on hand as aforementioned.

SUPPLIERS

Characteristics of the Group's suppliers

The Group's suppliers include suppliers of building material products, such as aluminium and steel products, glass and roof materials. Most of the Group's suppliers of materials are sourced from Hong Kong, the PRC and Germany. During the Track Record Period, purchase from the largest supplier of the Group, namely BuildMax (SZ), accounted for approximately 19.9% and 16.4%, respectively, of the Group's total material and processing charges.

Top five suppliers

During the Track Record Period, purchase from the Group's top five suppliers in aggregate accounted for approximately 50.3% and 54.9% of the Group's total material and processing charges, respectively, while purchase from the Group's largest supplier accounted for approximately 19.9% and 16.4% of the Group's total material and processing charges, respectively. The top five suppliers of the Group during the Track Record Period have maintained business relationships with the Group for a period ranging from more than one year to more than 16 years.

BUSINESS

Set out below is a breakdown of the Group's purchases by the Group's top five suppliers during the Track Record Period:

	For the year ended 31 March 2014	
	<i>HK\$'000</i>	%
BuildMax (SZ)	14,514	19.9
Shenzhen Hengyauyuan	10,288	14.1
Supplier C	4,745	6.5
Supplier D	3,733	5.1
Supplier E	<u>3,437</u>	<u>4.7</u>
Five largest suppliers in aggregate	36,717	50.3
Other suppliers	<u>36,035</u>	<u>49.7</u>
Total material and processing charges	<u>72,752</u>	<u>100.0</u>
	For the year ended 31 March 2015	
	<i>HK\$'000</i>	%
BuildMax (SZ)	11,886	16.4
Supplier F	8,883	12.3
Supplier D	8,468	11.7
Supplier G	6,686	9.2
Shenzhen Hengyauyuan	<u>3,864</u>	<u>5.3</u>
Five largest suppliers in aggregate	39,787	54.9
Other suppliers	<u>32,706</u>	<u>45.1</u>
Total material and processing charges	<u>72,493</u>	<u>100.0</u>

BUSINESS

Set out below is the background information of the Group's top five largest suppliers during the Track Record Period:

Supplier	Products sold to the Group	Principal business	Location	Years of business relationship	Typical credit terms and payment method (approximately)
BuildMax (SZ)	Aluminium cladding	Aluminium supplier and fabricator	PRC	more than 4 years	30 days upon receipt of invoices by cheque
Shenzhen Hengyauyuan	Aluminium cladding	Aluminium supplier	PRC	more than 7 years	30 days upon receipt of invoices by cheque
Supplier C	Laminated tempered glass and clear tempered glass	Glass supplier	Hong Kong	more than 2 years	30 days upon receipt of invoices by cheque
Supplier D	Steel material	Steel supplier	Hong Kong	more than 16 years	60 days upon receipt of invoices by cheque
Supplier E	Sandwich panel	Roof cladding supplier	Germany	more than 13 years	60 days upon receipt of invoices by telegraphic transfer
Supplier F	Steel material	Steel supplier	Hong Kong	more than 1 year	30 days upon receipt of invoices by cheque
Supplier G	Roof material	Roof material supplier	Hong Kong	more than 3 years	30 days upon receipt of invoices by letter of credit/telegraphic transfer/invoice financing

BuildMax (SZ) is a sino-foreign equity joint venture enterprise established in the PRC, which is owned as to 75.0% by Hillford and 25.0% by Shenzhen Hengyauyuan. Owing to Mr. Lui, Mr. Wai and Mr. Yip's shareholding interest in Hillford, Hillford is therefore a connected person to the Company. BuildMax (SZ) owns and operates the Processing Factory and it is principally engaged in (i) the processing, fabrication and manufacturing of building material products in the PRC; and (ii) the sales and supply of building material products, such as aluminium and stainless steel products, predominately to the Group in Hong Kong and to customers in the PRC. For further detail of the Group's business relationship with BuildMax (SZ), please refer to the section headed "Connected transactions — Non-exempt continuing connected transactions" to this prospectus.

BUSINESS

Shenzhen Hengyayuan is a private company established in the PRC and owned as to 60.0% by Mr. JH Liu and 40.0% by an Independent Third Party. It is principally engaged in trading and sourcing of aluminium products in the PRC. Shenzhen Hengyayuan is one the Group's top suppliers during the Track Record Period.

Supplier C is a private company incorporated in Hong Kong with limited liability. It is principally engaged in the wholesale of construction glass material products.

Supplier D is a private company incorporated in Hong Kong with limited liability. Its principal business is the sales of steel and aluminium construction materials.

Supplier E is principally engaged in manufacturing of roof and wall elements for industrial buildings with regional sales offices located in Germany. It belongs to a global steel group headquartered in India, which is dual listed on Bombay Stock Exchange and National Stock Exchange of India Limited.

Supplier F is a private company incorporated in Hong Kong with limited liability. It is principally engaged in the sales of steel products for construction industry and the provision of processing services.

Supplier G is a private company incorporated in Hong Kong with limited liability. Supplier G is principally engaged in trading of roofing materials.

Save for BuildMax (SZ), to the best knowledge of the Directors, none of the Directors, their close associates, or any Shareholders (which to the knowledge of the Directors owns more than 5.0% of the Company's issued share capital upon completion of the Placing) had any interest (direct or indirect) in any of the Group's five largest suppliers during the Track Record Period.

Criteria for selection of suppliers

The Group selects the suppliers based on a number of criteria including but not limited to their technical capability, track records, prices, product quality and timely delivery. The Group, in most cases, sources the materials from suppliers after the project is awarded or customers confirm their orders. The Group does not rely on a single source of supply for any of its building material products. The Directors consider that all the principal materials used or utilised by the Group can be purchased from a number of alternative suppliers at terms comparables to those of the Group's current suppliers. During the Track Record Period, the Group did not encounter any material shortage in the supply of the required building material products from its suppliers.

BUSINESS

Salient purchase terms

The Group does not enter into any long-term supply agreement with its suppliers. Instead, the Group will place a purchases order or request for quotation for each purchase. The Directors believe that such practice is in line with the general practice within the industry. The terms of each purchase transaction entered by the Group with its supplier may vary, salient terms of typical purchase transaction are shown as below:

- | | | |
|--------------------------|---|--|
| Materials specifications | : | A description of the material is contained, including the type of materials, quantity, size and technical specification of the products. |
| Payment terms | : | For further details regarding the payment terms, please refer to the section headed “Business — Suppliers — Credit policy” to this prospectus. |
| Deposit | : | Generally no deposit is required by the Group’s suppliers. |
| Delivery | : | The Group may require its suppliers to deliver the goods at the cost of the Group, to deliver the goods to the designated location. |
| Warranty | : | For construction materials which will be fabricated and consumed in the Group’s design and build projects, the Group’s suppliers do not provide any warranty after the date of delivery. The Group will conduct testing or invite its customers to inspect the samples provided by the suppliers. The Group will only take the whole ordered quantity if the testing result or inspection is satisfactory, otherwise the Group will not take the ordered quantity and will only be required to pay for the price of the samples. |

For building material products which will be sold or distributed by the Group or consumed in the Group’s design and build projects, the Group’s suppliers may provide a warranty of normally up to 10 years from the date of delivery.

Credit policy

Since some of the Group’s suppliers are located outside Hong Kong, the purchase contracts made by the Group during the Track Record Period are dominated in different currencies, such as RMB, US\$ and Euro depending on each purchase order. The credit terms granted by the Group’s suppliers range from 30 to 60 days. The Group usually settles the payment by cheque or bank transfer.

BUSINESS

Sensitivity analysis

For reference purpose, the following table illustrates the sensitivity analysis of the estimated increase/decrease of the Group's profit before tax in relation to general percentage changes to the prices of material and processing charges with reference to the hypothetical fluctuation rates of 10% and 20% respectively, with all other variables being constant.

Hypothetical fluctuations in material and processing charges	-10%	-20%	+10%	+20%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(Decrease) in profit before tax				
Year ended 31 March 2014	7,275	14,550	(7,275)	(14,550)
Year ended 31 March 2015	7,249	14,498	(7,249)	(14,498)
Increase/(Decrease) in profit after tax				
Year ended 31 March 2014	6,075	12,150	(6,075)	(12,150)
Year ended 31 March 2015	6,053	12,106	(6,053)	(12,106)

Inventory control

The Group maintains a minimal level of inventories. Most of the Group's inventories are merchandises in relation to its trading of building material products business; while the rest are goods in transit. As at 31 March 2014 and 31 March 2015, the Group's inventories were approximately HK\$2.5 million and HK\$3.3 million, respectively.

Set out below is a breakdown of the Group's inventories during the Track Record Period:

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials and supplies	<u>2,547</u>	<u>3,309</u>

There is no material obsolete stock in the Group's inventory due to the characteristic of the building materials. For a detailed inventory analysis, please refer to the section headed "Financial information — Inventory analysis" to this prospectus.

BUSINESS

SUBCONTRACTORS

Characteristics of the Group's subcontractors

The Group does not retain any direct labour for installation works of its business segment in relation to structural engineering works. Therefore, the Group subcontracts the installation works of each design and build project to other subcontractors. During the Track Record Period, all subcontractors engaged by the Group are located in Hong Kong.

The subcontractors engaged by the Group are Independent Third Parties and they are not the employees of the Group. The Group is independent from the employment arrangement between the Group's subcontractors and their employees. The following table sets out the subcontracting charges incurred by the Group during the Track Record Period:

	For the year ended 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Subcontracting charges	79,474	54,633

Top five subcontractors

During the Track Record Period, subcontracting charges of the Group's top five subcontractors in aggregate accounted for approximately 50.7% and 65.9% of the Group's total subcontracting charges, respectively, while subcontracting charges of the Group's largest subcontractor accounted for approximately 15.5% and 36.7% of the Group's total subcontracting charges, respectively. The top five subcontractors of the Group during the Track Record Period have maintained business relationships with the Group for a period ranging from more than one year to more than nine years.

Set out below is a breakdown of the Group's subcontracting charges by the Group's top five subcontractors during the Track Record Period:

	For the year ended 31 March 2014	
	<i>HK\$'000</i>	<i>%</i>
Subcontractor A	12,346	15.5
Subcontractor B	10,693	13.5
Subcontractor C	8,254	10.4
Subcontractor D	4,583	5.8
Subcontractor E	4,383	5.5
Five largest subcontractors in aggregate	40,259	50.7
Other subcontractors	39,215	49.3
Total subcontracting charges	79,474	100.0

BUSINESS

	For the year ended 31 March 2015	
	<i>HK\$'000</i>	%
Subcontractor A	20,041	36.7
Subcontractor F	4,586	8.4
Subcontractor G	4,451	8.1
Subcontractor C	4,225	7.7
Subcontractor H	2,752	5.0
Five largest subcontractors in aggregate	36,055	65.9
Other subcontractors	18,578	34.1
Total subcontracting charges	54,633	100.0

Set out below is the background information of the Group's top five subcontractors during the Track Record Period:

Subcontractor	Services purchased by the Group	Principal business	Location	Years of business relationship	Typical credit terms and payment method (<i>approximately</i>)
Subcontractor A	Installation work in relation to structural steelworks, facade and roof	Subcontractor	Hong Kong	more than 9 years	60 days upon receipt of invoices by cheque
Subcontractor B	Installation work in relation to facade	Subcontractor	Hong Kong	more than 2 years	60 days upon receipt of invoices by cheque
Subcontractor C	Installation work in relation to structural steelworks and noise barrier	Subcontractor	Hong Kong	more than 6 years	40 days upon receipt of invoices by cheque
Subcontractor D	Installation work in relation to facade	Subcontractor	Hong Kong	more than 2 years	15 days upon receipt of invoices by cheque
Subcontractor E	Installation work in relation to facade	Subcontractor	Hong Kong	more than 3 years	60 days upon receipt of invoices by cheque
Subcontractor F	Installation work in relation to facade and roof	Subcontractor	Hong Kong	more than 3 years	60 days upon receipt of invoices by cheque
Subcontractor G	Fabrication work in relation to structural steelworks	Subcontractor	Hong Kong	more than 3 years	60 days upon receipt of invoices by cheque
Subcontractor H	Installation work in relation to facade	Subcontractor	Hong Kong	more than 1 year	60 days upon receipt of invoices by cheque

BUSINESS

Subcontractor A is a sole proprietor in Hong Kong. Subcontractor A is principally engaged in the provision of installation work in relation to structural steelworks, facade and roof works.

Subcontractor B is a private company incorporated in Hong Kong with limited liability. Subcontractor B is principally engaged in the provision of installation work in relation to facade.

Subcontractor C is a private company incorporated in Hong Kong with limited liability. Subcontractor C is principally engaged in the provision of installation work structural steelworks, facade and roof works.

Subcontractor D is a private company incorporated in Hong Kong with limited liability. Subcontractor D is principally engaged in the provision of installation work in relation to facade.

Subcontractor E is a private company incorporated in Hong Kong with limited liability. Subcontractor E is principally engaged in the provision of installation work in relation to facade aluminum, steel and glass in Hong Kong.

Subcontractor F is a private company incorporated in Hong Kong with limited liability. Subcontractor F is principally engaged in the provision of installation work in relation to facade and roofworks.

Subcontractor G is a private company incorporated in Hong Kong with limited liability. Subcontractor G is principally engaged in the provision of fabrication work in relation to structural steelworks.

Subcontractor H is a private company incorporated in Hong Kong with limited liability. Subcontractor H is principally engaged in the provision of installation work in relation to facade.

All of the Group's top five subcontractors during the Track Record Period are Independent Third Parties. To the best knowledge of the Directors, none of the Directors, their associates, or any Shareholders (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital upon completion of the Placing) had any interest (direct or indirect) in any of the Group's five largest subcontractors during the Track Record Period.

Criteria for selection of subcontractors

The Group maintains an internal list of approved subcontractors where the list is updated on a continuous basis. As at the Latest Practicable Date, the Group has more than 50 approved subcontractors on its internal list of approved subcontractors. While assessing whether a subcontractor is qualified to be on the list, the Group carefully evaluates its technical capability, job reference, pricing competitiveness, labour resources and pass safety performance. In each design and build project, the Group generally selects two or more subcontractors from the approved list based on their relevant skillsets and experience to invite these chosen subcontractors to provide a quotation. The Group will then compare and analyses their quotation in several aspects, such as availability, fee quotation, proposed delivery time and other commercial and technical terms in order to select the most suitable subcontractor.

During the Track Record Period, the Group had engaged not less than 30 subcontractors. Hence, the Directors consider that the Group does not place any significant reliance on any single subcontractor.

Control on subcontractors

In each design and build project, the Group assigns its own personnel to be the project manager to oversee the project. The project manager carries out inspection on the work done by the subcontractors on a regular basis to ensure that the work done are in line with the structural design, as well as supervises and monitors the building process and project budget. For design and build projects with larger scale, the Group assigns its own personnel to be the site foreman to oversee the work site and subcontractors on a daily basis. The site foreman monitors the working process of the subcontractors and ensures that they have met the safety and workmanship requirements and be responsible for coordination work on the project site.

The Group requires all of its subcontractors to follow the applicable laws and regulations in Hong Kong and all other rules and regulations adopted by the employer or the main contractor for the work site in relation to occupational health and safety and environmental protection at the work site. All of the personnel at the work site, including the Group's own personnel and the employees of the Group's subcontractors, are required to attend a construction industry safety training class on occupational health and safety regulations at construction site and obtaining the training certificate before entering the work site. In each design and build project, the Group's project manager and site foreman are responsible to ensure that all of the workers for the Group's projects at the work site are in compliance with such rules and regulations. For further information on the Group's internal rules and regulations in relation to work quality, occupational health and safety, and environmental protection, please refer to the sections headed "Business — Quality control", "Business — Occupational health and safety" and "Business — Environmental protection" to this prospectus.

Salient terms of subcontracting agreement

The Group only engages subcontractors for its design and build projects, it enters subcontracting contracts with its subcontractors on a project-by-project basis. The Directors believe that such practice is in line with the general practice within the industry. The terms of each subcontracting contracts entered by the Group with its subcontractor may vary, salient terms of a typical subcontracting contract are shown as below:

- | | | |
|---------------|---|--|
| Scope of work | : | The scope of services and types of works to be carried out by the subcontractor are specified in the subcontracting contracts. |
| Contract sum | : | In respect of remeasurement contract, final contract sum will be determined based on agreed unit rates and measurement of quantities or work done.

In respect of lump sum fixed price contract, the whole contract sum will be agreed upon at engagement and no remeasurement will be conducted, unless there are variation orders. |
| Insurance | : | All necessary insurances are covered by the Group or the Group's customers, including employees' compensation insurance, contractors all risk insurance and third party liability insurance. |

BUSINESS

Payment terms : For further details regarding the payment terms, please refer to the the section headed “Business — Subcontractors — Credit policy” to this prospectus.

Retention money : In general, the Group withholds 10% of each interim payment payable to its subcontractors as retention money. The accumulated retention money for each subcontracting agreement would not exceed 5% of the total contract sum. The full amount of retention money in general will be payable to the subcontractors after 6 months from the practical completion of the subcontract works. For details on the Group’s payable turnover days, please refer to the section headed “Financial Information — Trade payables analysis” to this prospectus.

Credit policy

The Group requires its subcontractors to submit a payment application for an interim payment on a regular basis, usually on a monthly basis. The payment application generally includes the estimated value of all work properly done and material consumed, if applicable, by the Group’s subcontractors during the period covered by the payment application. Each payment application will be reviewed by the Group’s quantity surveyors and an interim payment certificate will be issued by the Group’s quantity surveyors once they verified the work properly done by the subcontractors. This process usually can be done within 1 month. The Group’s accounting team will then prepare the payment accordingly. During the Track Record Period, the Group settled payments to its subcontractor usually by cheques and within 30 to 60 days upon receipt of the payment application and interim payment certificate.

Sensitivity analysis

For reference purpose, the following table illustrates the sensitivity analysis of the estimated increase/decrease of the Group’s profit before tax in relation to general percentage changes to the prices of subcontracting charges with reference to the hypothetical fluctuation rates of 10% and 20% respectively, with all other variables being constant.

Hypothetical fluctuations in subcontracting charges	-10%	-20%	+10%	+20%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(Decrease) in profit before tax				
Year ended 31 March 2014	7,947	15,895	(7,947)	(15,895)
Year ended 31 March 2015	5,463	10,927	(5,463)	(10,927)
Increase/(Decrease) in profit after tax				
Year ended 31 March 2014	6,636	13,272	(6,636)	(13,272)
Year ended 31 March 2015	4,562	9,124	(4,562)	(9,124)

BUSINESS

SALES AND MARKETING

Structural engineering works

During the Track Record Period, the Group did not maintain a sales and marketing team in relation to the Group's structural engineering works business. The majority of the new business opportunities arose from direct invitation for quotation by the Group's customers, which the Directors consider to be attributable to the Group's track records, relevant experiences and professional reputation in the structural engineering industry in Hong Kong.

Trading of building material products

During the Track Record Period, the Group maintained a sales and marketing team consisting of three staff through BuildMax (HK) to conduct marketing activities in relation to the Group's trading of building material products business. The sales and marketing team of BuildMax (HK) carries out a series of business development and marketing events, including calls to potential customers and then presentations to potential customers with further details of the Group's building material products.

The Directors consider that good relationship with the Group's customers is crucial to the development of the Group, such good relationship helps the Group to obtain up-to-date market trend and industry information, and to seek for potential business opportunities. The Group builds and sustains good and stable relationship with its customers by maintaining high quality in the Group's services and products, and actively liaising with existing and potential customers on an on-going basis.

RESEARCH AND DEVELOPMENT

During the Track Record Period, the Group had not engaged in any research and development activities nor incurred any research and development expenses.

QUALITY CONTROL

Quality control on design and build projects

KPa Engineering, the Group's operating subsidiary carrying on structural engineering business, holds the following quality management certifications:

<u>Certification</u>	<u>Original Certification Date</u>	<u>Expiry Date</u>
ISO 9001:2008	20 January 2009	19 January 2018
ISO 14001:2004	22 January 2011	21 January 2017
OHSAS 18001:2007	19 January 2011	18 January 2017

The design and build business of the Group is operated under a set of procedures that complies with the ISO 9001:2008 quality standards, ISO 14001:2004 environmental policy and OHSAS 18001:2007 standards for occupational health and safety. Each design and build project has a project manager who is responsible for the project's overall quality assurance.

BUSINESS

For the Group's quality control measures over the Group's subcontractors, please refer to the section headed "Business — Subcontractors — Control on subcontractors" to this prospectus.

Quality control on building material products

BuildMax (HK), the Group's operating subsidiary which is principally engaged in the trading of building material products, holds the following quality management certifications:

<u>Certification</u>	<u>Original Certification Date</u>	<u>Expiry Date</u>
ISO 9001:2008	9 March 2011	8 March 2017
ISO 14001:2004	9 March 2011	8 March 2017
OHSAS 18001:2007	11 February 2011	10 February 2017

The building material product business of the Group is operated under a set of procedures that complies with the ISO 9001:2008 quality standards, ISO 14001:2004 environmental policy and OHSAS 18001:2007 standards for occupational health and safety. The Directors consider that the capability of the Group in quality assurance is evidenced by the fact that the Group had not experienced any significant product return, redelivery or material quality disputes with its customers during the Track Record Period.

HEDGING

During the Track Record Period, the Group did not engage in any hedging activity.

INTERNAL CONTROL

The Group has maintained an internal control system in respect of its organisational structure. In preparation of the Listing, the Group has engaged an independent external consulting firm as the Group's internal control adviser (the "**Internal Control Adviser**") in March 2015 to undertake a review on the internal control system on internal control environment, risk assessment, internal control activities, information and communication, monitoring activities, financial close reporting processes, revenue and receipts, procurement and payments, cost of services and payment, bank and cash management, fixed assets management, human resources and payroll management, taxation, contract sum estimation and accounting, contract cost budgeting, provisioning, information technology general controls and compliance procedures of certain rules and regulations. The Internal Control Adviser mainly engages in providing a broad range of corporate governance and risk advisory, internal audit, and internal controls regulatory compliance services to its customers including listed companies and companies preparing for listing in Hong Kong.

BUSINESS

The Internal Control Adviser has completed the first taken steps review of the internal control system in May 2015. As at the Latest Practicable Date, the Group has adopted the internal control measures and rectified the weakness in the internal control system as recommended by the Internal Control Adviser. Major internal control measures adopted by the Group are as follows:

- the Group has established various policies and procedures to governing tendering, project management, subcontracting, procurement, inventory management, finance and accounting. The policies and procedures have been circulated to all relevant staff and will be reviewed and updated by the management at least annually;
- the Group has adopted policy and procedure for total budget costs management. The analysis of total budget costs for all projects will be reviewed by the management on a monthly basis to ensure the completeness and accuracy of revenue recognised;
- the Group has established budgeting and forecasting process in order to monitor its cashflow as well as to enhance the Company's liquidity position. The financial controller of the Group is responsible for preparing the monthly cash flow forecast report which sets out the short-term receivable forecast, amounts of trade and other payables by aging, and outstanding and available balance of banking facilities. An actual and budget variance analysis will be reviewed by the senior management of the Group on a monthly basis for monitoring the cash inflow and outflow. This monthly report will assist the Directors to forecast significant cash flow shortfall in advance and make necessary business decision to mitigate the shortfall in a timely manner;
- the Group has established policy and procedures for working capital assessment in order to fulfill the minimum financial criteria and other requirements for acceptance of public projects. The working capital assessment will be prepared by the financial controller on a monthly basis, and documented and approved by the senior management; and
- the Group has established review and approval procedures of journal vouchers in the financial close reporting process policy. The journal vouchers will be reviewed and approved by the financial controller.

The Internal Control Adviser has completed follow up reviews on the enhanced internal control measures in July and August 2015 and confirmed that all of weaknesses had been rectified. Taking into account the facts that (i) there were no findings of material weakness or materials insufficiency in the Group's enhanced internal control system after the follow up reviews by the Internal Control Adviser; and (ii) the Group has properly implemented the enhanced internal control measures recommended by the Internal Control Adviser, the Directors are of the view that the enhanced internal control measures are adequate and effective for the Group's operations. The Sponsor has reviewed the internal control and follow-up reports prepared by the Internal Control Adviser, discussed with the Internal Control Adviser on the design effectiveness of the enhanced internal control measures and concurred with the Directors' view that the Company's enhanced internal control measures could sufficiently and effectively ensure a proper internal control system of the Group.

BUSINESS

OCCUPATIONAL HEALTH AND SAFETY

Internal health and safety procedures

The Group has established procedures to provide its workers with a safe and healthy working environment by adopting work safety rules for employees to follow.

The Group's occupational health and safety measures that are required to be followed by employees of the Group include, among others:

- staff are not allowed to enter a work site unless they are a corporate member of HKIE or they possess the construction industry safety training certificates (also known as the green cards); and
- staff are required to observe the occupational health and safety measures and policy of the main contractor put up at conspicuous places at the relevant work site. The Group also sponsors its engineering staff and site personnel to attend occupational health and safety courses.

The Group is usually required by its customers to arrange for the employees of the Group's subcontractors to attend safety training courses provided by the main contractors when the works commence.

Pursuant to the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and the typical agreements with the Group's customers and/or the insurance companies, accidents and injuries involving employees of the Group and its subcontractors during their course of employment are required to be reported to the Labour Department of the Government and/or the Group's customer and/or the insurance company in accordance with the procedures required by law or the relevant insurance policies. The Group also maintains an internal record of accidents.

During the Track Record Period and up to the Latest Practicable Date, the Group recorded accidents involving (i) nil, one and one workers who were employed by the Group; and (ii) four, six and one workers who were employed by the subcontractors of the Group respectively. The following table sets out the nature of the accidents involving the workers employed by the Group and by the subcontractors of the Group during the Track Record Period and up to the Latest Practicable Date:

<u>Date of the accident</u>	<u>Nature of the accident</u>	<u>Identity of the injured worker</u>	<u>Compensation claimed</u>	<u>Insurance coverage</u>	<u>Status as at the Latest Practicable Date</u>
					<i>(Note 1)</i>
27 June 2013	A worker alleged that his left index finger was injured when he was working in Tseung Kwan O, Hong Kong	Employee of the subcontractor of the Group	As the case was handled by the main contractor, the amount claimed or settled is not known.	The Directors confirmed that since the Group was a domestic subcontractor in the relevant project, the liabilities of the Group and its subcontractors under the Employees' Compensation Ordinances were covered by the main contractor's insurance policy.	To the best knowledge of the Directors, the employees' compensation claim was fully settled by the main contractor.

BUSINESS

Date of the accident	Nature of the accident	Identity of the injured worker	Compensation claimed	Insurance coverage	Status as at the Latest Practicable Date
5 July 2013	A worker alleged that the cuboid bone of his left foot was broken when he was working in Tai Po, Hong Kong	Employee of the subcontractor of the Group	The injured worker had reached settlement with the relevant main contractor.	The Directors confirmed that since the Group was a domestic subcontractor in the relevant project, the liabilities of the Group and its subcontractors under the Employees' Compensation Ordinances were covered by the main contractor's insurance policy.	The Directors confirmed that the injured worker had reached a full settlement with the main contractor themselves, pursuant to which the worker had waived his right to claim for employees' compensation under the Employees' Compensation Ordinance and damages under civil proceedings.
2 December 2013	A worker alleged that certain foreign object got into his eyes when he was working in Tai Po, Hong Kong	Employee of the subcontractor of the Group	The injured worker had reached settlement with the relevant subcontractor.	The Directors confirmed that since the Group was a domestic subcontractor in the relevant project, the liabilities of the Group and its subcontractors under the Employees' Compensation Ordinances were covered by the main contractor's insurance policy.	The Directors confirmed that the injured worker had reached a full settlement with the subcontractor themselves, pursuant to which the worker had waived his right to claim for employees' compensation under the Employees' Compensation Ordinance and damages under civil proceedings.
4 January 2014	A worker alleged that his left wrist was broken when he was working in Tseung Kwan O, Hong Kong	Employee of the subcontractor of the Group	The injured worker had reached settlement with the relevant subcontractor.	The Directors confirmed that since the Group was a domestic subcontractor in the relevant project, the liabilities of the Group and its subcontractors under the Employees' Compensation Ordinances were covered by the main contractor's insurance policy.	The Directors confirmed that the injured worker had reached a full settlement with the subcontractor, pursuant to which the worker had waived his right to claim for employees' compensation under the Employees' Compensation Ordinance and damages under civil proceedings.
4 October 2014	A worker alleged that certain foreign object got into his eyes when he was working in Tseung Kwan O, Hong Kong	Employee of the subcontractor of the Group	The injured worker had reached settlement with the relevant subcontractor.	The Directors confirmed that since the Group was a domestic subcontractor in the relevant project, the liabilities of the Group and its subcontractors under the Employees' Compensation Ordinances were covered by the main contractor's insurance policy.	The Directors confirmed that the injured worker had reached a full settlement with the subcontractor, pursuant to which the worker had waived his right to claim for employees' compensation under the Employees' Compensation Ordinance and damages under civil proceedings.

(Note 1)

BUSINESS

Date of the accident	Nature of the accident	Identity of the injured worker	Compensation claimed	Insurance coverage	Status as at the Latest Practicable Date
13 October 2014	A worker alleged that his shoulder was injured when he was working in Tseung Kwan O, Hong Kong	Employee of the subcontractor of the Group	The injured worker had reached settlement with the relevant subcontractor.	The Directors confirmed that since the Group was a domestic subcontractor in the relevant project, the liabilities of the Group and its subcontractors under the Employees' Compensation Ordinances were covered by the main contractor's insurance policy.	<i>(Note 1)</i>
17 November 2014	A worker alleged that foreign object got into his eyes when he was working in Tseung Kwan O, Hong Kong	Employee of the subcontractor of the Group	The injured worker had reached settlement with the relevant subcontractor.	The Directors confirmed that since the Group was a domestic subcontractor in the relevant project, the liabilities of the Group and its subcontractors under the Employees' Compensation Ordinances were covered by the main contractor's insurance policy.	The Directors confirmed that the injured worker had reached a full settlement with the subcontractor pursuant to which the worker had waived his right to claim for employees' compensation under the Employees' Compensation Ordinance and damages under civil proceedings.
26 November 2014	A worker of the Group alleged that his left leg was fractured when he was on his way back to Hong Kong after attending a meeting in Shenzhen, PRC	Employee of the Group	No claim had been made as at the Latest Practicable Date.	The amount covered by the insurance policy maintained by the Group is HK\$100 million.	A Notice by Employer of an Accident to an Employee Resulting in Death or Incapacity (Form 2) was filed with the Labour Department. The incident was also reported to the insurer.
6 December 2014	A worker alleged that his face and arms were injured when he was working in Tseung Kwan O, Hong Kong	Employee of the subcontractor of the Group	The injured worker had reached settlement agreement with the relevant subcontractor.	The Directors confirmed that since the Group was a domestic subcontractor in the relevant project, the liabilities of the Group and its subcontractors under the Employees' Compensation Ordinances were covered by the main contractor's insurance policy.	The Directors confirmed that the injured worker had reached a full settlement with the subcontractor pursuant to which the worker had waived his right to claim for employees' compensation under the Employees' Compensation Ordinance and damages under civil proceedings.

BUSINESS

Date of the accident	Nature of the accident	Identity of the injured worker	Compensation claimed	Insurance coverage	Status as at the Latest Practicable Date
<i>(Note 1)</i>					
14 January 2015	A worker alleged that his waist was injured when he was working in Shum Shui Po, Hong Kong	Employee of the subcontractor of the Group	The injured worker had reached settlement with the relevant main contractor.	The Directors confirmed that since the Group was a domestic subcontractor in the relevant project, the liabilities of the Group and its subcontractors under the Employees' Compensation Ordinances were covered by the main contractor's insurance policy.	The Directors confirmed that the injured worker had reached a full settlement with the main contractor themselves, pursuant to which the worker had waived his right to claim for employees' compensation under the Employees' Compensation Ordinance and damages under civil proceedings.
27 March 2015	A worker alleged that his leg was injured when he was working in Shatin, Hong Kong	Employee of the subcontractor of the Group	The injured worker had reached settlement agreement with the relevant subcontractor.	The Directors confirmed that since the Group was a domestic subcontractor in the relevant project, the liabilities of the Group and its subcontractors under the Employees' Compensation Ordinances were covered by the main contractor's insurance policy.	The Directors confirmed that the injured worker had reached a full settlement with the subcontractor themselves, pursuant to which the worker had waived his right to claim for employees' compensation under the Employees' Compensation Ordinance and damages under civil proceedings.
4 June 2015	A worker alleged that his right waist, hand and leg were injured when he was working in Tseung Kwan O, Hong Kong	Employee of the Group	No claim had been made as at the Latest Practicable Date.	The Directors confirmed that since the Group was a domestic subcontractor in the relevant project, the liabilities of the Group and its subcontractors under the Employees' Compensation Ordinances were covered by the main contractor's insurance policy.	A Notice by Employer of an Accident to an Employee Resulting in Death or Incapacity (Form 2) was filed with the Labour Department.
4 August 2015	A worker alleged that his left ribs were fractured and his left elbow was broken when he was working in Sheung Shui, Hong Kong	Employee of the subcontractor of the Group	No claim had been made as at the Latest Practicable Date.	The Directors confirmed that since the Group was a domestic subcontractor in the relevant project, the liabilities of the Group and its subcontractors under the Employees' Compensation Ordinances were covered by the main contractor's insurance policy.	The incident had been reported to the main contractor.

Note

- (1) As at the Latest Practicable Date, no claims arising from personal injury under common law in Hong Kong have been made against the Group in relation to the accidents as set out in this table.

BUSINESS

For details of the potential claims of employee's compensation and claims of personal injury with respect to the above-mentioned incidents, please refer to the section headed "Business — Litigation — Potential claims and litigation against the Group as at the Latest Practicable Date" to this prospectus.

Additional safety measures adopted by the Group

The Group has adopted the following preventive measures to further reduce the risk of accidents in relation to work safety:

- (i) the Group has engaged an external safety adviser to carry out site safety inspection on a monthly basis. During the site safety inspection, a checklist setting out safety requirements will be gone through by the safety officer. Photos will also be taken during the site safety inspection for record purposes. The safety officer is responsible for reviewing the Group's current construction site safety policy and procedures and giving suggestions for improvement. The safety inspection report will be provided to the Group within two days after such site inspection;
- (ii) the Group has arranged the external safety adviser to provide various types of trainings to its employees and subcontractors on work safety, which cover the updates on the recommendations of the Labour Department, to enhance their knowledge and enable to keep them abreast of any development on the relevant laws, rules and regulations relating to safety; and
- (iii) the Group has assigned the project manager to be responsible for reminding all the site staff from time to time on the importance of site safety and to reinforce the importance of the Group's site safety and health procedures. Site inspections and visits will be conducted periodically to ensure the compliance with statutory provision by the Group's employees and its subcontractors' employees.

As confirmed by the Directors, save for the aforesaid 13 accidents which had not resulted in severe injuries to the workers, there has been no accident which had resulted in any death or severe bodily injury to the Group's employees or its subcontractors' employees during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

Analysis on accident rate

The table below sets out the comparison of the accident rate per 1,000 workers and fatality rate per 1,000 workers between the industry average and the Group:

	Construction Industry average (Note 1)	The Group (Note 2)
Calendar year 2013		
accident rate per 1,000 workers	40.8	5.4
fatality rate per 1,000 workers	0.277	nil
Calendar year 2014		
accident rate per 1,000 workers	41.9	16.3
fatality rate per 1,000 workers	0.242	nil
Calendar year 2015 (up to 31 August 2015)		
accident rate per 1,000 workers	N/A (Note 3)	9.2
fatality rate per 1,000 workers	N/A (Note 3)	nil

Notes:

1. The figures are based on the Occupational Safety and Health Statistics Bulletin No. 15 (August 2015) published by Occupational Safety and Health Branch, Labour Department, in which the accident rate is calculated as the number of industrial accidents during the year divided by the employment size which are based on the Quarterly Report of Employment and Vacancies Statistics published by the Census and Statistics Department.
2. The Group's accident rate is calculated as the number of industrial accidents during the year/period divided by the daily average of the construction site workers (consisted of the employees of the Group's subcontractors only) in the Group's construction sites during the year/period.

The Directors believe that the increase in the accident rate at the Group's construction site in the calendar year 2014 and up to 31 August 2015 was primarily due to the following reasons:

- (i) all accidents involving the Group in the calendar year 2014 happened at one construction site at Tseung Kwan O where the Group was engaged as a subcontractor to provide structural engineering works for a design and build project, which had commenced in early 2014 (for further details of the accidents involving the workers employed by the Group and by the subcontractors of the Group during the Track Record Period, please refer to the section headed "Business — Occupational health and safety" to this prospectus). Taking into account the facts that (a) all reported injured workers in these accidents in the calendar year 2014 were employees of a subcontractor of the Group whereby such subcontractor of the Group shall have a primary duty to ensure the work safety of its workers; (b) as a subcontractor in the construction site, the Group had already adopted a series of safety measures as set out in the following paragraphs to ensure the work safety of the workers in carrying out the relevant subcontracted structural engineering works; and (c) the main contractor of the said project has the overarching duty for the site management including its work safety and for maintaining sufficient all risk insurance policy and employees' compensation insurance for both its employees and the employees of its subcontractors (including the Group and the Group's subcontractors), the Directors are of the view that the Group had already reasonably discharged its duties regarding the safety control at the said construction site for carrying out the subcontracted structural engineering works at the material times; and
- (ii) the current reported accident rate in 2015 does not represent the final accident rate for the entire calendar year 2015, as all the relevant figures were calculated up to 31 August 2015 only. As a result, the final accident rate for the calendar year 2015 would vary.

BUSINESS

In any event, based on the available figures and after considering the historical accident rates in the construction industry, the Directors take the view that the accident rate at the Group's construction sites was lower than the industry average in Hong Kong for each of the calendar year 2013, 2014 and up to 31 August 2015.

3. The relevant data has not been published as at the Latest Practicable Date.

Based on the available information and after considering the historical accident rates in the construction industry, the Directors believe that, in each of the calendar year 2013, 2014 and 2015 (up to 31 August 2015), the accident rate at the Group's construction sites was lower than the industry average in Hong Kong. Further, no fatal injury was recorded at the Group's construction sites during the said period.

Save as disclosed in the section headed "Business — Litigation" to this prospectus, the Directors confirm that during the Track Record Period and as at the Latest Practicable Date, the Group had fully complied, in all material aspects, with all relevant laws, rules and regulations relating to health and safety and that the Group has not been investigated or received any official complaints or sanctions by any relevant authorities, in respect of any violation of applicable laws or regulations in respect of health and safety.

ENVIRONMENTAL PROTECTION

The Group's in-house rules contain measures and work procedures governing environmental protection compliance that are required to be followed by the Group's employees. Such measures and procedures include, among others:

- | | |
|-----------------------|---|
| Air pollution control | (i) Erection of hoarding along the site boundary with effective dust screens, sheeting or netting if necessary |
| | (ii) Watering whenever necessary for any dusty materials before loading and unloading |
| | (iii) Dusty load on vehicles to be covered by tarpaulin and vehicle washing facilities to be provided at all site exits to wash away dusty materials from vehicle body and wheels |
| Noise control | (i) Idle equipment to be turned off as soon as possible |
| | (ii) Installation of noise barriers or enclosures if appropriate |
| | (iii) Use of quiet mechanical equipment and plant whenever possible |

BUSINESS

- Waste disposal
- (i) General refuse and litter to be stored in enclosed bins or compaction units to be separated from construction or chemical waste
 - (ii) Labeled bins to be provided to allow segregation of recyclable materials whenever possible
 - (iii) Construction waste materials to be segregated into different categories such as reusable construction and demolition materials for re-use on site, and other waste for transportation to landfills

The Group generally require its subcontractors to comply with all applicable laws and regulation in Hong Kong and the rules and regulations of the relevant construction site including those relevant to environmental protection. In addition, the Group's subcontractors are required to remove debris of their works to designated locations within the site.

The Directors confirm that the Group is usually required to remove the debris of its works to the designated locations within the site while the Group's customers will be responsible for disposal of the debris from the work sites. Nevertheless, during the Track Record Period, the Group incurred insignificant expenses in relation to the compliance with applicable environmental requirements. The Group estimates that its annual cost for compliance of environmental law and regulation going forward will be at a level similar to that during the Track Record Period and consistent with the scale of the Group's operation.

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of the Directors, the Group did not record any non-compliance with applicable environmental requirements that resulted in prosecution or penalty being brought against the Group.

INSURANCE

During the Track Record Period, the Group secured insurance policies as set out in the following paragraphs. The Directors consider that the existing insurance coverage is adequate and consistent with industry norm having regard to the Group's current operations and the prevailing industry practice. The Directors confirm that no claims have been made in respect of any of the Group's insurance policies during the Track Record Period and up to the Latest Practicable Date.

Employees' compensation insurance

Pursuant to Section 40 of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), all employers are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). The Group has taken out insurance policies in accordance with such requirement.

According to section 24 of the Employees' Compensation Ordinance, the Group and its customers are both liable to pay compensation to any injured employees of the subcontractors who are injured in their course of employment with the subcontractors. During the Track Record Period, for those design and build projects where the Group was engaged as a domestic subcontractor, customers of the Group has taken out employees' compensation insurance policies pursuant to section 24 of the Employees' Compensation Ordinance covering the liabilities of the customers, the Group and its subcontractors for injuries suffered by their respective employees working at the relevant construction sites. As a result, the Group's subcontractors' liabilities are also insured by the customer's insurance policy, which is also reflected in the contracts entered into between the Group and its customers. For those design and build projects where the Group was engaged as a nominated subcontractor, the Group was required under the contracts to purchase employees' compensation insurance policies and contractors' all risks insurance policies to cover the liabilities of the Group and its subcontractors for injuries suffered by their respective employees at the relevant construction sites.

Nevertheless, any compensation paid to the injured employees under the Employees' Compensation Ordinance would not exempt the Group's liabilities under common law. Pursuant to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong), the limitation period for making a claim for personal injury is three years from the date of the industrial accident. On the other hand, pursuant to section 26 of the Employees' Compensation Ordinance, the compensation paid to these injured employees under common law will be reduced by the compensation already paid to the injured employee under the Employees' Compensation Ordinance.

Social insurances and housing provident fund

According to the Social Insurance Law of the PRC, the Group is required to make social insurance contributions for its employees in the PRC. As at the Latest Practicable Date, the Group has maintained social insurance schemes that cover basic pension, medical, work-related injuries, unemployment and maternity expenses for its employees in the PRC. According to the Administrative Regulations on Housing Provident Funds, the Group is also required to make contributions to housing provident fund for its employees in the PRC. As advised by the PRC Legal Advisers, the Group has complied with all relevant labour laws and social insurance laws and regulations in the PRC in all material respects.

Contractors' all risks insurance

During the Track Record Period, the Group was engaged either as a domestic subcontractor or a nominated subcontractor for its design and build projects. In the event that the Group is engaged as a domestic subcontractor, the Group's customer or the main contractor is responsible for the contractors' all risk insurance policies which cover the Group's liabilities arising from potential damage to the buildings or structures under the Group's subcontracted works as well as potential bodily injury to third parties or damage to third parties' properties as a result of the performance of the Group's subcontracted works. In the event that the Group is engaged as a nominated subcontractor, the Group is responsible for purchasing the contractors' all risk insurance policies for its employees and its subcontractor's employees.

BUSINESS

Other insurance coverage

In addition, the Group has also secured insurance coverage against, among other matters, (i) loss, destruction or damage to the Group's owned property caused by fire or lightning; (ii) general office risks including loss or damage to office contents and bodily injury occurring on the Group's office premises; (iii) loss or damage to the Group's motor vehicles and third party liability in relation to the use of the Group's motor vehicles; and (iv) loss or damage to the Group's inventory stored in the Group's warehouse in Hong Kong.

EMPLOYEES

Number of employees by function

As at each year ended 31 March during the Track Record Period and the Latest Practicable Date, the Group had a total of 56, 66 and 97 employees respectively. All of the employees of the Group are stationed in Hong Kong and the PRC.

Set out below is the number of employees by function as at 31 March 2014 and 2015 and the Latest Practicable Date:

	<u>As at 31 March</u>		<u>As at the Latest Practicable Date</u>
	<u>2014</u>	<u>2015</u>	
Hong Kong			
Management and administration	8	9	8
Accounting, finance, marketing and procurement	9	11	10
Project management and execution (including project managers, engineering staff, quantity surveyors and foremen)	28	34	40
Structural design and drawing	11	12	12
Sub-Total	<u>56</u>	<u>66</u>	<u>70</u>
PRC			
Management and administration	—	—	2
Accounting, finance and procurement	—	—	2
Shop drawing	—	—	23
Sub-Total	<u>—</u>	<u>—</u>	<u>27</u>
Aggregate Total	<u><u>56</u></u>	<u><u>66</u></u>	<u><u>97</u></u>

Relationship with staff

The Directors consider that the Group has maintained good relationship with its employees. The Directors confirm that the Group has complied with all applicable labour laws and regulations in Hong Kong and the PRC.

The Directors confirm that the Group had not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor had the Group experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, there was no labour union established by employees.

Recruitment policies

The Group generally recruits its employees from the open market mainly through placing recruitment advertisements. The Group intends to use its best effort to attract and retain appropriate and suitable personnel to serve the Group. The Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the Group's business development.

Training and remuneration policy

The Group entered into separate employment contracts with each of its employees in accordance with the applicable employment laws in Hong Kong and the PRC, depending on the location of work of the employee.

The remuneration package offered to the Group's employees generally included basic salaries, bonuses and other cash allowances or subsidies. The Group determines the salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

The Group provides various types of training to its employees and sponsor its employees to attend training courses. For details, please refer to the section headed "Business — Occupational health and safety" above to this prospectus.

BUSINESS

PROPERTIES

Owned properties

The following table summarises the information regarding the Group's owned properties in Hong Kong as at the Latest Practicable Date:

<u>No.</u>	<u>Location</u>	<u>Gross floor area (approximately)</u>	<u>Usage</u>
1.	Workshop B on 3/F, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories	1,050 sq.ft.	For general office and operational use
2.	Workshop C on 3/F, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories	2,235 sq.ft.	For general office and operational use
3.	Workshop A on 4/F & Flat Roof A and Workshop B on 4/F & Flat Roof B, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories	3,000 sq.ft. and roof area of 1,437 sq.ft.	For general office and operational use
4.	Workshop B on 7/F, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories	1,550 sq.ft.	For general office and operational use

As at 30 June 2015, the market value of the above properties were approximately HK\$23.2 million as assessed by Assets Appraisal Limited, an independent property valuer. For further details of the Group's property interests, please refer to the property valuation set out in Appendix III to this prospectus. For further information regarding the Group's banking facilities, please refer to the section headed "Financial information — Indebtedness" to this prospectus.

BUSINESS

Leased properties

The Group currently leases three properties in Hong Kong and the PRC and their details are set out below:

No.	Location	Gross floor area <i>(approximately)</i>	Term/option	Lessor	Key terms of the tenancy	Usage
<i>Hong Kong</i>						
1.	Room 2213 Asia Trade Centre 79 Lei Muk Road Kwai Chung New Territories Hong Kong	1,151 sq.ft.	From 1 November 2014 to 31 October 2016	An Independent Third Party	Monthly rental of HK\$11,500 with tenancy period up to 31 October 2016	For general office and operational use
2.	Lot No. 1881 and 1884Rp in DD. 125 Ping Ha Road Yuen Long Hong Kong	15,870 sq.ft.	From 1 September 2014 to 2 January 2016	An Independent Third Party	Monthly rental of HK\$33,000 with tenancy period up to 2 January 2016	Open storage of goods
<i>PRC</i>						
3.	Unit 1508, Reith International Building Luohu District Shenzhen City Guangdong Province the PRC	162.9 sq.m.	From 14 July 2015 to 31 March 2018	BuildMax (SZ)	Monthly rental of RMB16,300 with tenancy period up to 31 March 2018	For general office and operational use

During the Track Record Period, the Group had not experienced any difficulty in renewing the leases.

INTELLECTUAL PROPERTY RIGHTS

Trademarks

As at the Latest Practicable Date, the Group had registered three trademarks in Hong Kong and applied for the registration of eight trademarks in Hong Kong and the PRC. Details of such trademarks are set out in the section headed “Intellectual property rights of the Group” as set out in Appendix V to this prospectus.

Domain names

As at the Latest Practicable Date, the Group had registered three domain names, being kpa-bm.com.hk, kpa.com.hk and buildmax.com.hk in Hong Kong. Details of such domain names are set out in the section headed “Intellectual property rights” as set out in Appendix V to this prospectus.

BUSINESS

NON-COMPLIANCE

The Directors confirm that, save as disclosed below, the Group has complied with all applicable laws and regulations in all material respects in Hong Kong (being the principal jurisdiction in which the Group operates) during the Track Record Period and up to the Latest Practicable Date.

Set out below are details of the Group's non-compliance incidents in respect of its business operation during the Track Record Period:

Possible non-compliance of Government lease and occupation permit

Name of company	Particulars of the non-compliance	Reason for the non-compliance	Remedial action	Legal consequence including potential maximum penalties and other financial liabilities	Measures to prevent any future breaches and ensure on-going compliance
Sun Pool	Breach of the land use conditions set out in the conditions of grant (the "Government lease") and the occupation permit of a premises located at Flat B on 3/F, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories ("Premises 1"), and section 25(1) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) for failure to notify the Building Authority regarding the change of land use. Sun Pool, as the owner of Premises 1, had been wholly using Premises 1 as its office since March 2015 where the usage of the said premises is restricted to industrial and/or godown purposes.	The breach was not wilful, which occurred due to the absence of timely and professional advice at the material time.	<p>Application for a waiver from the Lands Department to permit office use (Group A uses under the Lands Department Practice Note No. 2/2003) for the lifetime of Premises 1 had been made by surveyors engaged by the Group for and on behalf of the Group on 23 March 2015.</p> <p>Sun Pool received a written notification from the Lands Department on 10 July 2015 which stated that the Lands Department is prepared to recommend the Government to offer a temporary waiver (the "Waiver") of the existing land use conditions subject to the fulfilment of two conditions by Sun Pool by 7 August 2015, i.e. (i) the Sun Pool's payment of the waiver fee amounting HK\$301,690; and (ii) no objection from its mortgagee bank to the offer of the Waiver. Pursuant to the Waiver, Premises 1 can be used as, among others, headquarters or back-office operations, research design and development centres; offices for professional consultants such as architects, engineers, surveyors, planning consultants, solicitors, accountants; offices for other business services and such other uses for non-residential purposes not involving direct provision of customer services or goods to the general public, as may, from time to time, be approved by the Director of Lands. Hence, the current usage of the Premises 1 by the Group as its office would fall within the scope of the Waiver.</p> <p>A draft waiver letter setting out the terms of the Waiver is attached to the said written notification issued by the Lands Department (the "Waiver Letter 1"). Sun Pool has obtained the confirmation dated 31 July 2015 from the existing mortgagee bank to the Premises 1 that it has no objection to the Waiver. The Directors further confirm that the waiver fee has been fully paid on 7 August 2015. According to the Waiver Letter 1, subject to Sun Pool's compliance of the terms of the Waiver, the Waiver would be for the lifetime of the existing building in which the Premises 1 is situated.</p> <p>Once the Waiver is granted, the non-compliances with the land use conditions set out in the conditions of grant, occupation permit of Premises 1 and the deed of mutual covenant ("DMC") will be fully rectified.</p>	<p>Under section 40(2) and section 40(6) of the Buildings Ordinance, and if the Group is deemed to have materially changed the use of the Premises 1 under section 25 of the Building Ordinance by carrying out building works for the erection of an office without giving prior notice to the Building Authority and obtaining its approval or the plan in relation to such building works had been refused by the Building Authority, Sun Pool will be liable to a maximum fine of HK\$100,000 and its directors are liable to a maximum fine of HK\$100,000 and imprisonment of two years maximum. The Hong Kong Legal Advisers opine that there is no real risk that the Group would be subject to the fine or its directors be liable to imprisonment as the Group has applied for a waiver of the land use conditions.</p> <p>According to the relevant conditions of grant, the Government is entitled to re-enter Premises 1 and claim damages against Sun Pool. If Sun Pool does not quit Premises 1 upon receiving notice of re-entry from the Government, it may also be liable to civil claim by the Government.</p> <p>For the breach of the relevant DMC, the incorporated owners or manager of the building could claim against Sun Pool for an injunction restraining the use of Premises 1 as an office by Sun Pool, which is in breach of the land use condition.</p> <p>The Hong Kong Legal Advisers opine that once the Waiver Letter 1 is issued, the non-compliance of the Government lease, the occupation permit of Premises 1 and the DMC will be duly rectified because the existing usage of the Premises 1 by the Group as its office would fall within the scope of usage of Premises as set out in the Waiver Letter 1.</p>	<p>The Group has established policies and procedures to govern the acquisition or disposal of landed properties.</p> <p>The Group will also seek assistance from external professionals such as registered architects or other authorised persons and legal advisers, if necessary, in order to ensure full compliance with the relevant laws and regulations in the usage of properties in the future.</p> <p>Regular meeting will be held by the senior management of the Company to review the uses and conditions of the Premises in order to ensure full compliance with the terms set out in the Government lease.</p>

BUSINESS

Name of company	Particulars of the non-compliance	Reason for the non-compliance	Remedial action	Legal consequence including potential maximum penalties and other financial liabilities	Measures to prevent any future breaches and ensure on-going compliance
KPa Engineering	Breach of the land use conditions set out in the Government lease and the occupation permit of a premises located at Flat C on 3/F and Flat A and B on 4/F, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories (“Premises 2”), and section 25(1) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) for failure to notify the Building Authority regarding the change of land use. KPa Engineering, as the owner of Premises 2, had been wholly using Premises 2 as its office since March 2015 where the usage of the said premises is restricted to industrial and/or godown purposes.	The breach was not wilful, which occurred due to the absence of timely and professional advice at the material time.	<p>Application for a waiver to permit office use (Group A uses under the Lands Department Practice Note No. 2/2003) for the lifetime of Premises 2 had been made by surveyors engaged by the Group for and on its behalf on 23 March 2015.</p> <p>KPa Engineering received a written notification from the Lands Department on 10 July 2015 which stated that the Lands Department is prepared to recommend the Government to offer the Waiver of the existing land use conditions subject to the fulfilment of two conditions by KPa Engineering by 7 August 2015, i.e. (i) the KPa Engineering’s payment of the waiver fee amounting HK\$1,500,495; and (ii) no objection from its mortgagee bank to the offer of the Waiver. Pursuant to the Waiver, Premises 2 can be used as, among others, headquarters or back-office operations, research design and development centres; offices for professional consultants such as architects, engineers, surveyors, planning consultants, solicitors, accountants; offices for other business services and such other uses for non-residential purposes not involving direct provision of customer services or goods to the general public, as may, from time to time, be approved by the Director of Lands. Hence, the current usage of the Premises 2 by the Group as its office would fall within the scope of the Waiver.</p> <p>A draft waiver letter setting out the terms of the Waiver is attached to the said written notification issued by the Lands Department (the “Waiver Letter 2”). KPa Engineering has obtained the confirmation dated 31 July 2015 from the existing mortgagee bank to the Premises 2 that it has no objection to the Waiver. The Directors further confirm that the waiver fee has been fully paid on 7 August 2015. According to the Waiver Letter 2, subject to KPa Engineering’s compliance of the terms of the Waiver, the Waiver would be for the lifetime of the existing building in which the Premises 2 is situated.</p> <p>Once the Waiver is granted, the non-compliances with the land use conditions set out in the conditions of grant, the occupation permit of Premises 2 and the DMC will be fully rectified.</p>	<p>Under section 40(2) and section 40(6) of the Buildings Ordinance, and if the Group is deemed to have materially changed the use of the Premises 2 under section 25 of the Building Ordinance by carrying out building works for the erection of an office without giving prior notice to the Building Authority and obtaining its approval or the plan in relation to such building works had been refused by the Building Authority, KPa Engineering will be liable to a maximum fine of HK\$100,000 and its directors are liable to a maximum fine of HK\$100,000 and imprisonment of two years maximum. The Hong Kong Legal Advisers opine that there is no real risk that the Group would be subject to the fine or its directors be liable to imprisonment as the Group has applied for a waiver of the land use conditions.</p> <p>According to the relevant conditions of grant, the Government is entitled to re-enter Premises 2 and claim damages against KPa Engineering. If KPa Engineering does not quit Premises 2 upon receiving notice of re-entry from the Government, it may also be liable to civil claim by the Government.</p> <p>For the breach of the relevant DMC, the incorporated owners or manager of the building could claim against KPa Engineering for an injunction restraining the use of Premises 2 as an office by KPa Engineering, which is in breach of the land use condition.</p> <p>The Hong Kong Legal Advisers opine that once the Waiver Letter 2 is issued, the non-compliance of the Government lease, the occupation permit of Premises 2 and the DMC will be duly rectified because the existing usage of the Premises 2 by the Group as its office would fall within the scope of usage of Premises as set out in the Waiver Letter 2.</p>	Same as above.

BUSINESS

Name of company	Particulars of the non-compliance	Reason for the non-compliance	Remedial action	Legal consequence including potential maximum penalties and other financial liabilities	Measures to prevent any future breaches and ensure on-going compliance
BuildMax (HK)	<p>Breach of the land use conditions set out in the Government lease and the occupation permit of a premises located at Flat B on 7/F, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories ("Premises 3"), and section 25(1) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) for failure to notify the Building Authority regarding the change of land use.</p> <p>BuildMax (HK), as the owner of Premises 3, had been wholly using Premises 3 as its office since March 2015 where the usage of the said premises is restricted to industrial and/or godown purposes.</p>	<p>The breach was not wilful, which occurred due to the absence of timely and professional advice at the material time.</p>	<p>Application for a waiver from the Lands Department to permit office use (Group A uses under the Lands Department Practice Note No. 2/2003) for the life time of Premises 3 had been made by surveyors engaged by the Group for and on its behalf on 23 March 2015.</p> <p>BuildMax (HK) received a written notification from the Lands Department on 10 July 2015 which stated that the Lands Department is prepared to recommend the Government to offer the Waiver of the existing land use conditions subject to the fulfilment of two conditions by BuildMax (HK) by 7 August 2015, i.e. (i) the BuildMax (HK)'s payment of the waiver fee amounting HK\$433,340; and (ii) no objection from its mortgagee bank to the offer of the Waiver.</p> <p>Pursuant to the Waiver, Premises 3 can be used as, among others, headquarters or back-office operations, research design and development centres; offices for professional consultants such as architects, engineers, surveyors, planning consultants, solicitors, accountants; offices for other business services and such other uses for non-residential purposes not involving direct provision of customer services or goods to the general public, as may, from time to time, be approved by the Director of Lands. Hence, the current usage of the Premises 3 by the Group as its office would fall within the scope of the Waiver.</p> <p>A draft waiver letter setting out the terms of the Waiver is attached to the said written notification issued by the Lands Department (the "Waiver Letter 3"). BuildMax (HK) has obtained the confirmation dated 31 July 2015 from the existing mortgagee bank to the Premises 3 that it has no objection to the Waiver. The Directors further confirm that the waiver fee has been fully paid on 7 August 2015. According to the Waiver Letter 3, subject to BuildMax (HK)'s compliance of the terms of the Waiver, the Waiver would be for the lifetime of the existing building in which the Premises 3 is situated.</p> <p>Once the Waiver is granted, the non-compliances with the land use conditions set out in the conditions of grant, the occupation permit of Premises 3 and the DMC will be fully rectified.</p>	<p>Under section 40(2) and section 40(6) of the Buildings Ordinance, and if the Group is deemed to have materially changed the use of the Premises 3 under section 25 of the Building Ordinance by carrying out building works for the erection of an office without giving prior notice to the Building Authority and obtaining its approval or the plan in relation to such building works had been refused by the Building Authority, BuildMax (HK) will be liable to a maximum fine of HK\$100,000 and its directors are liable to a maximum fine of HK\$100,000 and imprisonment of two years maximum. The Hong Kong Legal Advisers opine that there is no real risk that the Group would be subject to the fine or its directors be liable to imprisonment as the Group has applied for a waiver of the land use conditions.</p> <p>According to the relevant conditions of grant, the Government is entitled to re-enter Premises 3 and claim damages against BuildMax (HK). If BuildMax (HK) does not quit Premises 3 upon receiving notice of re-entry from the Government, it may also be liable to civil claim by the Government.</p> <p>For the breach of the relevant DMC, the incorporated owners or manager of the building could claim against BuildMax (HK) for an injunction restraining the use of Premises 3 as an office by BuildMax (HK), which is in breach of the land use condition.</p> <p>The Hong Kong Legal Advisers opine that once the Waiver Letter 3 is issued, the non-compliance of the Government lease, the occupation permit of Premises 3 and the DMC will be duly rectified because the existing usage of the Premises 3 by the Group as its office would fall within the scope of usage of Premises as set out in the Waiver Letter 3.</p>	<p>Same as above.</p>

BUSINESS

Non-compliances with the Predecessor Companies Ordinance

<u>Relevant section of the ordinance</u>	<u>Particulars of the non-compliance</u>	<u>Reason for the non-compliance</u>	<u>Remedial action</u>	<u>Legal consequence including potential maximum penalties and other financial liabilities</u>
<p>Non-compliance with section 111(1) of the Predecessor Companies Ordinance (corresponding to sections 576, 610 and 612 of the Companies Ordinance).</p>	<p>Sun Pool has failed to hold a general meeting as its annual general meeting within 15 months after the date of its previous annual general meeting for the financial year ended 31 March 2012.</p>	<p>The omission was not wilful and was due to the inadvertent oversight of the administrative staff responsible for supervision on secretarial matters and the absence of timely and professional advice at the material time.</p>	<p>Sun Pool had subsequently held the annual general meetings albeit outside the prescribed period.</p>	<p>Sun Pool and its directors who were in default of section 111 of the Predecessor Companies Ordinance shall be liable to a maximum fine of HK\$50,000.</p> <p>As advised by Hong Kong Legal Advisers, if Sun Pool and its directors are being prosecuted under section 111(1) of the Predecessor Companies Ordinance, Sun Pool and its directors would be exposed to a maximum fine of HK\$50,000.</p> <p>Upon reviewing the recent judgements pronounced by the High Court of Hong Kong, pursuant to the advice of the Hong Kong Legal Advisers, it is noted that (i) the Court is likely to dismiss the application for rectification of this non-compliance; and (ii) the prosecution against Sun Pool and its directors under section 111(1) of the Predecessor Companies Ordinance is remote as the non-compliance was technical by nature and was not intentionally committed.</p>

BUSINESS

Relevant section of the ordinance	Particulars of the non-compliance	Reason for the non-compliance	Remedial action	Legal consequence including potential maximum penalties and other financial liabilities
<p>Non-compliance with section 122 of the Predecessor Companies Ordinance (corresponding to sections 431 of the Companies Ordinance).</p>	<p>Sun Pool has failed to lay before its annual general meeting its audited financial statements for the financial years ended 31 March 2012, 2013 and 2014 respectively within nine months from the respective financial year-end date.</p> <p>BuildMax (HK) has failed to lay before its annual general meeting its audited financial statements for the financial year ended 31 March 2012 within nine months from the respective financial year-end date.</p>	<p>The omission was not wilful and due to the inadvertent oversight of the administrative staff responsible for supervision on secretarial matters and the absence of timely and professional advice at the material time.</p>	<p>The audited accounts were laid before the annual general meetings subsequently held.</p>	<p>The directors of Sun Pool and BuildMax (HK) who were in default of section 122 of the Predecessor Companies Ordinance shall be liable to a maximum penalty of HK\$300,000 and a maximum imprisonment for 12 months.</p> <p>As advised by Hong Kong Legal Advisers, if the directors of Sun Pool and BuildMax (HK) are being prosecuted under section 122 of the Predecessor Companies Ordinance, the directors of Sun Pool and BuildMax (HK) would be exposed to a maximum fine of HK\$900,000 (i.e. HK\$300,000 for each breach) and a maximum imprisonment of 12 months.</p> <p>Upon reviewing the recent judgements pronounced by the High Court of Hong Kong, pursuant to the advice of the Hong Kong Legal Advisers, it is noted that (i) the Court is likely to dismiss the application for rectification of this non-compliance; and (ii) the likelihood of prosecution against the directors of Sun Pool and BuildMax (HK) under section 122 of the Predecessor Companies Ordinance is extremely remote as the non-compliances were technical by nature and were not intentionally committed.</p>

BUSINESS

Reasons for the non-compliances of the Government lease and occupation permit

The Directors explained that they were not aware that Premises 1, Premises 2 and Premises 3 (collectively the “**Premises**”) could not be used as offices when the Group bought the Premises as (i) they noticed that a number of properties in the neighborhood had been used mainly as offices; and (ii) they were not particularly advised or reminded by the estate agents or lawyers that the Premises could not be used as offices.

As confirmed by the Directors, the Premises had been used as offices partly for certain design and drawing works since the acquisition of the Premises and until the Group gradually relocated such design and drawing works to KPa (SZ) in Shenzhen in around March 2015. The Hong Kong Legal Advisers opined that pursuant to Chapter 5 of the Hong Kong Planning Standards and Guidelines issued by the Lands Department, there is no restriction on the size of an office to be established within an industrial building as long as it is directly related to an industrial operation. As such design and drawing works formed a part of successive stages in one continuous industrial process of the Group in manufacturing of its products, the Group’s use of Premises as an office directly relating to an industrial operation before March 2015 should not be in breach of the Premises’ land use. After the design and drawing works were relocated to KPa (SZ) in Shenzhen, the Premises were wholly used as office for the Group and since then, there may be a breach of the permitted usage of the Premises. In preparation for the Listing, the Hong Kong Legal Advisers therefore advised the Group to take foolproof measures in dealing with the compliance issue of the Government lease and advised the Group to apply for the Waivers in respect of the permitted usage of the Government lease of the Premises in March 2015.

Maximum liabilities of the Group and its Directors

As to the maximum liability the Group and its Directors would be exposed to as a result of the non-compliances in respect of the permitted usage of the Premises, the Hong Kong Legal Advisers advised that the Government can exercise the right of re-entry of the Premises if there is any breach of the Government lease. As the Group had applied for the Waivers and paid the Waiver fee (i.e. the premium) and administrative fee (collectively “the Requisite Fees”), upon seeking advises from the Hong Kong Legal Advisers, the Director noticed that no forbearance fee will be charged against the Group even if the Formal Waiver Letters are yet to be issued as at the Latest Practicable Date.

If there were any illegal building works carried out in the Premises for the erection of any structure, which was intended for changing the use of the Premises without giving prior notice to the Building Authority and obtaining its prior approval or the Building Authority having refused the plans of such building works, the Group would be exposed to a maximum fine of HK\$100,000 for each breach and its Directors who had authorised or consented to the breaches are liable to a maximum fine of HK\$100,000 and imprisonment of two years maximum. The Directors confirmed that no illegal building works had ever been carried out or needed to be carried out in any of the three Premises for the purpose of changing its permitted usage into office. Nor had the Group been complained of any illegal structure erected in the Premises. As such, the Hong Kong Legal Advisers take the view that the Group’s possible non-compliances of the permitted usage of the Premises without carrying out any illegal building works or erecting any illegal structure in the

Premises would not fall within the ambit of the offences under section 40(2) of the Buildings Ordinance and thus, both the Group and its Directors shall not be subject to any risk of fine or imprisonment under section 40(2) of the Buildings Ordinance.

Rectification of the non-compliances relating to the permitted usage of the Premises

To rectify the non-compliances, the Group had engaged a firm of surveyors to apply for the modification of the permitted usage of the Government lease of the relevant Premises in March 2015 to the extent that it can be used as office. Pursuant to the letters from the Lands Department dated 10 July 2015, the Lands Department confirmed that it was prepared to recommend to the Government of Hong Kong SAR to offer the Waiver of the relevant lease condition, which covers the life time of the respective Premises provided, *inter alia*, that (i) the Group had paid the Requisite Fees and the Group's confirmation of its acceptance on the terms of the Waiver; and (ii) there is no objection from its mortgagee bank. A draft formal Waiver Letter for use in the transaction is also attached to the letter from the Lands Department of 10 July 2015 for the Group's information (the "**Draft Formal Waiver Letter**"). The Group had obtained the relevant mortgagee bank's consent to the modification of the permitted usage of the relevant Premises and paid all the Requisite Fees in August 2015.

Notwithstanding that the formal waiver letter is yet to be issued by the Lands Department (the "**Formal Waiver Letter**") as at the Latest Practicable Date, the Counsel opined that the previous non-compliances related to the permitted usage of the Premises shall be deemed to have been duly rectified as the Lands Department had expressly indicated its acceptance of the Group's applications for the Waiver and there should not be any legal impediment for the Group to obtain the Formal Waiver Letters from the Lands Department. The Company, through its Hong Kong Legal Advisers, had made a telephone enquiry with the relevant District Land Office on 10 September 2015 and were given to understand that the Formal Waiver Letter should normally be issued to the Group unless it discovered that the Group had used the Premises in breach of terms set out in the Formal Waiver Letter (a draft which was attached to the letter from the Lands Department dated 10 July 2015) in the future. In this connection, the Directors had, jointly and severally, irrevocably undertaken to the Company that they would procure the Group to use the Premises in compliance with the terms set out in the Government lease and the Formal Waiver Letter at all times when they are acting as the Directors (the "**Directors' Undertakings**").

Waiver letters

As advised by the Counsel, the possible non-compliances of the permitted usage of the Premises under the respective Government leases should be deemed to have been fully rectified once the Waivers are granted by the Lands Department. In this connection, though the Waiver was and would be described as a "temporary waiver" in the respective Draft Waiver Letter and the Formal Waiver Letter to be issued by the Lands Department, it is expressly mentioned that the Waiver cover the life time of the existing building presently erected on the relevant lot of the land. Hence, the Waiver shall continue to be effective insofar as the Premises would continue to exist. The Counsel further advised that as a matter of private law (*viz*, the Government being a private landlord in the land in Hong Kong), it is entirely up to the Government and the users of the land to negotiate on the terms of the Government lease, for instance, in exchange for a monetary benefit mutually accepted by the parties. Hence, by stating in the relevant Waiver Letter that the Waiver is

BUSINESS

a temporary one, the Government could reserve the right to exercise the right of re-entry of the Premises if it wants to engage in negotiation with the Group for a change of the permitted usage of the Premises in the future and/or if it discovers that the Group has committed any material breach of the terms in the Government lease and the Waiver Letters and decides to re-enter the Premises in the future.

The Group paid aggregate waiver fees amounting to approximately HK\$2.2 million in August 2015. Prior to the grant of the Waiver by the Lands Department, the Group has recognised the Waiver fee paid as “prepayments” in the combined statement of financial position. Once the Waiver to permit office use is granted to the Group, the Group will capitalise the waiver fee as part of the cost of the subject properties under “property, plant and equipment” and depreciate the waiver fee over the remaining useful lives of the properties. Such waiver fees were financed by the Group’s existing banking facilities and the Directors confirmed that it would not have a material adverse impact on the financial position of the Group.

Internal control measures to prevent the recurrence of non-compliances relating to the permitted usage of the Premises

In relation to the previous non-compliances of the permitted usage of the Premises, the Group has adopted the following measures to prevent future non-compliance incidents: (i) the Group has established policies and procedures to govern the acquisition or disposal of landed properties; (ii) the Group will also seek assistance from external professionals such as registered architects or other authorised persons and legal advisers, if necessary, in order to ensure full compliance with the relevant laws and regulations in the usage of properties in the future; and (iii) regular meeting will be held by the senior management of the Company to review the usage and conditions of the Premises in order to ensure full compliance with the terms set out in the Government lease and the Formal Waiver Letters. Having considered that (i) the Premises had been used wholly as office shortly after the design and drawing works were relocated to KPa (SZ) in Shenzhen in around March 2015 and the non-compliances were not intentional; (ii) the Directors took prompt action to make appropriate rectifications after taking the advices from the Hong Kong Legal Advisers; (iii) the Group has properly implemented the enhanced internal control measures to monitor the usage of properties; and (iv) no illegal building works or illegal structures intended to change the usage of the Premises, which would give rise to prosecution under section 40(2) of the Buildings Ordinance, had been carried out or erected and thus, the safety of the Premises will not be affected by the change of the usage of the Premises to office, the Directors are of the view that the enhanced internal control measures are adequate and effective to avoid any future non-compliance incidents. The Sponsor has reviewed the internal control and follow-up reports prepared by the Internal Control Adviser, discussed with the Internal Control Adviser on the design effectiveness of the internal control measures and concurred with the Directors’ view that the Company’s enhanced internal controls measures could sufficiently and effectively ensure a proper internal control system of the Group.

Non-compliances regarding the Predecessor Companies Ordinance and the Companies Ordinance

In relation to the non-compliance incidents of the Companies Ordinance, the Group has designated Mr. Chan Sun Kwong, the company secretary of the Company, and Mr. Chan Ngai Fan, the financial controller of the Group, to monitor the requirements pursuant to the Companies Ordinance and will also seek assistance from the external legal advisers if necessary in order to ensure full compliance with the statutory requirements in the future. Further, the Group has also adopted various measures to enhance its internal controls to ensure future compliance with the GEM Listing Rules and relevant laws and regulations. For further information on the internal control system of the Company, please refer to the section headed “Business — Internal control” to this prospectus. In light of the foregoing, the Directors are of the view, and the Sponsor concurs with their view, that the Group has adequate policies and procedures in place to prevent further occurrence of the above non-compliances by the Group in the future. To further mitigate the risk of being penalised for the above disclosed non-compliance incidents, the Controlling Shareholders have undertaken to indemnify the Group for any loss arising from such non-compliance incidents pursuant to the Deed of Indemnity. Please refer to the section headed “E. Other Information — 14. Tax and other indemnities” as set out in Appendix V to this prospectus.

Aggregate maximum legal consequences of the non-compliances

Concerning the legal consequences as a result of the Group’s possible breaches of the permitted usage of the Government lease of the Premises, upon seeking advices from the Hong Kong Legal Advisers, the Directors noticed that as the Group had applied for the Waivers and paid all Requisite Fees for a change of the permitted usage of the Premises under the Government lease, the Hong Kong Legal Advisers advised that no forbearance fees will be charged against the Group even if the Formal Waiver Letters are yet to be issued as at the Latest Practicable Date.

Concerning the legal consequences as a result of the Group’s breaches of the Predecessor Companies Ordinance and the Companies Ordinance, the Group and its Directors are exposed to a payment of penalty in a sum of HK\$950,000 (of which a respective sum of HK\$50,000 and HK\$900,000 be payable for breach of section 111(1) and section 122 of the Predecessor Companies Ordinance. Taking into account the recent judgments pronounced by the High Court of Hong Kong in relation to the same breaches committed by other companies in Hong Kong, the Hong Kong Legal Advisers advised that there is no real risk that the Group and/or its Directors would be prosecuted for breach of section 111(1) and section 122 of the Predecessor Companies Ordinance as the breaches are entirely technical by nature and were not intentionally committed and most importantly, the remedial action had been taken by the Group.

Base on the foregoing, no provision had been made in the financial statements of the Group and the Directors consider that the maximum penalty in respect of the above non-compliance in relation to the Predecessor Companies Ordinance, in case of successful prosecution, would not have any material adverse impact on the Group’s business, financial condition and result of operations.

The implications of the possible non-compliances on the Directors' integrity, competence and suitability to act as directors of the Company and Mr Yip's suitability to act as the compliance officer of the Group

In light of the above, in particular the facts that (i) the Lands Department did not take any enforcement action against the Group or give any warning to the Group regarding the possible non-compliances of the permitted usage of the Premises, which led the Directors to believe that the Group's then use of the Premises would not constitute any possible non-compliances of the Government lease at the material time; (ii) the Directors did not procure the Group to let out the Premises as offices for rental income or obtain any personal benefits therefrom; (iii) the non-compliances did not involve any dishonesty on the part of the Directors; (iv) the Directors had immediately procured the Group to take prompt and foolproof measures in applying for the Waivers once the Hong Kong Legal Advisers advised the Group that the then usage of the Premises by the Group might constitute a possible non-compliance of the Government lease; and (v) no illegal building works or illegal structures in the Premises for the purpose of changing the usage of the Premises, which would give rise to prosecution under section 40(2) of the Buildings Ordinance, had been carried out or erected and thus, the safety of the Premises will not be affected in all respects due to the change of the usage of the Premises, the non-compliances should therefore not affect their suitability to act as Directors of the Company under Rules 5.02 and 5.03 of the GEM Listing Rules, or impugn on their integrity or competence.

Additionally, with respect to Mr. Yip's suitability to act as the compliance officer of the Group, who has been designated by the Company to oversee and monitor the Group's adherence to relevant laws and regulations in respect of the Group's operation, Mr. Yip has over 20 years of management experience in the structural engineering and construction industry. Based on his management experience, Mr. Yip has significant knowledge and understanding on the relevant laws and regulations with respect to the structural engineering and construction industry such as the licensing regime in the construction industry. Mr. Yip has extensive networks with other business partners in the structural engineering and construction industry, which may enhance his awareness and knowledge to the latest relevant law and regulations. Further, in preparation for the Listing, Mr. Yip had attended and will after Listing continue to attend legal and compliance training provided by the Hong Kong Legal Advisers which covered, among other matters, corporate governance, directors' responsibilities, compliance with the GEM Listing Rules, the Companies Ordinance, the SFO, and other relevant laws and regulations which is related to the Group's operations. Mr. Yip had also been involved in the review process conducted by the Internal Control Adviser regarding the internal control systems and supervised the implementation of the recommendations made by Internal Control Adviser.

The company secretary, Mr. Chan Sun Kwong, who is a fellow member of the Hong Kong Institute of Certified Public Accountants, will also assist Mr. Yip in overseeing the compliance matters. The Group has also engaged Messis Capital as the compliance adviser upon Listing to advise the Group on compliance matters in accordance with the GEM Listing Rules. The Company will arrange annual legal and compliance training prepared by qualified professionals for the Directors and senior management after the Listing. With regards to the non-compliance with the Government lease and occupation permit, (i) the use of the Group's leased and owned properties going forward; and (ii) all future agreements in relation to the lease or purchase of properties will be reviewed by the Group's compliance adviser, the Board and the Hong Kong Legal Advisers.

BUSINESS

With regards to the non-compliance in relation to the Predecessor Companies Ordinance, the compliance adviser will continue to supervise and oversee the work performed by the Group's company secretary and financial controller to ensure the ongoing compliance with the Predecessor Companies Ordinance. Taking into account (i) the qualifications and experience of Mr. Yip; (ii) the legal and compliance training attended and to be attended by Mr. Yip; (iii) assistance from the company secretary and external professionals, including legal advisers and the compliance adviser; and (iv) various internal control measures as mentioned in the section headed "Business — Internal control" to this prospectus, the Directors are of the view that Mr. Yip is capable of discharging his duties as the compliance officer.

Views of the Directors and Sponsor

Having considered (i) the background leading to the non-compliances of the permitted usage of the Premises under the relevant Government leases; (ii) the Counsel's opinion as aforementioned; (iii) the various internal control measures adopted by the Group to prevent any future non-compliance; and (iv) no illegal building works or illegal structures intended to change the usage of the Premises, which would give rise to prosecution against the Group and the Directors, had been carried out, the Directors are of the view, and the Sponsor concurs, that the non-compliances do not affect the character, experience and integrity of Mr. Yip to act as a director of a listed issuer under Rules 5.01 and 5.02 of the GEM Listing Rules and to act as the compliance officer of the Company; and the aforesaid non-compliances do not materially affect the suitability for the Company's listing under Rule 11.06 of the GEM Listing Rules.

LITIGATION

Set out below is a summary of the litigation and arbitration proceedings against the Group which took place during the Track Record Period and up to the Latest Practicable Date:

Completed legal proceeding during the Track Record Period

Legal action against KPa Engineering and others

On 29 November 2012, a subcontractor commenced a legal action in the District Court of HKSAR against KPa Engineering and another contractor for an indemnity and/or contribution in respect of the Employees' Compensation which it had paid to its employee arising out of an accident that happened at a construction site, of which KPa Engineering and the other contractor were the occupiers. The case was taken up by the insurance company. On 13 November 2013, a consent order was filed, pursuant to which KPa Engineering and the other contractor were ordered to pay the sum of approximately HK\$0.4 million for full and final settlement of the proceeding and KPa Engineering was discharged from all further liability in respect of the said accident upon the payment. The Directors confirmed that the sum payable by KPa Engineering was paid by the insurer.

Contractual dispute against KPa Engineering

On 28 May 2013, a subcontractor engaged by KPa Engineering to carry out construction works in Tseung Kwan O commenced a legal action in the High Court of HKSAR against KPa Engineering. In the said legal action, the parties could not agree on the value of the works completed, additional works and variations works completed. As a result, the final contract sum of the construction works was in dispute. The proceeding was later transferred to the District Court of the HKSAR upon the payment of

BUSINESS

approximately HK\$0.2 million by KPa Engineering to the subcontractor as part payment of the balance sum claimed that was due and outstanding. On 19 February 2014, a consent order was filed, according to which KPa Engineering paid the sum of approximately HK\$0.3 million to the said subcontractor on 20 February 2014 for full and final settlement of the said proceeding.

Ongoing legal proceeding as at the Latest Practicable Date

Employee's compensation claim and personal injury claim against KPa Engineering and others

An employee of KPa Engineering's subcontractor alleged that he had suffered multiple injuries including ring finger fracture, lumber spine fracture and elbow fracture when he was working at a construction site in Deep Water Bay. On 24 August 2012, he made an application to the District Court of HKSAR under the Employees' Compensation Ordinance against KPa Engineering and other contractors for, *inter alia*, compensation under sections 9, 10 and 10A of the Employees' Compensation Ordinance and to appeal under section 18 of the Employees' Compensation Ordinance against Form 9 issued by Employees' Compensation (Ordinary Assessment) Board. Further, on 28 January 2014, he made an application to the District Court of HKSAR under common law for damages arising from the personal injuries suffered by him. Since the two claims had been subrogated to the relevant insurer, the legal actions are being handled by the lawyers appointed by the relevant insurer, the Group is not in a position to assess the likely quantum of such potential claims. The Directors confirmed that the insurance cover maintained by the Group in relation to the industrial accident happened to this employee would be sufficient to cover all the liabilities in these legal proceeding.

Criminal prosecution against KPa Engineering and others

On 15 October 2013, the Labour Department alleged that KPa Engineering, being a contractor who had direct control over a construction site in Shum Shui Po, had failed to take adequate steps to prevent a worker from falling from a height of 2 metres or more when he was working on the bamboo scaffold at the external wall of the building under construction in the said location, as according to the prosecution's statements, a worker who wore safety harness but was found to have failed to anchor the safety harness to any independent lifeline or anchorage when working on a bamboo scaffold at the construction site. On 8 April 2014, KPa Engineering, together with the main contractor, were summoned by the Magistrates' Court of HKSAR for the alleged contraventions of Regulations 38B(1A), 68(1)(a) and 68(2)(g) under the Construction Sites (Safety) Regulation made under the Factories and Industrial Undertakings Ordinance. On 4 November 2014, the Group was held guilty and imposed a fine in the sum of HK\$11,000.00 (the "**Conviction**"). The Group disagreed with the Conviction and subsequently filed a notice of appeal on 11 November 2014 against the Conviction. The hearing of the appeal was held on 25 August 2015 and as at the Latest Practicable Date, the Directors had not yet received the judgement of the said appeal hearing. The Directors are of the opinion that there is no material financial impact to the Group as the penalty has been paid already.

BUSINESS

In relation to the possible adverse impact of the said regulatory prosecution upon the Group (if the conviction is sustained on appeal), the Company was advised by the Counsel, after taking into account the facts leading to such prosecution, that, *inter alia*:

- (i) as the regulatory prosecution does not fall under the criteria which warrant mandatory suspension from tendering of public works and removal from the list of registered contractors as set out in the Development Bureau Technical Circular (Works) No.3/2009 and the Contractor Management Handbook issued by the Development Bureau, KPa Engineering is therefore (a) unlikely to be precluded from the List of Approved Suppliers of Materials and Specialist Contractors for Public Works; and (b) not at real risk of not being awarded public works contracts in the future; and
- (ii) it was confirmed by a letter dated 2 June 2015 issued by the Buildings Department (the “**BD Letter**”) that KPa Engineering had no disciplinary record and no disciplinary action was being pursued against KPa Engineering. Pursuant to the BD Letter, no disciplinary action was initiated since the regulatory prosecution.

In relation to the extent that KPa Engineering’s criminal record would affect its ability to renew its Minor Works Contractor registration and the suitability of the contractor’s registration as a result of the Conviction, according to the advice from the Counsel, the Building Authority (“**BA**”) will make the assessment based on the criteria (the “**Assessment Criteria**”) set out in the Practice Note for Registered Contractor 69 (“**PN 69**”), which include, among others, seven or more convictions of a contractor within a rolling 6-month period or any criminal conviction that resulted in imprisonment for malpractice or misconduct in building works or construction related activities etc. If the BA finds it necessary, the BA will refer the application to the Minor Works Contractors Registration Committee (the “**MWCRC**”), an independent body appointed by the BA, for an interview and assessment.

Having sought the opinion of the Counsel, the Directors note that the relevant conviction of KPa Engineering (the “**Conviction**”) should not adversely affect or negate KPa Engineering’s Minor Works Contractor registration in light of the Assessment Criteria because the Conviction (i) is a minor one in terms of its nature and no personal injury was inflicted to any worker; (ii) is a single conviction related to labour safety offence involved by KPa Engineering within a rolling six-month period as opposed to the threshold of seven convictions or more within any rolling six-month period which would adversely affect the suitability of a contractor; (iii) did not result in a conviction leading to imprisonment for malpractice or misconduct in building works or construction related activities as expressly mentioned in the Assessment Criteria; and (iv) save for being a labour safety offence, the Conviction was not related to any other offences under the Assessment Criteria as set out in PN 69. After taking into consideration the Counsel’s advice, the Directors note that the BA will consider the suitability of individual minor works contractor in its renewal of registration based on the Assessment Criteria which are related to its compliance track record in totality.

Further, taking into account (i) circumstances of the incident which resulted in the regulatory prosecution and the fact it did not involve intentional misconduct, fraud, dishonesty or corruption on the part of the Directors and senior management of the Group; (ii) the Conviction was the only conviction of KPa Engineering within a rolling six-month period and was minor in nature without causing any injury or death to the worker who failed to anchor his safety belt to any independent lifeline or anchorage point; and (iii) the Group has adopted preventive measures to further reduce the risk of

BUSINESS

accidents which can lead to such regulatory prosecutions, the Directors are of the view, and the Sponsor concurs such view, that the current regulatory conviction does not and should not reflect, in any material respect, negatively on the ability and tendency of the Company. Hence, such Conviction, which is a regulatory criminal conviction by nature, should not constitute a systematic non-compliance on the part of KPa Engineering, nor prejudice its tendering of contracts in the future. For further information on the preventive measures taken by the Company, please refer to the section headed “Business — Additional safety measures adopted by the Group” to this prospectus. Based on the above, the Directors believe the potential adverse impact of the regulatory prosecution record on KPa Engineering is immaterial.

Potential claims and litigation against the Group as at the Latest Practicable Date

The Directors confirmed that a total of 13 workers were injured in their course of work with the Group in Hong Kong during the Track Record Period and up to the Latest Practicable Date, two of them were the employees of the Group and 11 of them were the employees of the subcontractors of the Group. One of the workers was injured outside the construction site.

As at the Latest Practicable date, out of these 13 injured workers:

With respect to the two injured workers who are the employees of the Group

- (i) two of them have not yet filed or made any application to any court in Hong Kong for either employee’s compensation or for damages arising from personal injuries under common law in Hong Kong as at the Latest Practicable Date. As the limitation period to make a claim under the Employees’ Compensation Ordinance (i.e. 24 months from the date of the accidents pursuant to the said ordinance) and under common law for personal injury (i.e. 36 months from the date of the accidents pursuant to the Limitation Ordinance) had not yet expired as at the Latest Practicable Date, these two injured workers are entitled to make the aforesaid claims against the Company.

With respect to the 11 injured workers who are the employees of the subcontractors of the Group

- (i) seven of them had reached settlement with the subcontractors, pursuant to which these injured workers had waived their right to claim for employees’ compensation under the Employees’ Compensation Ordinance and damages under civil proceedings.
- (ii) two of them had reached settlement with the main contractor, pursuant to which these injured workers had waived their right to claim for employees’ compensation under the Employees’ Compensation Ordinance and damages under civil proceedings.
- (iii) one of them had reached settlement with the relevant insurers upon their receipt of compensation under the Employees’ Compensation Ordinance. However, the said compensation does not exempt the liabilities of the Group under common law, and hence the injured worker is still entitled to claim against the Group under common law in Hong Kong for damages arising from the personal injuries within a limitation period of three years from the date of the relevant accident pursuant to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong). However, such claim should be covered by the main contractor’s insurance. The said limitation period had not expired yet as at the Latest Practicable Date. Should the potential claim materialise, pursuant to section 26 of the Employee’s

BUSINESS

Compensation Ordinance, the damages payable to such injured worker under common law would be reduced by the compensation already paid to him under the Employees' Compensation Ordinance. Nevertheless, the Directors confirmed that the Group's liabilities under common law would be sufficiently covered by the main contractor's insurance.

- (iv) one of them, to the best knowledge of the Directors, had not yet filed or made any application to any court in Hong Kong for either employee's compensation or for damages arising from personal injuries under common law in Hong Kong as at the Latest Practicable Date. As the limitation period to make a claim under the Employees' Compensation Ordinance (i.e. 24 months from the date of the accident pursuant to the said ordinance) and under common law for personal injury (i.e. 36 months from the date of the accident pursuant to the Limitation Ordinance) had not yet expired as at the Latest Practicable Date, such injured worker is entitled to make the aforesaid claims against the Company.

With respect to the above-mentioned potential claims against the Group, since no filing or application has yet been made to any court in Hong Kong against the Group for either employee's compensation and/or for damages arising from personal injuries under common law in Hong Kong as at the Latest Practicable Date and such claims, when being filed, will be subrogated to the insurer and handled by lawyers appointed by the relevant insurers of the Group (with respect to the Group's employee who had suffered injury outside the construction site) or the insurers of the main contractors of the Group (with respect to the workers who had suffered injuries at the construction site), hence the Directors are not in the position to assess the likely quantum of such potential claims. In any event, all such potential claims are expected to be fully covered by the insurance either maintained by the Group or by the main contractors, as the case may be. As at the Latest Practicable Date, the Directors confirmed that these insurance policies are valid and subsisting and the respective insurers have been notified of the above-mentioned incidents.

Save as disclosed under the section headed "Business — Litigation" to this prospectus, no member of the Group or any of the Directors was engaged or involved in any claim, litigation, arbitration, bankruptcy or receivership proceedings which is of material importance to the Group during the Track Record Period and up to the Latest Practicable Date. Save for those potential claims set out above, no member of the Group or any of the Directors is threatened by any potential claim, litigation, arbitration, bankruptcy or receivership proceeding, which is of material importance, during the Track Record Period and as at the Latest Practicable Date.

CONNECTED TRANSACTIONS

OVERVIEW

During the Track Record Period, the Group entered into certain transactions with the connected persons of the Company. Several transactions are not expected to continue after the Listing Date whilst the rest will continue and constitute continuing connected transactions (as defined under Chapter 20 of the GEM Listing Rules) of the Company upon the Listing. Set out below is a summary of the discontinued connected transactions and continuing connected transactions:

Item	Type	Connected person	Nature of transactions	Connected transaction historical amounts	
				Year ended 31 March	
				2014	2015
				<i>HK\$'000</i>	<i>HK\$'000</i>
1	Discontinued connected transaction	Wonder Asia Development Limited 冠亞發展有限公司 ("Wonder Asia")	Lease of premises by KPa Engineering from Wonder Asia	348	348
2	Discontinued connected transaction	Hillford	Identify potential suppliers in the PRC for the Group	140	140
3	Exempt continuing connected transaction	BuildMax (SZ)	Lease of premises by BuildMax (SZ) as lessor to KPa (SZ) as lessee	Nil	Nil
4	Non-exempt continuing connected transaction	BuildMax (SZ)	Supply and sale of building material products to the Group	14,514	11,886

RELATIONSHIP BETWEEN THE GROUP AND THE CONNECTED PERSONS

The following entities will be connected persons of the Company under the GEM Listing Rules upon Listing.

Wonder Asia

Wonder Asia is a limited liability company incorporated in Hong Kong which is principally engaged in property holding. It is owned as to 50.0% by Mr. Wai and 50.0% by Ms. Wu.

Mr. Wai is an executive Director and a Controlling Shareholder. Ms. Wu is the spouse of Mr. Wai. As each of Mr. Wai and Ms. Wu is holding more than 30.0% shareholding interests in Wonder Asia, Wonder Asia is therefore considered as an associate of Mr. Wai and Ms. Wu and a connected person of the Company under Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

Hillford

Hillford is a company incorporated in Hong Kong with limited liability which is, as at the Latest Practicable Date, an investment holding company holding 75.0% of the equity interest of BuildMax (SZ). Hillford is owned as to approximately 26.7% by Mr. Lui, approximately 26.7% by Mr. Wai, approximately 26.7% by Mr. Yip, approximately 15.0% by Mr. Liu and approximately 5.0% by Mr. Chan.

As (i) Mr. Lui, Mr. Wai and Mr. Yip are executive Directors and Controlling Shareholders and hence are connected persons of the Company; and (ii) Mr. Lui, Mr. Wai and Mr. Yip together hold over 30.0% shareholding interest in Hillford, Hillford is therefore considered as an associate of Mr. Lui, Mr. Wai and Mr. Yip and a connected person of the Company under Chapter 20 of the GEM Listing Rules.

BuildMax (SZ)

BuildMax (SZ) is a sino-foreign equity joint venture enterprise established in the PRC which is principally engaged in (i) the processing, fabrication and manufacturing of building material products in the PRC; and (ii) the sales and supply of building material products predominantly to the Group in Hong Kong and to customers in the PRC. It is owned as to 75.0% by Hillford and 25.0% by an Independent Third Party.

As (i) Hillford is, by reasons aforementioned, a connected person of the Company; and (ii) over 30.0% equity interest of BuildMax (SZ) is held by Hillford, BuildMax (SZ) is therefore considered as an associate of Mr. Lui, Mr. Wai and Mr. Yip and a connected person of the Company under Chapter 20 of the GEM Listing Rules.

DISCONTINUED CONNECTED TRANSACTIONS

During the Track Record Period and up to the Latest Practicable Date, the Group had the following transactions with the connected persons of the Company. These transactions are not expected to continue after Listing.

1. Identification service fees paid to Hillford

During the Track Record Period, the Group had engaged Hillford to identify potential building material products suppliers in the PRC as the Group did not retain any procurement team in the PRC. During the Track Record Period, the amount of procurement by the Group assisted by Hillford amounted to HK\$3.5 million and HK\$2.8 million, representing approximately 4.8% and 3.9% of the Group's total material and processing charges, respectively. In view of setting up KPa (SZ) in Shenzhen in March 2015 and KPa (SZ) have recruited two experienced staff for its procurement needs since its commencement of business, the Directors considered that KPa (SZ) would be able to take up the role of Hillford to identify potential suppliers in the PRC and therefore terminated the business relationship with Hillford. Given that (i) Hillford was only engaged to identify potential suppliers for the Group during the Track Record Period; and (ii) all the purchase orders were in fact placed by the Group onto the suppliers directly, the Directors considered that the termination of business relationship between Hillford and the Group has no material adverse impact on the existing business operation of the Group. There was no long term agreement entered into between Hillford and the Group. Instead, at the end of each calendar year, Hillford would issue to the Group debit notes in the aggregate fixed sum of

CONNECTED TRANSACTIONS

HK\$140,000, representing the service charge for identification of potential building material products suppliers in the PRC during the year. As a result, Hillford charged against the Group an aggregate of HK\$140,000 and HK\$140,000 for the years ended 31 March 2014 and 2015 respectively. The Directors considered the fees charged by Hillford to be reasonable, fair and on normal commercial terms.

The Group no longer engaged Hillford to provide the identification service after 31 December 2014, and the Group ceased to have any business relationship with Hillford thereafter.

2. Lease between KPa Engineering and Wonder Asia

On 1 April 2013, KPa Engineering as tenant and Wonder Asia as landlord entered into a lease agreement for the leasing of the property located at Flat A, Level 12 of Block 5, Peak One, 63 Mei Tin Road, Shatin, New Territories, Hong Kong for a term of two years from 1 April 2013 to 31 March 2015 at a monthly rent of HK\$29,000 exclusive of management fees, rates, government rent and property tax. The Directors and the Sponsor considered that the terms of the lease agreement were fair and reasonable and on normal commercial terms.

The lease agreement was not renewed upon its expiry on 31 March 2015 and the Group ceased to have any business relationship with Wonder Asia thereafter.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Upon Listing, the following transaction will be regarded as exempted continuing connected transactions of the Group under Chapter 20 of the GEM Listing Rules.

3. The PRC Lease Agreement

On 14 July 2015, BuildMax (SZ) as lessor and KPa (SZ) as lessee entered into the lease agreement (the “**PRC Lease Agreement**”) for the leasing of the property located at Unit 1508, Reith International Building, Luohu District, Shenzhen City, Guangdong Province, PRC for a term commencing from 14 July 2015 to 31 March 2018 at a monthly rent of RMB16,300 exclusive of building management fee, property taxes and other expenses.

Upon the expiry of the term mentioned above, if KPa (SZ) wishes to renew the lease, it shall give BuildMax (SZ) a written notice one month prior to the expiry of such term. KPa (SZ) will be given the priority to renew the lease in case the terms offered by the Group and other potential leases are the same.

The monthly rental of RMB16,300 was determined after arm length’s negotiations between the parties with reference to the then prevailing market conditions and the rental rate of similar properties in the vicinity. The independent property valuer has reviewed the PRC Lease Agreement and confirmed that the rent payable under the PRC Lease Agreement is fair and reasonable and is consistent with prevailing market rates for similar premises in similar locations and consistent with the terms of the PRC Lease Agreement, which are on normal commercial terms.

CONNECTED TRANSACTIONS

The PRC Lease Agreement will continue after Listing. It is proposed that the annual caps for the rental payable under the PRC Lease Agreement will be RMB195,600 for each of the three years ending 31 March 2018. The annual caps were arrived with reference to the actual rental payable under the PRC Lease Agreement.

As each of the applicable percentage ratio(s) (as defined in Rule 19.07 of the GEM Listing Rules) (other than the profit ratio) with respect to the transaction contemplated under the PRC Lease Agreement is on an annual basis less than 5% and the annual consideration is less than HK\$3,000,000, the transaction is fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Should the annual rental payable exceeds the relevant threshold, the Company will comply with the GEM Listing Rules where applicable.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon Listing, the following transaction will be regarded as non-exempt continuing connected transactions of the Group under Chapter 20 of the GEM Listing Rules.

4. The Master Supply Agreement

Background and principal terms

During the Track Record Period, BuildMax (SZ) supplied and sold building material products to the Group. There was no long-term agreement between the Group and BuildMax (SZ) and the Group placed purchase orders with BuildMax (SZ) on separate occasions with relevant purchase price agreed between the parties after arm's length negotiation from time to time.

On 15 September 2015, the Company (for itself and other group companies) entered into a master supply agreement (the "**Master Supply Agreement**") with BuildMax (SZ), pursuant to which BuildMax (SZ) agreed to sell and/or supply and the Company (for itself and other group companies) agreed to purchase on a non-exclusive basis building material products, which have been processed, fabricated or manufactured by BuildMax (SZ) in accordance with the specifications provided by the Group at the purchase price set out in each individual purchase order (the "**Purchaser Order**") as may from time to time be offered by the Group and accepted by BuildMax (SZ).

The purchase price in each Purchase Order placed by the Group to BuildMax (SZ) include (i) the cost of the raw materials procured by BuildMax (SZ); and (ii) the fees charged by BuildMax (SZ) for the processing, fabricating or manufacturing of the building material products in accordance with the specifications provided by the Group. The purchase price shall be determined after arm's length negotiations between BuildMax (SZ) and the Group from time to time with reference to the then prevailing market price of similar products in the market and that in any event shall be no less favourable to the Group than that offered to Independent Third Parties by BuildMax (SZ). The Directors confirmed that the transactions with BuildMax (SZ) during the Track Record Period were (i) conducted on normal commercial terms; (ii) carried out in the Group's ordinary and usual course of business; and (iii) fair and reasonable, and in the interest of the Shareholders as a whole.

CONNECTED TRANSACTIONS

The terms of the Master Supply Agreement commenced on the Listing Date and will expire on 31 March 2018. Either party may terminate the Master Supply Agreement by serving a notice of not less than three months to the other.

Reasons for and benefits of entering into the Master Supply Agreement by the Company

BuildMax (SZ) had been supplying building material products to the Group since 2011 for the Group's (i) design and build business and (ii) building material product trading business. Taking into account (i) the building material products supplied by BuildMax (SZ) in the past were good quality in general; and (ii) the stable business relationship between BuildMax (SZ) and the Group, the Directors consider that the entering into the Master Supply Agreement with BuildMax (SZ) would allow the Group to maintain a stable supply of building material products for its businesses. Further, the Directors confirmed that the terms of the Master Supply Agreement are fair and reasonable, on normal commercial terms and in the interest of the Group and the Shareholders as a whole.

Annual caps for the three financial years ending 31 March 2018

The relevant historical transaction amounts paid by the Group to BuildMax (SZ) for the supply and sale of building material products for the two years ended 31 March 2015 were approximately HK\$14.5 million and HK\$11.9 million, respectively. The Directors estimate that the annual amount payable by the Group to BuildMax (SZ) under the Master Supply Agreement for the three years ending 31 March 2018 will not exceed HK\$15.0 million, HK\$15.0 million and HK\$15.0 million, respectively. In determining the annual caps, the Directors have considered (i) the historical transaction amounts for the purchase of building material products from BuildMax (SZ) for the two years ended 31 March 2015; (ii) the future expansion of the Group's business which is expected to result in the increase in demand for building material products; and (iii) the expected increase in the prices of building material products for the three years ending 31 March 2018.

GEM Listing Rules Implication

Since the applicable percentage ratios (as defined in Rule 19.07 of the GEM Listing Rules) (other than the profit ratio) for the transaction contemplated under the Master Supply Agreement for each of the three financial years ending 31 March 2018 will exceed 5% on an annual basis and the annual consideration is more than HK\$10 million, the exemptions for de minimis transaction under Rule 20.24 of the GEM Listing Rules are not applicable to the transactions under the Master Supply Agreement and they are therefore subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

Waiver from the Stock Exchange

Given that the Master Supply Agreement will be carried out following Listing on a recurring basis, the Directors consider that it would be unduly burdensome and impracticable, and would increase the Company's administrative costs if the continuing connected transaction under the Master Supply

CONNECTED TRANSACTIONS

Agreement is subject to strict compliance with the requirements set out under Chapter 20 of the GEM Listing Rules, including, among other things, the requirement for publishing an announcement and obtaining approval of the independent Shareholders.

Accordingly, the Company has applied to the Stock Exchange for a waiver pursuant to Rule 20.103 of the GEM Listing Rules to exempt the transactions under the Master Supply Agreement from strict compliance with the relevant announcement and independent shareholders' approval requirements for the three years ending 31 March 2018, subject to the following conditions:

- (a) the annual cap amounts for the continuing connected transactions under the Master Supply Agreement for each of the three years ending 31 March 2018 as stated above will not be exceeded;
- (b) the Company will comply with the relevant requirements under Chapter 20 of the GEM Listing Rules in relation to the transaction under the Master Supply Agreement including the proposed annual caps set out above, and if any of material terms of such continuing connected transactions is altered and/or if the Group enters into any new continuing connected transactions with BuildMax (SZ) in the future resulting in the aggregate annual consideration paid or payable by the Group to BuildMax (SZ) in any of the three years ending 31 March 2018 exceeds any of the proposed annual caps set out above, the Company will issue an announcement, circular and seek independent shareholders' approval regarding this alteration and/or the new cap for compliance with the applicable requirements under Chapter 20 of the GEM Listing Rules;
- (c) upon expiry of the waiver granted for the period ending 31 March 2018 for the Master Supply Agreement, the Company will comply with the relevant requirements under Chapter 20 of the GEM Listing Rules; and
- (d) in the event of any further amendments to the GEM Listing Rules which impose more stringent requirements than those as of the date of this submission on the continuing connected transactions, the Company will take appropriate steps to ensure compliance with such requirement within a reasonable time.

The Stock Exchange has granted the waiver set out above.

CONFIRMATION FROM THE DIRECTORS

The Directors (including the independent non-executive Directors) confirmed that the continuing connected transactions under the PRC Lease Agreement and the Master Supply Agreement as described above have been entered into in the ordinary and usual course of business of the Group and have been based on arm's length negotiations and on normal commercial terms that are fair and reasonable, the respective terms of the PRC Lease Agreement and the Master Supply Agreement and their respective annual caps as mentioned above are fair and reasonable and in the interests of the Shareholders as a whole.

CONNECTED TRANSACTIONS

CONFIRMATION FROM THE SPONSOR

The Sponsor has reviewed the relevant documents, information and historical figures provided by the Company and has participated in due diligence and discussions with the Company and its legal advisers. Based on the above, the Sponsor is of the view that the continuing connected transactions under the PRC Lease Agreement and the Master Supply Agreement (i) have been entered into in the ordinary and usual course of business of the Group; (ii) are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the respective proposed annual caps for the continuing connected transactions under the PRC Lease Agreement and the Master Supply Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board consists of three executive Directors and three independent non-executive Directors. The following table sets forth the information regarding the Directors:

Name	Age	Date of joining the Group	Date of appointment as a Director	Position	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Mr. YIP Pak Hung (葉柏雄)	56	16 January 1993	15 May 2015	Executive Director, Chairman of the Board and the compliance officer	Overall management and corporate policy making of the Group's business operations	Nil
Mr. WAI Yat Kin (韋日堅)	55	12 December 1991	15 May 2015	Executive Director and Chief Executive Officer	Overall strategic planning, management and administration of the Group's business operations	Nil
Mr. LUI Bun Yuen, Danny (呂品源)	51	14 January 1992	15 May 2015	Executive Director	Overall management of the Group's business operations and development	Nil
Ms. LAI Pik Chi, Peggy (黎碧芝)	50	22 September 2015	22 September 2015	Independent non-executive Director	Providing independent judgment on the Group's strategy, performance, resources and standard of conduct	Nil
Mr. LAM Chi Wai, Peter (林志偉)	55	22 September 2015	22 September 2015	Independent non-executive Director	Providing independent judgment on the Group's strategy, performance, resources and standard of conduct	Nil
Dr. YEUNG Kit Ming (楊傑明)	57	22 September 2015	22 September 2015	Independent non-executive Director	Providing independent judgment on the Group's strategy, performance, resources and standard of conduct	Nil

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. YIP Pak Hung (葉柏雄), aged 56, was appointed as a Director on 15 May 2015 and then was appointed as an executive Director, chairman of the Board and the compliance officer of the Company on 26 June 2015. Mr. Yip is primarily responsible for the overall management and corporate policy making of the Group's business operations. He is also a director of AcouSystem, BuildMax (HK), KPa Contracting, KPa Engineering, KPa (HK), Light Dimension, Sun Pool and Youkang.

Mr. Yip obtained a bachelor degree of arts from the faculty of science and mathematics of University of Windsor in Canada in June 1983. He joined the Group and was appointed as a director of KPa Engineering on 16 January 1993. Prior to joining the Group, Mr. Yip has accumulated approximately 8 years of sales experience in different industries from 1984 to 1992. Mr. Yip has more than 20 years of experience in the structural engineering and construction industry. He has held a leadership role in the overall management and administration of the Group's business operation since he joined the Group.

Mr. Yip has been a director of Constar Engineering Limited ("Constar"), a private company incorporated in Hong Kong in 1994, and was subsequently struck off by the Company Registry as a defunct company and was dissolved on 5 September 2003 pursuant to section 291 of the Predecessor Companies Ordinance. Constar was set up to market and promote the flagpole business. However, owing to (i) the comparatively small scale of the flagpole business of Constar; and (ii) the fact that Constar had not carried out any substantial business since incorporation, Constar subsequently became a defunct company. Pursuant to section 291 of the Predecessor Companies Ordinance, where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or in operation, the Registrar may strike the name of the company off the register after the expiration of a specified period. Mr. Yip confirmed that the said company was solvent and it had not carried out any substantial business at the time of it being struck off.

Mr. WAI Yat Kin (韋日堅), aged 55, was appointed as a Director on 15 May 2015 and then was appointed as an executive Director and the chief executive officer of the Company on 26 June 2015. Mr. Wai is the co-founder of the Group and is primarily responsible for the overall strategic planning, management and administration of the Group's business operations. He is also a director of AcouSystem, BuildMax (HK), KPa Contracting, KPa Engineering, KPa (HK), Light Dimension, Sun Pool and Youkang.

Mr. Wai completed his secondary education in Hong Kong in 1978. He has more than 25 years of experience in the structural engineering and construction industry. Prior to founding the Group, Mr. Wai was employed by Tak Cheong (Yau Kee) Engineering Limited as a sales manager for the department of waterproofing product and skylight and metal work product during November 1988 to January 1992. Mr. Wai has handled and overseen numerous construction projects undertaken by the Group and he has extensive knowledge in business development of building material products.

Mr. LUI Bun Yuen, Danny (呂品源), aged 51, was appointed as a Director on 15 May 2015 and then was appointed as an executive Director of the Company on 26 June 2015. Mr. Lui is primarily responsible for the overall management of the Group's business operations and development. He is also a director of AcouSystem, BuildMax (HK), KPa Contracting, KPa Engineering, KPa (HK), KPa (SZ), Light Dimension, Sun Pool and Youkang.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lui completed his secondary education in Hong Kong in 1981. Mr. Lui has more than 30 years of experience in the structural engineering and construction industry. Prior to joining the Group, Mr. Lui has served as a draftsman in several construction and drafting companies. Mr. Lui was employed by Brian Clouston and Partners Hong Kong as a draftsman from October 1982 to February 1985. Mr. Lui was employed by Tak Cheong (Yau Kee) Engineering Limited as a contract co-ordinator in June 1985 and was subsequently promoted to the position as a sales engineer in June 1986 and remained in that position until he left such company in May 1989. From 1990 to 1992, Mr. Lui worked for a foreign exchange company as a broker and a Japanese glass trading company as a sales executive. He joined the Group and was appointed as a director of KPa Engineering on 14 January 1992. Mr. Lui has handled and overseen numerous construction projects undertaken by the Group, he is responsible for the overall management of the Group's operations and development.

Independent non-executive Directors

Ms. LAI Pik Chi, Peggy (黎碧芝), aged 50, was appointed as an independent non-executive Director on 22 September 2015 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. She is the chairman of the audit committee and a member of both the remuneration committee and the nomination committee of the Company. Ms. Lai obtained a master degree of business administration from the University of Manchester in the United Kingdom in June 2010. She is a fellow member of the Association of Chartered Certified Accountants and an associate member of both the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Ms. Lai has over 20 years of auditing, accounting, financial management experience. She was employed by Chung Nam Watch Co., Ltd. as the financial controller from November 2004 to June 2008. Ms. Lai served as an executive director from October 2008 to May 2011, and the chairman of the board from January 2009 to May 2011 of Mandarin Entertainment (Holdings) Limited (now known as Cheung Wo International Holdings Limited) (stock code: 9), a company listed on the Main Board. She is currently the chief financial officer and company secretary of CIG Yangtze Ports PLC (stock code: 8233), a company listed on GEM.

Mr. LAM Chi Wai, Peter (林志偉), aged 55, was appointed as an independent non-executive Director on 22 September 2015 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. He is the chairman of the remuneration committee and a member of both the audit committee and the nomination committee of the Company. Mr. Lam obtained a diploma in business administration from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1986. Mr. Lam also obtained a bachelor degree of business administration from Hong Kong Shue Yan University in October 2010. He is an affiliate member of the Chartered Institute of Marketing.

Mr. Lam has approximately 20 years of experience in sales and marketing in the timepiece industry. From 1986 to 1995, he worked in the sales and/or marketing department for various watch trading companies. In 1995, Mr. Lam and his business partners set up a watch-selling business and its holding company, Powerwell Pacific Holdings Limited (stock code: 8265), subsequently listed on GEM on 26 January 2011 and he was appointed as an executive director of that holding company from July 2010 to September 2014.

DIRECTORS AND SENIOR MANAGEMENT

Dr. YEUNG Kit Ming (楊傑明), aged 57, was appointed as an independent non-executive Director on 22 September 2015 and is responsible for providing independent judgment on the Group's strategy, performance, resources and standard of conduct. He is the chairman of the nomination committee and a member of both the audit committee and the remuneration committee of the Company. Dr. Yeung obtained his bachelor degree of science from the University of Hong Kong in November 1981 and a doctoral degree in philosophy from University of California, San Diego in the US in June 1987. From August 1990 to September 2004, Dr. Yeung worked at the Chinese University of Hong Kong as a lecturer and later became a teaching fellow.

Disclosure required under Rule 17.50(2) of the GEM Listing Rules

Save as disclosed above, each of the Directors confirm with respect to him/her that: (i) he/she has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he/she does not hold any other position in the Company or any of its subsidiaries; (iii) save as disclosed in the section headed "Further information about Directors, management and staff — Disclosure of interests of Directors" as set out in Appendix V to this prospectus, he/she does not have any interests in the Shares within the meaning of Part XV of the SFO; (iv) there is no other information that should be disclosed for pursuant to Rule 17.50(2) of the GEM Listing Rules; and (v) to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT

The following table sets forth the information regarding the senior management team of the Group:

<u>Name</u>	<u>Age</u>	<u>Date of joining the Group</u>	<u>Position</u>	<u>Relationship with other Director(s) and/or senior management</u>
Mr. YIP Pak Hung (葉柏雄)	56	16 January 1993	Executive Director and Chairman of the Board	Nil
Mr. WAI Yat Kin (韋日堅)	55	12 December 1991	Executive Director and Chief executive officer	Nil
Mr. LUI Bun Yuen, Danny (呂品源)	51	14 January 1992	Executive Director	Nil
Mr. LIU Yuen Wai (廖遠維)	42	15 August 2001	General manager	Nil
Mr. CHAN Chi Ming (陳志明)	44	10 August 1992	Project manager	Nil
Mr. TSUNG Shu Sin (叢書善)	58	18 April 2005	Project manager	Nil
Mr. CHAN Ngai Fan (陳毅奮)	35	15 May 2015	Financial controller	Nil
Mr. CHAN Sun Kwong (陳晨光)	48	26 June 2015	Company secretary	Nil

DIRECTORS AND SENIOR MANAGEMENT

Mr. YIP Pak Hung (葉柏雄) is an executive Director of the Company and the chairman of the Board. For his biographical information, please refer to the section headed “Directors and senior management — Directors — Executive Directors” above.

Mr. WAI Yat Kin (韋日堅) is an executive Director and the chief executive officer of the Company. For his biographical information, please refer to the section headed “Directors and senior management — Directors — Executive Directors” above.

Mr. LUI Bun Yuen, Danny (呂品源) is an executive Director of the Company. For his biographical information, please refer to the section headed “Directors and senior management — Directors — Executive Directors” above.

Mr. LIU Yuen Wai (廖遠維), aged 42, is the general manager of the Group and is primarily responsible for overseeing the management and operation of the Group’s business segment in relation to trading of building material products. Mr. Liu is also a director of BuildMax (HK).

Mr. Liu obtained a diploma in civil engineering technology from Humber College in Canada in June 1994. He has over 14 years of experience in the building material products industry. Prior to joining the Group, he worked as a project engineer and a project manager in an engineering company. Mr. Liu has not held any directorship in any public listed company in the past three years immediately preceding the date of this prospectus.

Mr. CHAN Chi Ming (陳志明), aged 44, is a project manager of the Group and is primarily responsible for the overall management of site works, quality control and work safety supervision in relation to the design and build projects of the Group. Mr. Chan is also a director of BuildMax (HK) and is primarily responsible for the supervision of the operation of the Group’s business segment in relation to trading of building material products.

Mr. Chan completed his secondary education in Hong Kong in 1988. He has over 20 years of experience in the structural engineering and building material products industry. Mr. Chan was first employed by the Group as a draftsman in August 1992 and was subsequently promoted to the position as an assistant project manager and project manager in July 1997 and May 2004 respectively. Mr. Chan has not held any directorship in any public listed company during the three years immediately preceding the date of this prospectus.

Mr. TSUNG Shu Sin (叢書善), aged 58, is a project manager of the Group. He is primarily responsible for the overall management of site works, quality control and work safety supervision over the design and build projects of the Group. Mr. Tsung has over 20 years of experience in the structural engineering industry. He joined the Group in April 2005 as a project manager. Prior to joining the Group, Mr. Tsung had been employed by several construction companies where he was responsible for supervision of site works and overall management of construction projects. Mr. Tsung has over 20 years of experience in project management and site supervision in the structural engineering industry.

Mr. Tsung obtained a bachelor degree of science in architectural engineering from the University of Texas at Austin, United States in December 1985 and a master of engineering in civil engineering from the University of Texas at Arlington, United States in December 1989. He has been a member of The Chartered Institute of Building since May 2005. Mr. Tsung has not held any directorship in any public listed company during the three years immediately preceding the date of this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

Mr. CHAN Ngai Fan (陳毅奮), aged 35, is the financial controller of the Group and is responsible for the financial reporting, treasury, financial control matters of the Group. Mr. Chan has over 12 years of experience in auditing, accounting and financial management. During August 2007 to February 2011, Mr. Chan worked in the Assurance Department of an international accounting firm and his last position held was assistant manager — assurance. Prior to joining the Group, he was the financial controller of a private company in the PRC.

Mr. Chan obtained a bachelor degree of arts in accountancy and a master degree of corporate governance from The Hong Kong Polytechnic University in December 2007 and October 2013 respectively. He has been a member of the Hong Kong Institute of Certified Public Accountants since February 2011 and is registered as a certified public accountant since January 2015. Mr. Chan has not held any directorship in any public listed company during the three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Mr. CHAN Sun Kwong (陳晨光), aged 48, is the company secretary of the Group. He is primarily responsible for the company secretarial matters of the Group. Mr. Chan has over 20 years of experience in accounting, auditing, banking and company secretarial fields. For the period from January 1992 to March 1998, Mr. Chan served as financial controller (last position) in UDL Management Limited. He also served as company secretary of UDL Holdings Limited (stock code: 620) from January 1992 to September 1997 and as company secretary of KEL Holdings Limited (now known as Chinese People Holdings Company Limited) (stock code: 681) from March 1997 to September 1997. He has been the sole proprietor of Ken Chan & Co. Certified Public Accountants, since July 1998. He also served as company secretary of Ming Hing Holdings Limited (now known as Peace Map Holding Limited) (stock code: 402) from November 2005 to October 2006, an independent non-executive director of Anex International Holdings Limited (now known as Sustainable Forest Holdings Limited) (stock code: 723) from February 2006 to January 2008 and company secretary of Powerwell Pacific Holdings Limited (stock code: 8265) from December 2010 to September 2014. He was the company secretary and an executive director of Sam Woo Holdings Limited (now known as Noble Century Investment Holdings Limited) (stock code: 2322) from March 2003 to June 2011. Mr. Chan served as an independent non-executive director of Creative Energy Solutions Holdings Limited (stock code: 8109) from July 2010 to November 2010 and Megalogic Technology Holdings Limited (stock code: 8242) from December 2011 to April 2015.

Mr. Chan currently holds the following positions in the companies listed on the Stock Exchange:

<u>Company</u>	<u>Stock Code</u>	<u>Position currently held by Mr. Chan</u>
Pak Tak International Limited	2668	Independent non-executive Director
Sam Woo Construction Group Limited	3822	Company secretary

Mr. Chan obtained a diploma of business administration from the Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1990. He is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators in the

DIRECTORS AND SENIOR MANAGEMENT

United Kingdom, the Chartered Association of Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. Mr. Chan is also an accredited mediator of The Hong Kong Mediation Centre.

COMPLIANCE OFFICER

Mr. Yip is the compliance officer of the Group. For his biographical information, please refer to the section headed “Directors and senior management — Directors — Executive Directors” above. For Mr. Yip’s capability to discharge his duties as the compliance officer, please refer to the section headed “Business — Non-compliance — The implications of possible non-compliances on the Directors’ integrity, competence and suitability to act as directors of the Company and Mr. Yip’s suitability to act as the compliance officer.”

REMUNERATION POLICY

The executive Directors, the independent non-executive Directors and senior management receive compensation in the form of fees, salaries, contributions to pension schemes, other allowances, other benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and performance of the Directors and senior management, as well as the performance of the Group. The Group also reimburses the Directors and senior management for expenses which are necessarily and reasonably incurred for provision of services to the Group or executing their functions in relation to the Group’s operations. The Group regularly reviews and determines the remuneration and compensation packages of the Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, respective responsibilities of the Directors and performance of the Group.

After the Listing, the remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their experience, responsibilities, workload, time devoted to the Group and performance of the Group. The Directors may also be offered options under the Share Option Scheme.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, the aggregate amount of remuneration, including fees, salaries, contributions to pension schemes, other allowances, other benefits in kind and/or discretionary bonuses, paid to the Directors were approximately HK\$4.6 million and HK\$3.7 million, respectively. The emoluments of the Directors during the Track Record Period are set out as below:

	For the year ended 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and other benefits	3,995	3,646
Discretionary bonuses	526	—
Pension schemes contributions	45	57
	<u>4,566</u>	<u>3,703</u>

DIRECTORS AND SENIOR MANAGEMENT

Among the Group's five highest paid individuals during the Track Record Period, three of them were the Group's Directors whose emoluments are disclosed above. Set out below is the summary of the emoluments in respect of the remaining two highest paid individuals during the Track Record Period:

	For the year ended	
	31 March	
	2014	2015
	HK\$'000	HK\$'000
Salaries, allowances and other benefits	1,680	1,498
Contribution to pension scheme	<u>30</u>	<u>53</u>
	<u>1,710</u>	<u>1,551</u>

The emoluments of each of the aforementioned two non-Director highest paid individuals were below HK\$1,000,000.

Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment of any discretionary benefits or bonus or other fringe benefits) payable by the Group to each of the Directors will be as below:

	HK\$
Executive Directors	
Mr. Yip	1,690,000
Mr. Wai	1,690,000
Mr. Lui	1,690,000
	HK\$
Independent non-executive Directors	
Ms. Lai Pik Chi, Peggy	180,000
Mr. Lam Chi Wai, Peter	180,000
Dr. Yeung Kit Ming	180,000

During the Track Record Period, no emoluments were paid by the Group to the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office as a director or management of any members of the Group.

BOARD COMMITTEES

Audit Committee

The Company established the audit committee on 22 September 2015 with written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises three independent non-executive Directors, namely Ms. Lai Pik Chi, Peggy, Mr. Lam Chi Wai, Peter and Dr. Yeung Kit Ming with Ms. Lai Pik Chi, Peggy being the chairman of the audit committee. The duties of the audit committee include reviewing, in draft form, the annual report and accounts, half-year report and

DIRECTORS AND SENIOR MANAGEMENT

quarterly reports and providing advice and comments to the Board. In this regard, members of the audit committee will liaise with the Board, the senior management, the reporting accountants and auditors. The audit committee will also consider any significant or usual items that are, or may need to be, reflected in such reports and accounts and give consideration to any matters that have been raised by the accounting staff, compliance officers or auditors. Members of the audit committee are also responsible for reviewing the Group's financial reporting process and internal control system.

Remuneration Committee

The Company established the remuneration committee on 22 September 2015 which, at present, comprises Ms. Lai Pik Chi, Peggy, Mr. Lam Chi Wai, Peter and Dr. Yeung Kit Ming with Mr. Lam Chi Wai, Peter being the chairman of the committee. Written terms of reference in compliance with paragraph B.1.2 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules have been adopted. Amongst other things, the primary duties of the remuneration committee are to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of independent non-executive Directors.

Nomination Committee

The Company established the nomination committee on 22 September 2015. The nomination committee comprises Ms. Lai Pik Chi, Peggy, Mr. Lam Chi Wai, Peter and Dr. Yeung Kit Ming. Dr. Yeung Kit Ming has been appointed as the chairman of the nomination committee. Written terms of reference in compliance with paragraph A.5.2 of the Code on Corporate Governance Practices as set out in Appendix 15 to GEM Listing Rules have been adopted. The nomination committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for the Directors.

CORPORATE GOVERNANCE

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Group will comply with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules and the associated GEM Listing Rules.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Messis Capital to be the compliance adviser, who will have access to all relevant records and information relating to the Group that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Group must consult with and, if necessary, seek advice from the compliance adviser on a timely basis 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 by the Group, including share issues and share repurchases;

DIRECTORS AND SENIOR MANAGEMENT

- (iii) where the Group proposes to use the proceeds of the Placing in a manner different from that detailed in this prospectus or where the business activities, developments or results of the Group deviate from any forecast, estimate or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of the Company under Rule 17.11 of the GEM Listing Rules.

The terms of appointment shall commence on the Listing Date and end on the date on which the Group complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year after the Listing Date, or until the agreement is terminated, whichever is the earlier.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Placing (without taking into account Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), (i) each of Mr. Lui, Mr. Wai and Mr. Yip will be interested in 75% of the issued share capital of the Company through the shareholding interests held personally, interests held jointly with each other by virtue of their acting in concert arrangements and the interests held through Success Wing; and (ii) Success Wing will be interested in 61.5% of the issued share capital of the Company. Therefore, Mr. Lui, Mr. Wai, Mr. Yip and Success Wing are the Controlling Shareholders of the Company.

COMPANIES OWNED BY CONTROLLING SHAREHOLDERS WHICH WERE EITHER, (I) DISPOSED OF OR DISSOLVED DURING THE TRACK RECORD PERIOD; OR (II) NOT INCLUDED INTO THE GROUP

Certain Controlling Shareholders were interested in companies which were either, (i) disposed of or dissolved during the Track Record Period; or (ii) not included into the Group, all such businesses will not form part of the Group after the Listing. Details of such companies are as follows:

(I) *Companies which had been disposed of or dissolved during the Track Record Period:*

(1) **Sampag International Limited**

Sampag International Limited 森弼國際有限公司 (“**Sampag**”) was incorporated in Hong Kong with limited liability on 31 January 2011, which was owned as to 25.0% by Mr. Wai, 25.0% by Mr. Liu and 50.0% by an Independent Third Party immediately before Mr. Wai and Mr. Liu disposed of their shareholding interest in Sampag. Sampag supplied construction materials including curtain wall accessories to the Group during the Track Record Period. On 7 October 2014, Mr. Wai and Mr. Liu disposed of their entire shareholding interests in Sampag to several Independent Third Parties. Immediately before Mr. Wai and Mr. Liu disposed of all their interests in Sampag to the Independent Third Party, Sampag was principally engaged in trading of cast-in channels which was a type of curtain wall accessories. One of the Group’s principal business is the design, supply and installation of curtain wall and the Group also engages in trading of, among other products, curtain wall fixing components. In view of the fact that Mr. Wai and Mr. Liu had decided not to continue the joint venture with the Independent Third Party, Mr. Wai and Mr. Liu would like to focus on developing the business of the Group and if they would engage in the trading of cast-in channels in future when the opportunity arises, they would engage in the business through the Group, and the fact that Mr. Wai and Mr. Liu had already disposed of all their interests in Sampag to the Independent Third Party, Sampag is therefore not included in the Group.

(2) **BuildMax (Macau) Limited**

BuildMax (Macau) Limited 彪域(澳門)有限公司 (“**BuildMax (Macau)**”) was incorporated in Macau with limited liability on 18 February 2013 with a registered capital of MOP30,000. As at the date of its incorporation and up to the date of dissolution, BuildMax (Macau) was owned as to approximately 33.3% by Mr. Lui, 33.3% by Mr. Wai and 33.3% by Mr. Yip. It was originally intended to be principally engaged in construction engineering in Macau. As BuildMax (Macau)

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

did not engage in any substantial business during the Track Record Period and the said Controlling Shareholders decided it is more beneficial to focus their financial resources elsewhere, BuildMax (Macau) was dissolved by way of voluntary winding-up by shareholders on 3 December 2014.

(3) KPa (Macau) Engineering Limited

KPa (Macau) Engineering Limited 應力(澳門)工程有限公司 (“KPa (Macau)”) was incorporated in Macau with limited liability on 11 April 2006 with a registered capital of MOP30,000. As at the date of its incorporation and up to the date of its dissolution, KPa (Macau) was owned as to approximately 33.3% by Mr. Lui, 33.3% by Mr. Wai and 33.3% by Mr. Yip. KPa (Macau) was originally intended to be principally engaged in construction engineering in Macau. As KPa (Macau) did not engage in any substantial business during the Track Record Period and the said Controlling Shareholders decided it is more beneficial to focus their financial resources elsewhere, KPa (Macau) was dissolved by way of voluntary winding-up by its shareholders on 3 December 2014.

(4) G&M-KPa (Macau) Company Limited

G&M-KPa (Macau) Company Limited 信越應力(澳門)有限公司 (“G&M-KPa”) was incorporated in Macau with limited liability on 2 May 2007 with a registered capital of MOP25,000. As at the date of its incorporation and up to the date of dissolution, G&M-KPa was owned as to approximately 40.0% by KPa (Macau) and 60.0% by an Independent Third Party. G&M-KPa was originally intended to be principally engaged in construction engineering. As G&M-KPa did not engage in any substantial business during the Track Record Period and the said Controlling Shareholders decided it is more beneficial to focus their financial resources elsewhere, G&M-KPa was dissolved by way of voluntary winding-up by its shareholders on 3 December 2014.

(5) Wonder Asia

Wonder Asia was incorporated in Hong Kong with limited liability on 30 October 2008 and is principally engaged in property holding. During the Track Record Period, it was owned as to 50.0% by Mr. Wai and 50.0% by Ms. Wu. Wonder Asia leased a property to KPa Engineering to be use as a Director’s quarters during the Track Record Period. As Wonder Asia is a property holding company owned by Mr. Wai and Ms. Wu which does not engage in any business operations similar to that of the Group, Wonder Asia is therefore not included in the Group. For details on the said connected transaction, please refer to the section headed “Connected transactions — Discontinued connected transactions — 2. Lease between KPa Engineering and Wonder Asia” to this prospectus.

(II) Companies which are not included in the Group:

(6) Hillford

Hillford was incorporated in Hong Kong with limited liability on 20 May 2010. During the Track Record Period, it was owned as to approximately 26.7% by Mr. Lui, 26.7% by Mr. Wai, 26.7% by Mr. Yip, 15.0% by Mr. Liu and 5.0% by Mr. Chan. Hillford had been engaged by the Group to handle the purchase orders of building material products placed by it, customs

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

declaration and related logistic arrangement during the Track Record Period. For details on the said connected transaction, please refer to the section headed “Connected transactions — Discontinued connected transactions — 1. Handling service fees to Hillford” to this prospectus. As the Directors decided to place purchase orders of building material products to the suppliers of the Group directly through KPa (SZ), it decided to terminate the business relationship with Hillford before Listing. As a result, Hillford was therefore not included into the Group as a result. As at the Latest Practicable Date, Hillford, which does not have any business operation, held 75.0% of the equity interest of BuildMax (SZ) without any business operation.

(7) BuildMax (SZ)

BuildMax (SZ) was a limited liability company incorporated in the PRC on 25 October 2010. As at the Latest Practicable Date, BuildMax (SZ) had a registered capital of RMB6.5 million which was owned as to 75.0% by Hillford and 25.0% by Shenzhen Hengyayuan. The board of directors of BuildMax (SZ) is composed of three directors, one of whom is nominated by Shenzhen Hengyayuan, and two of whom are nominated by Hillford. Since its incorporation and up to the Latest Practicable Date, the directors of BuildMax (SZ) are Mr. JH Liu, Mr. Wai and Mr. Yip. BuildMax (SZ) was principally engaged in (i) the processing, fabrication and manufacturing of building material products in the PRC; and (ii) the sales and supply of building material products in the PRC and Hong Kong. For details regarding the connected transaction between BuildMax (SZ) and the Group, please refer to the section headed “Connected transactions — Non-exempt continuing connected transactions — 4. The master supply agreement” to this prospectus. As BuildMax (SZ) has different business and geographical focus from the Group as detailed in the section headed “Connected transactions — Clear delineation of business of the Group and BuildMax (SZ)” to this prospectus, the Directors decided not to include BuildMax (SZ) into the Group.

BuildMax (SZ) leased the Processing Factory during the Track Record Period and up to the Latest Practicable Date.

The landlord and lessor of the Processing Factory, who is an Independent Third Party, failed to provide property ownership (房地產權證) and land use rights certificate (土地使用權證) and the construction works planning permit (建設工程規劃許可證) or temporary construction works planning permit (臨時建設工程規劃許可證) in relation to the Processing Factory (the “**Defect**”). Pursuant to the relevant provisions under the Urban and Rural Planning Law of the PRC (中華人民共和國城鄉規劃法), the landlord may be subject to different levels of penalty or the building may be ordered to be dismantled depending on the circumstances.

According to the PRC Legal Advisers, BuildMax (SZ) as the tenant will not be subject to the potential administrative penalties that may be imposed. However, the lease may be held invalid. BuildMax (SZ) may be compelled to leave the said land and relocate the Processing Factory.

The Directors believe that the Defect was not wilful on the part of the landlord, which was due to the absence of timely and professional advice at the material time. As a contingency plan in case BuildMax (SZ) is compelled to leave the Processing Factory, BuildMax (SZ) has entered into an agreement in a term of three years with an Independent Third Party in Huizhou, to secure the right but not obligation to use exclusively the production equipment of such Independent Third

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Party for the fulfillment of BuildMax (SZ)'s production plan upon seven business days' prior notice. Such contingency plan will only be implemented should BuildMax (SZ) receive notice for relocation.

As at the Latest Practicable Date, the Directors confirm that both the lessor and BuildMax (SZ) have not received any order from the relevant authorities to vacate the Processing Factory. The Directors further confirm that there was no material non-compliance committed by BuildMax (SZ) during the Track Record Period and up to the Latest Practicable Date.

Save as disclosed above, none of the Controlling Shareholders, Substantial Shareholders, Directors and their respective close associates is interested in any business which competes or is likely to compete, directly or indirectly, with the business of the Group. Even if the above named companies are included in the Group, the Directors confirm that the Group would still be able to meet the cash flow requirement under Rule 11.12A(1) of the GEM Listing Rules.

CLEAR DELINEATION OF BUSINESS OF THE GROUP AND BUILDMAX (SZ)

The business operated by the Group and BuildMax (SZ) have the following differences:

Business Model

The business model and focus of the Group are substantially different from that of BuildMax (SZ). The Group is principally engaged in the provision of structural engineering work with a focus on design and build projects in Hong Kong with a small portion of its revenue generated from trading of building material products predominantly in Hong Kong during the Track Record Period. With respect to its building material product trading business, as the Group does not have the equipment and facilities to manufacture or process building material products, the Group has to purchase finished or semi-finished building material products from BuildMax (SZ) and other third party suppliers and then resell them to customers directly and predominantly with the products bearing the brand of the relevant supplier at a marked-up price or under the Group's own brand. Approximately 97.2% and 93.2% of the Group's revenue for the two years ended 31 March 2014 and 31 March 2015 were generated from design and build projects, while only approximately 2.8% and 6.8% of the Group's revenue for the two years ended 31 March 2014 and 31 March 2015 were derived from building material products trading business predominantly in Hong Kong.

On the other hand, BuildMax (SZ) is principally engaged in the manufacture, supply and sales of building material products. The building material products are manufactured and processed in its Processing Factory operated by BuildMax (SZ) in the PRC on "own equipment manufacturing" ("OEM") basis.

Customers

As the Group is predominantly engaged in design and build projects in Hong Kong, its top five customers during the Track Record Period were mainly construction contractors in Hong Kong. Its customers for trading of building material products are mainly main contractors and subcontractors in Hong Kong.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

On the other hand, apart from the sale and supply of building material products to the Group in Hong Kong, BuildMax (SZ)'s target customers are mainly domestic customers in the PRC. BuildMax (SZ) does not carry out any construction works and is not engaged in any design and build projects in both Hong Kong and the PRC.

Supplier and supplies

The nature of suppliers of the Group is different from that of BuildMax (SZ) as a result of the aforementioned differences in their respective business activities.

In respect of the Group's provision of structural engineering works in design and build projects, the major suppliers of the Group are subcontractors engaged by the Group for undertaking installation works in construction projects. In respect of the Group's building material products trading business, the major suppliers of the Group supply (i) processed or fabricated building material products and (ii) raw materials which need to be processed by the Group's other suppliers that provide processing or fabrication services such as BuildMax (SZ). On the other hand, the supplies to BuildMax (SZ) are raw materials of building material products which are to be processed by the Processing Factory operated by BuildMax (SZ). As a result, the supplier base of the Group does not overlap in any material aspect with that of BuildMax (SZ). Therefore, due to the different business models of the Group and BuildMax (SZ), the supplies of materials to the Group and those to BuildMax (SZ) are largely different.

Geographical Focus

During the Track Record Period, the Group was engaged in (i) the provision of structural engineering works in the design and build projects in Hong Kong only; and (ii) the trading of building material products predominately in Hong Kong. On the other hand, BuildMax (SZ) is engaged in the manufacturing, sale and trading of building material business predominantly to the Group in Hong Kong and to customers in the domestic market in the PRC. It does not have any office or representative office in Hong Kong, hence, there will not be any overlapping of the business of the Group and that of BuildMax (SZ) in any geographical territory.

Pursuant to the Deed of Non-competition, BuildMax (SZ) shall only engage in the trading of building material products in the PRC unless such supply and sales of building material products is (i) to the Group; or (ii) to other customers outside the PRC but conducted through the Group. The Directors also confirmed that as at the Latest Practicable Date, they had no intention to expand the Group's business to the manufacturing and trading of building materials or building material products in the PRC after Listing. As such, there will be no overlapping of geographical focus between the Group and BuildMax (SZ) after Listing.

REASONS FOR NON-INCLUSION OF BUILDMAX (SZ)

BuildMax (SZ) is principally engaged in the manufacture, supply and sales of building material products whereas the Group is predominately engaged in the provision of structural engineering works in Hong Kong. Although the Group is also engaged in the trading of building material products, the target customers of the Group's trading business are mainly main contractors and subcontractors in Hong Kong whereas BuildMax (SZ)'s target customers are mainly domestic customers in the PRC of which the geographical markets are different. Further, BuildMax (SZ) manufactures and sells its building

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

material products on an OEM basis, which is different from the business focus of the Group. Taking into account the differences of the Group and BuildMax (SZ) in terms of their respective business model, customers, suppliers and supplies and geographical focus set out above, in particular the fact that the comparatively small scale of business of BuildMax (SZ), the Directors therefore do not include BuildMax (SZ) in the Group. The Directors note that the operation of the Processing Factory by BuildMax (SZ) is subject to relevant environmental protection laws, rules and regulations in the PRC, as a result of which, compliance with any amended PRC environmental laws and regulations may force BuildMax (SZ) to incur significant capital expenditure. In addition, the manufacturing business of BuildMax (SZ) is labour intensive and it relies on a stable and low cost labour supply in the PRC. In the event that BuildMax (SZ) is unable to retain the existing labour and/or recruit sufficient skilled labour for its production needs or to apply effective measures to control the labour cost, it may have a material impact on the business operation and profitability of BuildMax (SZ).

During the Track Record Period, BuildMax (SZ) leased the Processing Factory, which is subject to the Defect. As a result, the lease may be invalid under PRC laws and regulations, in which event BuildMax (SZ) may be compelled to relocate the Processing Factory. Although BuildMax (SZ) has formulated a contingency plan to minimise risk of any disruption to its operation, the actual relocation cost would depend on labour and transportation costs and other factors. Should BuildMax (SZ) encounter any significant obstacles in relocating its Processing Factory or the relocation cost materialises, it may adversely affect the operation and financial performance of BuildMax (SZ). The Directors consider that such uncertainties may reduce the profitability of the enlarged Group if BuildMax (SZ) is to be included into the Group.

During the Track Record Period, the Group's purchase from BuildMax (SZ) amounted to approximately HK\$14.5 million and HK\$11.9 million, respectively. According to the audited accounts prepared by the auditors of BuildMax (SZ) under the PRC generally accepted accounting principles, BuildMax (SZ) recorded a revenue of approximately RMB12.0 million (equivalent to approximately HK\$15.0 million) and RMB11.1 million (equivalent to approximately HK\$13.9 million), respectively while its net profit was approximately RMB0.26 million (equivalent to approximately HK\$0.33 million) and approximately RMB0.61 million (equivalent to approximately HK\$0.76 million) for the two years ended 31 December 2014. The prices of the building material products supplied by BuildMax (SZ) to the Group are determined on a cost-plus basis. During the Track Record Period, the Group obtained quotations from independent suppliers to compare against the price list from BuildMax (SZ). The Directors confirmed that the terms of the building material products supplied by BuildMax (SZ) have been comparable to the terms offered by the Group's independent suppliers during the Track Record Period. After the Listing, the Group will obtain quotations from at least two independent suppliers to ensure the pricings offered by BuildMax (SZ) are in line with the prevailing market price and no less favourable than those from independent third party OEM suppliers. The Directors believe that the Group's purchase contributed a significant portion of BuildMax (SZ)'s revenue during the Track Record Period. In view of smaller scale of business and relative low profitability of BuildMax (SZ) as compared to that of the Group, the Directors consider that BuildMax (SZ) may not have a good prospect for growth for such business and it may eventually reduce the profitability of the enlarged Group in the long run if BuildMax (SZ) is to be included into the Group and therefore is not in the interests of the shareholders of the Company. Taking into account of the foregoing, the Directors believe that it is not in the interest of the shareholders of the Company to include BuildMax (SZ) into the Group.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Save as otherwise disclosed in the section headed “Connected transactions” to this prospectus, the Directors do not expect that there will be any other significant transactions between the Group and its Controlling Shareholders and their respective associates upon or shortly after the Listing. The Directors believe that the Group is capable of carrying on its business independently of its Controlling Shareholders and their respective associates after the Placing having considered the following factors:

Management independence

The Board comprises three executive Directors and three independent non-executive Directors. The executive Directors are Mr. Lui, Mr. Wai and Mr. Yip. One of the independent non-executive Directors, Ms. Lai Pik Chi, Peggy, is a Certified Public Accountant. The independent non-executive Directors will have been appointed before Listing in compliance with the requirements under the GEM Listing Rules to ensure that the decisions of the Board will be made only after due consideration of independent and impartial opinion.

The Directors are of the view that the Directors and the management team of the Group are able to function independently from other entities owned by the Controlling Shareholders, in particular, BuildMax (SZ), based on the following grounds:

- (i) The management and daily operation of BuildMax (SZ) is undertaken by Mr. JH Liu, a PRC resident and the holder of 25% equity interests in BuildMax (SZ) and the senior management of BuildMax (SZ) based in the PRC and thus, the senior management of BuildMax (SZ) will work independently from the Group. Mr. JH Liu and the senior management in the PRC have not worked and will not work for the Group. Hence, the Controlling Shareholders, who are based in Hong Kong, have not and will not play any active role in the management and operation of BuildMax (SZ).
- (ii) Each of the Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit of and in the best interests of the Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group, and the Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant board meetings of the Company in respect of such transactions and will not be counted as quorum of the relevant board meeting. The independent non-executive Directors are also expected to oversee the Board independently to ensure that there is no potential conflict of interest.
- (iii) Save for Mr. Lui, Mr. Wai and Mr. Yip, the Group has an independent senior management team to carry out and execute the business decisions of the Group independently. The Directors are satisfied that the Group’s senior management team will be able to perform their roles in the Company independently from the Controlling Shareholders and their respective associates after Listing.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (iv) In case (a) the Group proposes to enter into any transaction with the Controlling Shareholders which is subject to the Company's independent shareholders' approval pursuant to Chapter 20 of the GEM Listing Rules; and (b) with respect to the consideration or review of any matters referred to or under the Deed of Non-competition, the three independent non-executive Directors of the Company will be able to advise the Company, the disinterested Directors and/or the independent shareholders of the Company on the transactions.

Operational independence

The Group has established its own organisational structure made up of individual departments, each with specific areas of responsibilities. The Group has independent access to customers for the Group's business. The Group has also established a set of internal control mechanism to facilitate the effective operations of the Group's business.

Apart from purchase of building material products from BuildMax (SZ), the Group currently does not have any intention to purchase or sell any products from/to its Controlling Shareholders and, if such event happens in future, the connected transactions/continuing connected transactions will be conducted in compliance with the GEM Listing Rules. The Group also purchase building material products from other suppliers and thus, the Group will not rely on BuildMax (SZ) or any single supplier for the supply of any kind of building material products. Though there will be transactions between the Group and BuildMax (SZ) after Listing with respect to the Group's purchase of building material products from BuildMax (SZ), these transactions will constitute continuing connected transactions under the GEM Listing Rules, details of which are set out in the section headed "Connected Transactions" to this prospectus. As these transactions are entered into in the ordinary course of business of the Group on terms which are fair and reasonable and in the interest of the Group and its Shareholders as a whole, the Directors do not consider any material reliance by the Group on the Controlling Shareholders.

Financial independence

The Group has independent financial and accounting systems, independent treasury function for receiving cash and making payments, and independent access to third party financing. The Group makes financial decisions according to its own business needs.

During the Track Record Period and up to the Latest Practicable Date, Mr. Lui, Mr. Wai and Mr. Yip had provided personal guarantees for the banking facilities used by the Group. The banks have agreed in principle that the above personal guarantees will be released and replaced by the corporate guarantees executed by the Company upon Listing. Save as disclosed above, the Directors are of the view that the Group is not financially dependent on the Controlling Shareholders or their respective associates in the Group's business operations and the Group is able to obtain external financing on market terms and conditions for its business operations as and when required.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

NON-COMPETE UNDERTAKING

The Controlling Shareholders as covenantors (each of them, a “**Covenantor**” and collectively, the “**Covenantors**”) executed the Deed of Non-competition in favor of the Company (for itself and as the trustee for and on behalf of the members of the Group).

Pursuant to the Deed of Non-competition, each Covenantor undertakes that from the Listing Date and ending on the occurrence of the earliest of (i) the date on which the Shares cease to be listed on the Stock Exchange; or (ii) the date on which that Covenantor cease to be a Controlling Shareholder:

1. Non-competition

Each Covenantor jointly and severally and irrevocably undertakes and covenants to the Company that each of them will not, and will procure that its/his close associates (except any members of the Group) will not, either on its/his own account or in conjunction with or on behalf of any person, firm or company directly or indirectly, among other things, carry on, participate or be interested or engaged in or acquire or hold any right or interest (in each case whether as an investor, a shareholder, principal, partner, director, employee, consultant, agent or otherwise and whether for profit, reward, interest or otherwise), or otherwise be involved in any business which is or may be in competition, whether directly or indirectly, with the business carried on or contemplated to be carried on by any member of the Group (including but not limited to (i) the provision of structural engineering works with a focus on design and build projects in Hong Kong; and (ii) trading of building material products predominately in Hong Kong, Macau, Singapore and United Kingdom (“**Restricted Territories**”)) or any other place where the Group has conducted business as at the date of the Deed of Non-competition or may conduct business from time to time in the future (“**Restricted Businesses**”).

2. New Business

Each of the Covenantors hereby represents and warrants that neither it/he nor any of its/his close associates currently carries out, participates in or is interested or engaging in, invests in, acquires or holds, directly or indirectly (in each case whether as a shareholder, director, partner, agent or otherwise and whether for profit, reward, interest or otherwise) or otherwise is involved in the Restricted Businesses other than through the Group.

Each of the Covenantors further undertakes to refer to the Company within ten days any and all new opportunities in connection with the Restricted Businesses outside the PRC (“**New Business Opportunity**”) which are identified by or made available to any of them.

Notwithstanding the aforesaid, the Deed of non-competition does not apply where:

1. any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business outside the PRC has first been offered or made available to the Group, and that the offer should contain all information reasonably necessary for the Group to consider whether, amongst others, (i) such opportunity would constitute competition with any Restricted Business and (ii) it is in the interest of the Group and the shareholders of the Company as a whole to pursue such opportunity, and the Company has, after review by the Independent Non-executive Directors, declined such

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

opportunity to invest, participate, be engaged in or operate the Restricted Business with such third party or together with the Covenantor and/or its/his associate(s), provided that the principal terms by which that Covenantor (or its/his associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favourable than those disclosed to the Company. A Covenantor may only engage in the New Business Opportunity outside the PRC if (i) a notice is received by the Covenantor from the Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Group (the “**Non-acceptance Notice**”); or (ii) the Non-acceptance Notice is not received by the Covenantor within 15 days after the proposal of the New Business Opportunity is received by the Company.

The exception set out in the above paragraph shall not apply to any New Business Opportunity in or arising from the Restricted Territories and thus, the Covenantors shall not take up any New Business Opportunity within the Restricted Territories in any event, irrespective of whether the Company’s Non-acceptance Notice is obtained or not.

2. each Covenantor having interests in the shares or other securities in a company whose shares are listed on a recognised stock exchange provided that:
 - (a) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10.0% of the relevant company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts; or
 - (b) the total number of the shares held by the Covenantors and/or their respective close associates or in which they are together interested does not exceed 5.0% of the issued shares of that class of the company in question (the “**Relevant Company**”), provided that (i) the total number of the relevant Covenantors’ representatives on the board of directors of the Relevant Company is not significantly disproportionate with respect to their shareholdings in the Relevant Company; and (ii) that at all times there is a holder (together, where appropriate, with its close associates) holding a larger percentage shareholding in the Relevant Company than the Covenantors and their respective associates together hold.
3. the transactions involved the supply and sales of building materials and products from the Covenantors (i) in the PRC domestically, or (ii) to the Group.

CORPORATE GOVERNANCE MEASURES

The Company will adopt the following measures to strengthen its corporate governance practice and to safeguard the interests of the Shareholders:

- (1) the Articles provide that a Director shall absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her associates is materially interested unless a majority of the independent non-executive Directors expressly requested him/her to attend but in no circumstances shall he/she be counted towards the quorum or allowed to vote on such resolution;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (2) the independent non-executive Directors will review, on an annual basis, the compliance with the non-competition undertaking by its Controlling Shareholders;
- (3) its Controlling Shareholders undertake to provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the non-competition undertaking under the Deed of Non-competition;
- (4) the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking under the Deed of Non-competition of its Controlling Shareholders in the annual reports of the Company;
- (5) its Controlling Shareholders will make an annual declaration on compliance with their non-competition undertaking under the Deed of Non-competition in the annual report of the Company;
- (6) the independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his/her/its associates to involve or participate in a Restricted Business and if so, any condition to be imposed; and
- (7) the 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 non-competition undertaking under the Deed of Non-competition or connected transaction(s) at the cost of the Company.

Further, any transaction that is proposed between the Group and its Controlling Shareholders and their respective 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.

None of the members of the Group has experienced any dispute with its shareholders or among its shareholders themselves and the Directors believe that each member of the Group has maintained positive relationship with its shareholders. With the corporate governance measures including the measures set out in this subsection, the Directors believe that the interests of the Shareholders will be protected.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, the following persons will, immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued upon the exercise of any option(s) that may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Capacity/Nature of interest	Number of Shares held immediately after completion of the Placing and the Capitalisation Issue	Approximate percentage of interests in the Company immediately after completion of the Placing and the Capitalisation Issue
Mr. Lui (Notes 1, 2)	Beneficial owner; interest in a controlled corporation; and interest held jointly with another person	450,000,000 ordinary Shares	75.0%
Mr. Wai (Notes 1, 3)	Beneficial owner; interest in a controlled corporation; and interest held jointly with another person	450,000,000 ordinary Shares	75.0%
Mr. Yip (Notes 1, 4)	Beneficial owner; interest in a controlled corporation; and interest held jointly with another person	450,000,000 ordinary Shares	75.0%
Ms. Wu (Note 5)	Interest of spouse	450,000,000 ordinary Shares	75.0%
Ms. Lam (Note 6)	Interest of spouse	450,000,000 ordinary Shares	75.0%
Success Wing (Note 7)	Beneficial owner	369,000,000 ordinary Shares	61.5%

Notes:

- On 14 July 2015, Mr. Lui, Mr. Wai and Mr. Yip entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert of each of the members of the Group during the Track Record Period and continue as at and after the date of the Concert Parties Confirmatory Deed, details of which are set out in the section headed “History, Reorganisation and corporate structure — Parties acting in concert” to this prospectus.

SUBSTANTIAL SHAREHOLDERS

2. Shares in which Mr. Lui is interested consist of (i) 27,000,000 Shares (representing approximately 4.5% of the total issued share capital of the Company) held by him as beneficial owner; (ii) 369,000,000 Shares (representing approximately 61.5% of the total issued share capital of the Company) held by Success Wing, a company which is in aggregate owned as to approximately 87.8% by Mr. Lui, Mr. Wai and Mr. Yip, in which Mr. Lui is deemed to be interested under the SFO; and (iii) 54,000,000 Shares (representing approximately 9.0% of the total issued share capital of the Company) in which Mr. Lui is deemed to be interested as a result of being a party acting-in-concert with Mr. Wai and Mr. Yip.
3. Shares in which Mr. Wai is interested consist of (i) 27,000,000 Shares (representing approximately 4.5% of the total issued share capital of the Company) held by him as beneficial owner; (ii) 369,000,000 Shares (representing approximately 61.5% of the total issued share capital of the Company) held by Success Wing, a company which is in aggregate owned as to approximately 87.8% by Mr. Lui, Mr. Wai and Mr. Yip, in which Mr. Wai is deemed to be interested under the SFO; and (iii) 54,000,000 Shares (representing approximately 9.0% of the total issued share capital of the Company) in which Mr. Wai is deemed to be interested as a result of being a party acting-in-concert with Mr. Lui and Mr. Yip.
4. Shares in which Mr. Yip is interested consist of (i) 27,000,000 Shares (representing approximately 4.5% of the total issued share capital of the Company) held by him as beneficial owner; (ii) 369,000,000 Shares (representing approximately 61.5% of the total issued share capital of the Company) held by Success Wing, a company which is in aggregate owned as to approximately 87.8% by Mr. Lui, Mr. Wai and Mr. Yip, in which Mr. Yip is deemed to be interested under the SFO; and (iii) 54,000,000 Shares (representing approximately 9.0% of the total issued share capital of the Company) in which Mr. Yip is deemed to be interested as a result of being a party acting-in-concert with Mr. Lui and Mr. Wai.
5. Ms. Wu is the spouse of Mr. Wai and is deemed, or taken to be, interested in all Shares in which Mr. Wai has interest in under the SFO.
6. Ms. Lam is the spouse of Mr. Yip and is deemed, or taken to be, interested in all Shares in which Mr. Yip has interest in under the SFO.
7. Success Wing is a registered owner holding 61.50% shareholding interest in the Company. The issued share capital of Success Wing is owned as to approximately 29.3% by Mr. Lui, approximately 29.3% by Mr. Wai, approximately 29.3% by Mr. Yip, approximately 9.0% by Mr. Liu and approximately 3.2% by Mr. Chan.

Save as disclosed above, the Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme) have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Group and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

SHARE CAPITAL

SHARE CAPITAL

The share capital of the Company immediately following the Capitalisation Issue and the Placing will be as follows:

	<i>HK\$</i>
<i>Authorised:</i>	
<u>2,000,000,000</u> Shares of HK\$0.01 each	<u>20,000,000</u>
<i>Issued or to be issued, fully paid or credited as fully paid:</i>	
100 Shares in issue as at the Latest Practicable Date	1
449,999,900 Shares to be issued pursuant to the Capitalisation Issue	4,499,999
<u>150,000,000</u> Shares to be issued pursuant to the Placing	<u>1,500,000</u>
<u>600,000,000</u> Shares	<u>6,000,000</u>

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, the Company must maintain the minimum prescribed percentage of 25% of the issued share capital of the Company in the hands of the public (as defined in the GEM Listing Rules).

RANKING

The Placing Shares will rank equally with all Shares now in issue or to be allotted and issued and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus save for the entitlements under the Capitalisation Issue and the Group's interim dividend of HK\$15.0 million declared in September 2015.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme. A summary of its principal terms is set out in the section headed "Share Option Scheme" in Appendix V to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Placing becoming unconditional, the Directors have been granted a general unconditional mandate to allot and issue and deal with the unissued Shares with an aggregate nominal value of not more than:

- (a) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Placing and the Capitalisation Issue (excluding any Shares that may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme); and

SHARE CAPITAL

- (b) the aggregate nominal value of the share capital of the Company repurchased by the Company (if any) pursuant to the general mandate to repurchase Shares as described below.

The Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants of the Company, scrip dividends or similar arrangements providing for the allotment of Shares in lieu of the whole or in part of any cash dividends or options to be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted or such other issue and allotment of Shares or securities of the Company as permitted under the GEM Listing Rules.

For further details of this general mandate, please refer to the section headed “Further information about the Company — Written resolutions of the sole Shareholder” as set out in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Placing becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of the Company’s share capital in issue immediately following completion of the Placing and the Capitalisation Issue (excluding any Shares that may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the section headed “A. Further information about the Company and the subsidiaries — Repurchase by the Company of its own securities” in Appendix V to this prospectus.

The general mandate to issue shares and repurchase Shares will respectively expire:

- (a) at the conclusion of the next annual general meeting of the Company;
- (b) at the expiration of the period within which the next annual general meeting of the Company is required by any applicable law of the Cayman Islands or the Articles to be held; or
- (c) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the section headed “Further information about the Company — Written resolutions of the sole Shareholder” and “A. Further information about the Company and the subsidiaries — Repurchase by the Company of its own securities” respectively in Appendix V to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with the Group's audited combined financial statements, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus. The Group'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 the Group in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet the Group's expectations and projections depends on a number of risks and uncertainties over which the Group does not have control. For further information, you should refer to the section headed "Risk factors" to this prospectus.

OVERVIEW

The Group is principally engaged in (i) the provision of structural engineering works with a focus on design and build projects in Hong Kong; and (ii) trading of building material products predominately in Hong Kong.

During the Track Record Period, the Group's revenue was mainly derived from the structural engineering works while the remaining were generated from trading of building material products. The following table sets out a breakdown of the Group's revenue during the Track Record Period by business segments:

	For the year ended 31 March			
	2014		2015	
	HK\$'000	%	HK\$'000	%
Structural engineering works	199,542	97.2	183,913	93.2
Trading of building material products	<u>5,743</u>	<u>2.8</u>	<u>13,522</u>	<u>6.8</u>
	<u>205,285</u>	<u>100.0</u>	<u>197,435</u>	<u>100.0</u>

FINANCIAL INFORMATION

During the Track Record Period, the majority of the Group's revenue was derived in Hong Kong. The following table sets out a breakdown of the Group's revenue during the Track Record Period by geographical locations:

	For the year ended 31 March			
	2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Hong Kong	204,640	99.7	196,530	99.5
Others (<i>Note</i>)	645	0.3	905	0.5
	205,285	100.0	197,435	100.0

Note: Others relate to the Group's revenue derived from trading of building material products to locations other than Hong Kong such as the PRC, Macau, Singapore and the United Kingdom.

(i) Structural engineering works

Structural engineering is concerned with the analysis, design and construction of a structure. The structural engineering works undertaken by the Group mainly include developing structural designs, calculation and drawings, sourcing and procurement of materials, monitoring of works, supervision and management of subcontractors and after-sales services. During the Track Record Period, the Group was mainly engaged in design and build projects in Hong Kong as a subcontractor. The design and build projects undertaken by the Group can be broadly divided into three categories: (i) facade, roof and related works; (ii) structural steelwork and noise barriers; and (iii) flagpoles and related works. KPa Engineering, a member of the Group, is an approved specialist contractor in the category of structural steelwork and an approved supplier of materials in the category of transparent panels for noise barriers on highways with the Development Bureau. It is also a registered minor works contractor with the Buildings Department. The Group provides structural engineering works in design and build projects to both the private sector and public sector. The Group classifies public sector contracts as contracts in which the ultimate employer is a government department or statutory body. During the Track Record Period, the Group generated approximately 61.1% and 33.5% of its revenue from design and build projects in the private sector, respectively, with the remaining revenue of approximately 38.9% and 66.5% from design and build projects in the public sector, respectively.

The duration of the Group's design and build projects completed during the Track Record Period varied from less than one month to approximately 54 months, depending on the size of the contract and the complexity of the works undertaken pursuant to the contract. During the Track Record Period, the Group undertook 204 and 298 design and build projects, contributing approximately HK\$199.5 million

FINANCIAL INFORMATION

and HK\$183.9 million to the Group's revenue respectively. Set out below is a breakdown of the Group's revenue attributable to the design and build projects during the Track Record Period by categories:

	For the year ended 31 March			
	2014		2015	
	HK\$'000	%	HK\$'000	%
Facade, roof and related works	169,928	85.1	144,736	78.7
Structural steelwork and noise barriers	27,863	14.0	33,273	18.1
Flagpoles and related works	1,751	0.9	5,904	3.2
	199,542	100.0	183,913	100.0

Note: A design and build project may cover works in one or more of the above work categories. The classification depends on the nature of works the Group principally undertakes in such project, and the major revenue contributing works in the project.

Set out below is the breakdown of the Group's design and build projects based on their scales of respective revenue recognised during the Track Record Period:

	For the year ended 31 March	
	2014	2015
	Number of projects	Number of projects
Revenue		
HK\$10,000,000 or above	6	3
HK\$5,000,000 to below HK\$10,000,000	4	5
HK\$1,000,000 to below HK\$5,000,000	11	12
Below HK\$1,000,000	183	278
	204	298

As at 31 March 2015, the Group had 102 design and build projects in progress (including projects that have commenced but not yet completed and projects that have been awarded to the Group but not yet commenced) with an aggregate contract sum of approximately HK\$742.1 million, of which approximately HK\$253.9 million is expected to be recognised as the Group's revenue for the year ending 31 March 2016. For details on the Group's latest development, please refer to the section headed "Summary — Recent development subsequent to the Track Record Period" to this prospectus.

(ii) Trading of building material products

The Group is also engaged in the trading of building material products mainly through BuildMax (HK), a member of the Group, predominately in Hong Kong. During the Track Record Period, the Group's revenue generated by trading of building materials products amounted to approximately HK\$5.7

FINANCIAL INFORMATION

million and HK\$13.5 million, respectively. The building material products sold by the Group mainly include (i) roof and noise barrier materials; (ii) curtain wall fixing components; and (iii) other auxiliary materials. The Group does not provide installation service to its customers under this trading segment.

As at the Latest Practicable Date, the Group is currently the authorised distributor of six international brands of building material products in Hong Kong, Macau and/or the PRC. Among these six international brand products, four of which the Group has been engaged as the sole distributor of the products in Hong Kong, Macau and/or the PRC exclusively. These international brand products are mainly imported from various countries such as Germany, the United Kingdom and USA. Apart from selling products of third party brands, the Group also sells a small portion of building material products under its own brand names.

BASIS OF PRESENTATION

Prior to the Placing, the Group had undergone the Reorganisation after which the Company has become the holding company of the Group since 22 September 2015. Please refer to the section headed “History, Reorganisation and corporate structure — Reorganisation” to this prospectus for details.

The financial information set out in the Accountants’ Report in Appendix I to this prospectus has been prepared using the merger basis of accounting as if the current group structure had been in existence throughout the Track Record Period.

The combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Track Record Period include the results and cash flows of the companies now comprising the Group, as if the current structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation or establishment, where there is a shorter period. The combined statements of financial position of the Group as at 31 March 2014 and 2015 have been prepared to present the state of affairs of the Group as if the current group structure had been in existence as at the respective dates.

The assets and liabilities of the companies comprising the Group are combined using the existing book values from the controlling parties’ perspective. No amount is recognised as consideration for goodwill or excess of acquirer’s interest in the fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination.

All intra-group transactions, balances and unrealised gains on transactions have been eliminated on combination. Unrealised losses resulting from intra-group transactions are also eliminated unless the transactions provide evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

FINANCIAL INFORMATION

FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The Group's results of operations and financial condition during the Track Record Period have been and will continue to be affected by a number of factors, including but not limited to those set forth in the section headed "Risk factors" to this prospectus and as set out below:

Availability of construction projects in Hong Kong

The Group's business performance is affected by the number and availability of structural engineering works in design and build projects in Hong Kong, which in turn are affected by various factors, including but not limited to the general economic conditions in Hong Kong, changes in government policies relating to Hong Kong property markets, the general conditions of property markets in Hong Kong, and the amount of investment in the new constructions and improvement of existing constructions. Unfavourable changes in these factors may result in a significant decrease in the number of construction projects available in Hong Kong in general. For instance, an economic downturn in Hong Kong, an outbreak of epidemic disease, and/or adverse government policies on the property markets in Hong Kong may lead to a significant decline in the number of structural engineering works in design and build projects in Hong Kong, thereby resulting in a decline in the number of projects available involving the design and construction of buildings. There is no assurance that the number of construction projects in Hong Kong will not decrease in the future. Any significant increase or decrease in the availability of structural engineering works in design and build projects in Hong Kong may materially affect the Group's business volume and therefore the results of operations and financial condition.

Costs and availability of design staff in Hong Kong and the PRC

In the Group's structural engineering work business, the Group would attempt to leverage on the expertise of its in-house team of design staff in improving the engineering design to a more cost-effective one in order for the Group to achieve savings and profit margin. As such, the Directors consider that the Group's in-house team of design staff is crucial to the day-to-day operations and the continuing success of the Group. The costs of design staff may be affected by the demand and supply of designers in Hong Kong and the PRC as well as other economic factors such as inflation rate and general standard of living. There is no guarantee that the supply of designers in Hong Kong and the PRC will remain stable. Any significant increase or decrease in the overall supply of or demand for designers in Hong Kong and the PRC may materially affect the costs of the Group's operations and the quality of services. In the event that the Group fails to retain its existing design staff and/or recruit sufficient and capable design staff in a timely manner for the existing or future projects and/or there is a significant increase in the design staff costs, the operations and profitability may be materially and adversely affected.

Financial resources required to undertake projects for the structural engineering works

The aggregate number and size of projects that the Group is able to undertake in the structural engineering works hinges on the amount of the Group's available working capital because there are often time lags between making payments to the subcontractors and receiving payments from the customers. If the Group chooses to pay the subcontractors only after receiving payments from the customers, the Group will risk its reputation in being able to make payments on

FINANCIAL INFORMATION

a timely manner, which could harm its ability to engage capable and quality subcontractors for the contracting business in the future. In addition, some structural engineering works undertaken by the Group in the future may involve the provision of surety bonds, which will require the use of a substantial amount of the Group's cash resources. The Directors believe that the net proceeds from the Placing will strengthen the available financial resources and it is therefore one of the Group's business strategies to further develop the structural engineering works business after Listing. The available financial resources will therefore affect the Group's ability to undertake projects for the structural engineering works business.

Performance and availability of the subcontractors

In respect of the structural engineering works, the Group may engage subcontractors to perform site works based on the engineering designs and the Group does not maintain direct labours or machinery for performing installation works in its business segment of structural engineering works. Notwithstanding the evaluation and selection of subcontractors, there is no assurance that the work quality of the subcontractors can always meet the Group's requirements. Outsourcing exposes the Group to the risks associated with non-performance, delayed performance or sub-standard performance by the Group's subcontractors. As a result, the Group may incur additional costs or be subject to liability under the relevant contracts between the Group and its customers for subcontractors' unsatisfactory performance. Such events could impact upon the Group's profitability, financial performance and reputation. In addition, there is no assurance that the Group will always be able to secure suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In such event, the Group's operation and financial position may also be adversely affected.

Accuracy in the estimation of time and costs involved in projects when providing fee quotes

The Group needs to estimate the time and costs involved in a structural engineering work project in order to determine the fee. There is no assurance that the actual amount of time and costs would not exceed the estimation during the performance of the projects. The actual amount of time and costs involved in completing a project may be adversely affected by many factors, including adverse weather conditions, accidents, unforeseen site conditions, departure of key engineering staff involved in the project, delays in obtaining the necessary approvals in respect of the engineering designs from the relevant Government authorities or their appointed consultants, and other unforeseen problems and circumstances. Any material inaccurate estimation in the time and costs involved in a project may adversely affect the Group's profit margin and results of operations.

Profit margin of trading of building material products

Besides the structural engineering works, the Group is also engaged in the sales of building material products which contributed approximately 2.8% and 6.8% of the revenue of the Group for the two years ended 31 March 2014 and 2015, respectively. The profit margin of trading of building material products may fluctuate from time to time and as the Group sources some of the building material products from overseas, any currency fluctuation may affect the Group's profit margin. In addition, the change in demand, general market condition of the construction industry and the availability of alternative products to the ones which the Group has exclusive distribution rights for may affect the Group's profitability in trading of building material products.

FINANCIAL INFORMATION

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of the Group's financial position and results of operations as included in this prospectus is based on the combined financial statements prepared using the significant accounting policies set forth in Note 3 to the Accountants' Report set out in Appendix I to this prospectus, which conform with the HKFRSs.

Below is a summary of certain significant accounting policies that the Group believes are important to the preparation of its financial results and positions. The Group also has other accounting policies that the Group considers to be significant, the details of which are set forth in Note 3 to the Accountants' Report set out in Appendix I to this prospectus.

Recognition of revenue and other income

Revenue and other income is recognised when it is probable that the economic benefits will flow to the Group and when the income can be measured reliably, on the following basis:

- (i) When the outcome of construction contracts under the design and build projects can be estimated reliably, revenue from construction works is recognised according to the percentage of completion of individual contract at the end of the reporting period. Further details of recognition of revenue from construction contracts are set out in the section headed "Financial Information — Critical Accounting Policies — Construction contracts" to this prospectus.
- (ii) Sales of building material products are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the building material products are delivered and the customer has accepted the building material products.
- (iii) Interest income is recognised on a time proportion basis by reference to the principal outstanding and using the effective interest method.

Construction contracts

Revenue recognition between outcome of construction contracts under the design and build projects that can be estimated reliably and those that cannot be estimated reliably are different. When the outcome of construction contracts can be estimated reliably, revenue from construction works and the associated contract costs are recognised according to the stage of completion of individual contract at the end of the reporting period. The stage of completion is determined using percentage of completion method by reference to the contract costs incurred to date as a proportion of the total estimated contract costs.

When the outcome of construction contracts cannot be estimated reliably, no profit is recognised and revenue is recognised only to the extent of contract costs incurred that would probably be recoverable.

Provisions are made for any foreseeable losses when they are identified and recognised immediately as an expense in profit or loss. Variations in contract work, claims and incentive payments are recognised as revenue when it is probable that they will be approved by customers and they can be measured reliably.

FINANCIAL INFORMATION

Amounts due from customers of contract works represent contract costs incurred plus recognised profits less progress billings and any foreseeable losses. Amounts due to customers of contract works represent the excess of progress billings over contract costs incurred plus recognised profits less any foreseeable losses. Costs mainly comprise subcontracting charges, material and processing charges and direct labour costs. Costs incurred during the period in connection with future activity of a contract are recognised as amounts due from customers of contract works provided it is probable that these costs will be recovered. Amounts billed for works performed but not yet paid by the customers are included in the combined statements of financial position under “Trade and other receivables, deposits and prepayments”.

Retention monies, representing amounts of progress billings which are payable to subcontractors or receivables from customers when conditions specified in the contracts undertaken are satisfied, are included in the combined statements of financial position under “Trade and other payables” and “Trade and other receivables, deposits and prepayments” respectively.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the “**functional currency**”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange difference arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on retranslation of non-monetary items in respect of which gain and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

For the purpose of preparing the Financial Information, income and expense items of foreign operations are translated into the functional currency of the Company (i.e. HK\$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities

FINANCIAL INFORMATION

of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.

FINANCIAL INFORMATION

- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are recognised as an expense in profit or loss during the financial period in which they are incurred.

FINANCIAL INFORMATION

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis as follows:

Leasehold land and buildings	Over the shorter of 50 years or the remaining lease terms
Leasehold improvements	Over the shorter of 5 years or the remaining lease terms
Furniture and fixtures	5 years
Office equipment	5 years
Computer equipment	3 years
Motor vehicles	5 years

The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

Leasing

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Company determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

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

The land and buildings elements of property leases are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease of property, plant and equipment.

The Group as lessee under finance lease

Where the Group acquires the right to use the assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present values of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease arrangement corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

FINANCIAL INFORMATION

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The Group as lessee under operating lease

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATES UNCERTAINTY

The critical accounting judgements that the Group uses in applying its accounting policies are set out in note 5 of the notes to the Accountants' Report set out in Appendix I to this prospectus. In the application of the Group's accounting policies, the Directors are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Construction contract

Construction contract revenue is recognised according to the percentage of completion of individual construction contract which requires the estimation of contract costs and gross profit margin of each contract. Contract costs and gross profit margin of individual contract is determined based on budget of the contract which was prepared by the management of the Group. In order to ensure that the total estimated contract costs are accurate and up-to-date such that gross profit margin can be estimated reliably, the management of the Group reviews the costs incurred to date and costs to completion regularly, in particular in the case of costs over-runs and revise the estimated contract costs where necessary. Recognition of variations and claims also requires significant estimation and judgement by the management of the Group. Notwithstanding that, the management regularly reviews and revises the estimates of both contract costs and gross profit margin for the construction contracts when those construction contracts progress, the actual contract costs and gross profit margin may be higher or lower than the estimations and that will affect the revenue and gross profit recognised.

(ii) Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives, and related depreciation charges for the Group's property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of those assets of similar nature and functions. The management of the Group will increase the depreciation where useful lives are less than previously estimated lives. The management of the Group will write off or write down technically obsolete or non-strategic assets that

FINANCIAL INFORMATION

have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

(iii) Impairment of non-financial assets

The management of the Group assesses impairment by evaluating conditions specific to the Group that may lead to impairment of non-financial assets. When an impairment trigger exists, the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the Directors take into consideration assumptions that are mainly based on market conditions existing at the end of the reporting period and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group. Future changes in the events and conditions underlying the estimates and judgements would affect the estimation of recoverable amounts and result in adjustments to their carrying amounts.

(iv) Allowance for inventories

The management of the Group carries out inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items. A considerable amount of judgement and estimates is required in determining such allowance. If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required. The management of the Group reviews the inventory ageing analysis at the end of reporting period and identifies for slow-moving inventory that are no longer suitable for consumption and salable. The management of the Group estimates the net realisable value for such inventories based primarily on the latest invoice price and current market conditions.

(v) Impairment of receivables

The impairment policy for bad and doubtful debts of the Group is based on management's evaluation of collectability and ageing analysis of receivables (including amounts due from related parties) and on the specific circumstances for each account. Judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer or debtor. If the financial condition of the customers or debtors was to deteriorate resulting in an impairment of their ability to make payments, additional provision will be required.

(vi) Estimates of current and deferred tax

The Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation, the timing of payment of the related taxation and the implementation of these taxes. The Group recognised income tax and other taxes based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the tax expense in the period in which the tax calculations are finalised with the tax authorities.

FINANCIAL INFORMATION

(vii) Fair value measurement

Certain of the Group's financial instruments require measurement at, and/or disclosure of, fair value.

The fair values of financial instruments that are not traded in an active market, including foreign currency forward contracts, are determined with reference to dealer quotes and using valuation technique based on inputs from observable current market transactions, which requires significant estimation.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

The table below sets out the Group's combined statements of comprehensive income during the Track Record Period, which was derived from the Accountants' Report as set out in Appendix I to this prospectus:

	For the year ended	
	31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	205,285	197,435
Cost of revenue	<u>(176,391)</u>	<u>(158,702)</u>
Gross profit	28,894	38,733
Other income and gains	489	351
Marketing and distribution expenses	(621)	(1,221)
Administrative and other operating expenses	(15,913)	(19,036)
Finance costs	<u>(620)</u>	<u>(767)</u>
Profit before income tax	12,229	18,060
Income tax expense	<u>(2,044)</u>	<u>(3,501)</u>
Profit for the year	10,185	14,559
Other comprehensive income for the year	<u>—</u>	<u>—</u>
Total comprehensive income for the year	<u>10,185</u>	<u>14,559</u>
Profit and total comprehensive income for the year attributable to:		
Owners of the Company	9,727	11,921
Non-controlling interests	<u>458</u>	<u>2,638</u>
	<u>10,185</u>	<u>14,559</u>

FINANCIAL INFORMATION

Revenue

The Group is principally engaged in (i) the provision of structural engineering works with a focus on design and build projects in Hong Kong; and (ii) trading of building material products predominately in Hong Kong. Revenue derived from these principal activities comprises the followings:

	For the year ended 31 March			
	2014		2015	
	HK\$'000	%	HK\$'000	%
Structural engineering works	199,542	97.2	183,913	93.2
Trading of building material products	5,743	2.8	13,522	6.8
	205,285	100.0	197,435	100.0

The following table provides analysis of the Group's revenue from external customers, determined based on location of the customers:

	For the year ended 31 March	
	2014	2015
	HK\$'000	HK\$'000
Hong Kong	204,640	196,530
PRC	19	—
Macau	—	698
Singapore	409	—
United Kingdom	217	207
	205,285	197,435

All of the Group's structural engineering works revenue was generated from Hong Kong and revenue from overseas was derived from sales of building material products. The Group has no present plan to develop its structural engineering business to overseas market.

FINANCIAL INFORMATION

Cost of revenue

The breakdown of cost of revenue during the Track Record Period is as follows:

	For the year ended 31 March			
	2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Subcontracting charges	79,474	45.1	54,633	34.4
Material and processing charges	72,752	41.2	72,493	45.7
Direct labour costs	13,365	7.6	15,532	9.8
Others	<u>10,800</u>	<u>6.1</u>	<u>16,044</u>	<u>10.1</u>
	<u>176,391</u>	<u>100.0</u>	<u>158,702</u>	<u>100.0</u>

Cost of revenue primarily comprises:

- (i) Subcontracting charges represent the charges paid and payable to subcontractors who provide installation works for the completion of its design and build projects. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's subcontracting charges on the Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 10% and 20% which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in subcontracting charges	<u>-10%</u>	<u>-20%</u>	<u>+10%</u>	<u>+20%</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(Decrease) in profit before tax				
Year ended 31 March 2014	7,947	15,895	(7,947)	(15,895)
Year ended 31 March 2015	5,463	10,927	(5,463)	(10,927)
Increase/(Decrease) in profit after tax				
Year ended 31 March 2014	6,636	13,272	(6,636)	(13,272)
Year ended 31 March 2015	4,562	9,124	(4,562)	(9,124)

FINANCIAL INFORMATION

- (ii) Material and processing charges mainly include the purchases of building materials being installed/utilised in the Group's construction projects and sold to customers directly. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's material costs on the Group's profits before tax during the Track Record Period. The hypothetical fluctuation rates are set at 10% and 20% which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in material and processing charges	-10%	-20%	+10%	+20%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(Decrease) in profit before tax				
Year ended 31 March 2014	7,275	14,550	(7,275)	(14,550)
Year ended 31 March 2015	7,249	14,498	(7,249)	(14,498)
Increase/(Decrease) in profit after tax				
Year ended 31 March 2014	6,075	12,150	(6,075)	(12,150)
Year ended 31 March 2015	6,053	12,106	(6,053)	(12,106)

The table below sets forth the breakdown of the Group's material and processing charges during the Track Record Period by types of materials:

Type of materials	For the year ended 31 March			
	2014		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Aluminium	39,773	54.7	30,931	42.7
Metal	15,812	21.7	31,340	43.2
Glass and PMMA sheet	13,578	18.7	6,683	9.2
Processing charges and others	3,589	4.9	3,539	4.9
	<u>72,752</u>	<u>100.0</u>	<u>72,493</u>	<u>100.0</u>

Note: The Group may purchase one or more of the above materials from a supplier in a purchase order. As such, the classification may depend on the type of materials the Group principally purchases from a supplier.

The Group's major materials include (i) aluminium; (ii) metal, such as steel and iron; and (iii) glass and PMMA sheet. During the Track Record Period, the purchases of aluminium amounted for approximately HK\$39.8 million and HK\$30.9 million, representing approximately 54.7% and 42.7% of the Group's total material and processing charges, respectively. Purchases of metal increased from approximately HK\$15.8 million for the year ended 31 March 2014 to HK\$31.3 million for the year ended 31 March 2015 while the purchases of glass and PMMA sheet dropped from approximately HK\$13.6 million for the year ended 31 March 2014 to approximately HK\$6.7 million for the year ended 31 March 2015.

FINANCIAL INFORMATION

- (iii) Direct labour costs represent compensation and benefits provided to the staff of the Group's project team.
- (iv) Others represent design fee, scaffolding and platform, insurance, inspection and testing, transportation and quantity survey etc.

Gross profit and gross profit margin

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

	For the year ended 31 March			
	2014		2015	
	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>
Structural engineering works	26,874	13.5	33,567	18.3
Trading of building material products	2,020	35.2	5,166	38.2
	<u>28,894</u>	<u>14.1</u>	<u>38,733</u>	<u>19.6</u>

In respect of the Group's structural engineering works business segment, the table below sets forth a breakdown of the gross profit and gross profit margin during the Track Record Period by types of design and build projects:

	For the year ended 31 March			
	2014		2015	
	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>
Facade, roof and related works	20,559	12.1	25,138	17.4
Structural steelwork and noise barriers	5,647	20.3	5,792	17.4
Flagpoles and related works	668	38.1	2,637	44.7
	<u>26,874</u>	<u>13.5</u>	<u>33,567</u>	<u>18.3</u>

In respect of the Group's structural engineering works business segment, the table below sets forth a breakdown of the gross profit and gross profit margin during the Track Record Period by public and private sectors:

	For the year ended 31 March			
	2014		2015	
	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>	<i>HK\$'000</i>	<i>Gross profit margin (%)</i>
Public sector	5,780	7.4	22,617	18.5
Private sector	21,094	17.3	10,950	17.8
	<u>26,874</u>	<u>13.5</u>	<u>33,567</u>	<u>18.3</u>

FINANCIAL INFORMATION

Gross profit for each business segment is calculated as segment revenue minus cost of revenue allocated to the segment. Segment cost of revenue mainly includes subcontracting charges, direct labour costs and material costs.

In respect of the Group's structural engineering works business segment, gross profit margin of design and build projects in relation to flagpoles and related works are generally higher than that of the other two types of projects because flagpoles and related works projects involved less complicated installation works than the other two types of structural engineering works and hence it incurs relatively less costs of labour and processing. In addition, the flagpole products used in these projects are sourced and provided by the Group under its own brand name of "BM-POLES" and therefore the Group has greater flexibility in quoting the prices of the flagpole products in these projects.

Gross profit margin of sales of building material products are generally higher than that of structural engineering works because the Group is the exclusive agent for majority of the products that it distributes and therefore the Group faces less competition and has greater flexibility in product pricing. In addition, sales of building material products do not require labour and subcontractor works and accordingly its profit margin are not affected by labour and subcontracting charges.

Please refer to the section headed "Financial information — Comparison of results of operations" below for a discussion of the fluctuation of the Group's gross profit margin during the Track Record Period.

Other income and gains

The following table sets out the Group's other income and gains during the Track Record Period:

	For the year ended 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	39	53
Exchange gain	91	—
Gain on disposal of property, plant and equipment	124	240
Others	235	58
	489	351

FINANCIAL INFORMATION

Marketing and distribution expenses

The following table sets out the Group's marketing and distribution expenses during the Track Record Period:

	For the year ended 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Advertising	124	135
Design and drafting fee	—	354
Inward freight and insurance	—	1
Commission	—	63
Samples	36	40
Transportation	461	628
	621	1,221

Administrative and other operating expenses

The following table sets out the Group's administrative and other operating expenses during the Track Record Period:

	For the year ended 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Audit fee	190	190
Depreciation	936	882
Directors' remuneration	4,566	3,703
Insurance	310	337
Legal and professional fee	91	845
Listing expenses	—	2,903
Management and consultancy fee	109	70
Motor vehicle expenses	552	514
Rent, rates, water and electricity	303	839
Rental office equipment	162	210
Repairs and maintenance	302	370
Staff costs	5,046	5,359
Others	3,346	2,814
	15,913	19,036

FINANCIAL INFORMATION

Finance cost

The following table sets out the Group's finance costs during the Track Record Period:

	<u>For the year ended 31 March</u>	
	<u>2014</u>	<u>2015</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings (<i>note</i>)		
— Bank loans and overdrafts wholly repayable within five years	566	605
— Bank loans wholly repayable after five years	31	121
Interest element of finance lease payments	<u>23</u>	<u>41</u>
	<u>620</u>	<u>767</u>

Note: This analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with scheduled repayment dates set out in the loan agreements. For the years ended 31 March 2014 and 2015, interest on bank borrowings which contain a repayment on demand clause amounted to HK\$597,000 and HK\$726,000 respectively.

Income tax expense

The amounts of income tax expense in the combined statements of comprehensive income represent:

	<u>For the year ended 31 March</u>	
	<u>2014</u>	<u>2015</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
— Tax for the year	2,068	3,555
— Over-provision in respect of prior years	<u>(24)</u>	<u>(54)</u>
	<u>2,044</u>	<u>3,501</u>

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the Track Record Period.

FINANCIAL INFORMATION

The income tax expense for the Track Record Period can be reconciled to the profit before income tax in the combined statements of comprehensive income as follows:

	For the year ended 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	12,229	18,060
Tax calculated at tax rate of 16.5%	2,018	2,980
Tax effect of revenue not taxable for tax purposes	(45)	(8)
Tax effect of expenses not deductible for tax purposes	18	656
Tax effect of temporary differences not recognised	69	(73)
Over-provision in respect of prior years	(24)	(54)
Others	8	—
Income tax expense	2,044	3,501

No deferred tax has been provided as there were no material temporary differences as at 31 March 2014 and 2015.

COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 March 2015 compared to year ended 31 March 2014

Revenue

The Group's revenue decreased by approximately 3.8% or HK\$7.9 million from approximately HK\$205.3 million for the year ended 31 March 2014 to approximately HK\$197.4 million for the year ended 31 March 2015. The decrease in revenue was mainly attributable to the decrease in revenue from structural engineering works of approximately HK\$15.6 million and was partly offset by the increase in revenue from sales of building material products.

A breakdown of revenue analysed by revenue scale from individual structural engineering project is set out below:

	For the year ended 31 March	
	2014	2015
	<i>HK\$ million</i>	<i>HK\$ million</i>
Revenue from individual project		
HK\$10,000,000 or above	132.8	98.5
HK\$5,000,000 to below HK\$10,000,000	25.9	34.9
HK\$1,000,000 to below HK\$5,000,000	29.9	30.3
Below HK\$1,000,000	10.9	20.2
	199.5	183.9

FINANCIAL INFORMATION

There were six projects which contributed over HK\$10.0 million each in revenue in the year ended 31 March 2014 whereas there were only three projects in the year ended 31 March 2015. The total revenue recognised for the six projects in the year ended 31 March 2014 was approximately HK\$132.8 million as opposed to approximately HK\$98.5 million for the three projects in the year ended 31 March 2015. The two projects with highest revenue for the year ended 31 March 2015, which were originally expected to be completed with in the year ended 31 March 2015, were delayed coinciding to the overall extended project duration so that a portion of the contract works of those two projects rolled over to the following year. Thus, less revenue was recognised for the year ended 31 March 2015.

The number of projects with revenue recognised under HK\$1.0 million individually increased substantially from 183 in the year ended 31 March 2014 to 278 in the year ended 31 March 2015, contributing additional revenue of approximately HK\$9.3 million to partially offset the effect of drop in larger projects.

Cost of revenue

The Group's cost of revenue decreased by approximately 10.0% or HK\$17.7 million from approximately HK\$176.4 million for the year ended 31 March 2014 to approximately HK\$158.7 million for the year ended 31 March 2015. The decrease in cost of revenue was mainly attributable to the cost of revenue for the year ended 31 March 2014 which comprised approximately 41.2% material and processing charges and approximately 45.1% subcontracting charges, whereas that for the year ended 31 March 2015 comprised approximately 45.7% material and processing charges and approximately 34.4% subcontracting charges respectively. The projects carried out in the year ended 31 March 2015 consisted of higher number of smaller scale projects which involved relatively more simple installation and construction process; accordingly, the cost component for such projects contains a higher percentage of material and lower percentage of subcontractor charges.

Gross profit and gross profit margin

Despite the decrease in revenue, the Group recorded increase of gross profit by approximately 33.9% or HK\$9.8 million from approximately HK\$28.9 million for the year ended 31 March 2014 to approximately HK\$38.7 million for the year ended 31 March 2015.

FINANCIAL INFORMATION

The gross profit margin of the Group increased from approximately 14.1% for the year ended 31 March 2014 to approximately 19.6% for the year ended 31 March 2015. An analysis of the Group's gross profit and gross profit margin according to the scale of revenue of individual project of structural engineering works is set out below.

Revenue of individual project	Profit recognised			
	2014		2015	
	<i>HK\$ million</i>	<i>Gross profit margin (%)</i>	<i>HK\$ million</i>	<i>Gross profit margin (%)</i>
HK\$10.0 million or above	22.4	16.9	13.6	13.8
Loss-making project (<i>Note 1</i>)	(4.8)		—	
Net	17.6		13.6	
HK\$5.0 million to below				
HK\$10.0 million	4.4	17.0	5.7	16.3
HK\$1.0 million to below				
HK\$5.0 million	7.5	25.1	8.1	26.7
Below HK\$1.0 million	4.0	36.7	7.9	39.1
Loss-making projects (<i>Note 2</i>)	(1.1)		—	
Net	2.9		7.9	
Total project profit	32.4		35.3	
Unallocated project costs and adjustment on costs of projects' profit recognised in prior years	(5.5)		(1.7)	
	26.9	13.5	33.6	18.3

Notes:

1. The loss-making project refers to Project A which details are set out in the section headed "Business — Customers — Pricing strategies — Construction contracts for design and build projects" to this prospectus.
2. The loss-making projects refer to Project B and Project C which details are set out in the section headed "Business — Customers — Pricing strategies — Construction contracts for design and build projects" to this prospectus.

In general, smaller scale projects would have higher profit margin given that smaller projects involved more simple installation and construction process which contains lower percentage of subcontractor charges. The Group's gross profit in relation to its structural engineering works increased from approximately HK\$26.9 million in the year ended 31 March 2014 to approximately HK\$33.6 million in the year ended 31 March 2015 while the gross profit margin increased from approximately 13.5% to approximately 18.3%. Among the three types of design and build projects undertaken by the

FINANCIAL INFORMATION

Group, flagpoles and related works had the highest gross profit margin of approximately 38.1% and approximately 44.7% for the two years ended 31 March 2015 respectively. This was mainly because flagpoles and related works projects involved less complicated installation works than the other two types of structural engineering works and hence it incurs relatively less costs of labour and processing. In addition, the flagpole products used in these projects are sourced and provided by the Group under its own brand name of “BM-POLES” and therefore the Group has greater flexibility in quoting the prices of the flagpole products in these projects.

The profit recognised for projects with over HK\$10.0 million revenue in the year ended 31 March 2014 comprised of, amongst others, two projects with profit of approximately HK\$10.1 million and approximately HK\$6.1 million respectively, both with favourable profit margin, and one project with recognised loss of approximately HK\$4.8 million. The overall margin for projects with over HK\$10.0 million revenue was lower in the year ended 31 March 2015 because the commencement date of two projects with favourable margin was postponed and only a small amount of profit was recognised in the year ended 31 March 2015.

The gross profit and gross profit margin for the projects with revenue from HK\$1.0 million to HK\$10.0 million maintained stable from the year ended 31 March 2014 to the year ended 31 March 2015 as the number of projects recognised with revenue from HK\$5.0 million to HK\$10.0 million maintained stable with 4 and 5, respectively, during the Track Record Period while the number of projects recognised with revenue from HK\$1.0 million to HK\$5.0 million increased slightly from 11 in the year ended 31 March 2014 to 12 in the year ended 31 March 2015.

Projects with revenue under HK\$1.0 million for the year ended 31 March 2014 included two loss-making projects for which approximately HK\$1.1 million loss was recognised. Please refer to the section headed “Business — Customers — Pricing Strategies — Construction contracts for design and build projects” to this prospectus for discussion of loss-making projects during the Track Record Period. The aggregate profit recognised for project category below HK\$1.0 million revenue increased from approximately HK\$2.9 million in the year ended 31 March 2014 to approximately HK\$7.9 million in the year ended 31 March 2015 which represents an increase of approximately 172.4%. The increase was mainly attributable to number of projects with below HK\$1.0 million revenue increased from 183 in the year ended 31 March 2014 to 278 in the year ended 31 March 2015.

The unallocated project costs are general costs of revenue which are difficult to determine on a project-by-project basis and adjustment on costs of projects’ profit recognised in prior years are the costs incurred for certain projects in the financial year of which the profit has already been recognised in prior years. The adjustment on costs of projects’ profit recognised in prior years during the Track Record Period did not result any project incurring material losses. The decrease in adjustment on costs of projects’ profit recognised in prior years during the Track Record Period was attributable to the better cost estimation of the Group’s management during the Track Record Period.

Overall, the increase in gross profit of structural engineering works for the year ended 31 March 2015 was attributable to the rise in the number of projects in the below HK\$1.0 million category which in general yield a higher profit margin because they involved more simple installation and construction process, which is mainly carried out by subcontractors and decrease in unallocated project costs and adjustment on costs of projects’ profit recognised in prior years.

FINANCIAL INFORMATION

During the Track Record Period, the Group's design and build projects for public sector recorded gross profit margin of approximately 7.4% and 18.5% respectively, while the design and build projects for private sector had a more stable gross profit margin of approximately 17.3% and 17.8% respectively. The large difference in the gross profit margin for public sector was mainly due to the loss of approximately HK\$4.8 million incurred by Project A, which was completed during the year ended 31 March 2014. For further details of Project A, please refer to the section headed "Business — Customers — Pricing strategies — Construction contracts for design and build projects" to this prospectus.

The gross profit of trading of building material products increased from approximately HK\$2.0 million in the year ended 31 March 2014 to approximately HK\$5.2 million in the year ended 31 March 2015 which represented approximately 160.0% increase while the gross profit margin increased slightly from approximately 35.2% to approximately 38.2%. The sale of building material products is dependent on the customers' construction project progress. Given that the Group's customers in building material products have more works in the year ended 31 March 2015, the revenue attributable to trading of building material products increased significantly from the year ended 31 March 2014 to the year ended 31 March 2015.

Other income and gains

The other income and gains of the Group decreased from approximately HK\$0.5 million for the year ended 31 March 2014 to approximately HK\$0.4 million for the year ended 31 March 2015 representing approximately 20.0% decrease.

Marketing and distribution expenses

The marketing and distribution expenses of the Group increased substantially by approximately 100.0% or HK\$0.6 million from approximately HK\$0.6 million for the year ended 31 March 2014 to approximately HK\$1.2 million for the year ended 31 March 2015. The increase in marketing and distribution expenses was mainly attributable to design and drafting fee of approximately HK\$0.4 million spent on project proposals which was not assignable to specific projects being charged to marketing expense. Transportation expenses increased by approximately HK\$0.1 million to cope with the development in business and increasing number of projects completed in the year ended 31 March 2015.

Administrative and other operating expenses

The administrative and other operating expenses of the Group increased by approximately 19.5% or HK\$3.1 million from approximately HK\$15.9 million for the year ended 31 March 2014 to approximately HK\$19.0 million for the year ended 31 March 2015. The increase in administrative and other operating expenses was mainly attributable to the listing expenses of approximately HK\$2.9 million.

FINANCIAL INFORMATION

Finance costs

The Group's finance costs increased by approximately 33.3% or HK\$0.2 million from approximately HK\$0.6 million for the year ended 31 March 2014 to approximately HK\$0.8 million for the year ended 31 March 2015. The increase in finance costs was mainly attributable to the increase in bank borrowings to finance for the Group's business.

Profit before income tax

As a result of the foregoing, profit before income tax increased by approximately 48.4% or HK\$5.9 million from approximately HK\$12.2 million for the year ended 31 March 2014 to approximately HK\$18.1 million for the year ended 31 March 2015.

Income tax expense

The Group's income tax expense increased by approximately 75.0% or HK\$1.5 million from approximately HK\$2.0 million for the year ended 31 March 2014 to approximately HK\$3.5 million for the year ended 31 March 2015. The increase in income tax expense was mainly attributable to the increase in profit before income tax from approximately HK\$12.2 million for the year ended 31 March 2014 to approximately HK\$18.1 million for the year ended 31 March 2015. In addition, the Group recognised listing expenses of HK\$2.9 million in profit or loss for the year ended 31 March 2015, which is non-deductible for tax purpose and thus has been added back in determining income tax expenses for the year.

The effective tax rate for the two years ended 31 March 2015 were approximately 16.7% and 19.4% respectively. The increase in the effective tax rate was mainly due to the non-deductible listing expenses incurred for the year ended 31 March 2015 as aforementioned.

Profit for the year and profit for the year attributable to owners of the Company

The profit for the year increased by approximately 43.1% or HK\$4.4 million from approximately HK\$10.2 million for the year ended 31 March 2014 to approximately HK\$14.6 million for the year ended 31 March 2015 due to combined effect of abovementioned items. The profit for the year attributable to owners of the Company increased by approximately 22.7% or HK\$2.2 million from approximately HK\$9.7 million for the year ended 31 March 2014 to approximately HK\$11.9 million for the year ended 31 March 2015 which the increasing rate is lower than that of the profit for the year. The lower increasing rate of profit for the year attributable to owners of the Company was attributable to the better performance of trading of building material products in the year ended 31 March 2015 and the operating vehicle, BuildMax (HK), was a non-wholly owned subsidiary in the Group during the year ended 31 March 2015.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, the Group's operations were generally financed through a combination of shareholder's equity, internally generated cash flows and borrowings from banks. The Directors believe that in the long term, the Group's operation will be funded by internally generated cash flows and bank borrowings and, if necessary, additional equity financing.

Cash flows

The following table sets forth selected cash flows data from the Group's combined statements of cash flows for the years indicated:

	<u>For the year ended 31 March</u>	
	<u>2014</u>	<u>2015</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from/(used in) operating activities	17,187	(8,163)
Net cash used in investing activities	(7,426)	(3,350)
Net cash (used in)/from financing activities	<u>(6,459)</u>	<u>4,798</u>
Net increase/(decrease) in cash and cash equivalents	3,302	(6,715)
Cash and cash equivalents at beginning of year	<u>4,190</u>	<u>7,492</u>
Cash and cash equivalents at end of year	<u><u>7,492</u></u>	<u><u>777</u></u>
Analysis of the balances of cash and cash equivalents		
Cash at banks and in hand	10,485	5,791
Less: Bank overdrafts	<u>(2,993)</u>	<u>(5,014)</u>
	<u><u>7,492</u></u>	<u><u>777</u></u>

Net cash from/(used in) operating activities

The Group generates its cash inflow from operating activities principally from cash receipts from customers. The Group's cash outflow from operating activities is principally for the payment to its suppliers, subcontractors and staff.

FINANCIAL INFORMATION

For the year ended 31 March 2014, the Group recorded net cash from operating activities of approximately HK\$17.2 million, primarily as a result of operating profit after tax and adjusting for the effects of transactions of a non-cash nature and item of income and expense associated with investing or financing cash flows before working capital changes of approximately HK\$14.5 million, decrease in amounts due from customers of contract works of approximately HK\$10.4 million and decrease in trade and other receivables, deposits and prepayments of approximately HK\$20.6 million which is partly offset by the increase in inventories of approximately HK\$0.5 million, decrease in amounts due to customers of contract works of approximately HK\$12.8 million and decrease in trade and other payables of approximately HK\$13.0 million.

For the year ended 31 March 2015, the Group recorded net cash used in operating activities of approximately HK\$8.2 million, primarily as a result of increase in inventories of approximately HK\$0.9 million, increase in amounts due from customers of contract works of approximately HK\$16.7 million, increase in trade and other receivables, deposits and prepayments of approximately HK\$31.6 million, decrease in amounts due to customers of contract works of approximately HK\$0.3 million and increase in pledged deposits of approximately HK\$2.4 million which was partly offset by operating profit after tax and adjusting for the effects of transactions of a non-cash nature and item of income and expense associated with investing or financing cash flows before working capital changes of approximately HK\$20.0 million and increase in trade and other payables of approximately HK\$26.5 million.

Net cash used in investing activities

The Group generates its cash inflow from investing activities principally from proceeds from disposal of property, plant and equipment and decrease in amounts due from related companies and parties. The Group's cash outflow from investing activities primarily consists of purchase of property, plant and equipment, increase in amounts due from Directors and increase in amounts due from related companies and parties.

For the year ended 31 March 2014, the Group recorded net cash used in investing activities of approximately HK\$7.4 million, primarily as a result of purchase of property, plant and equipment of approximately HK\$0.3 million, increase in amounts due from Directors of approximately HK\$4.1 million, increase in amounts due from related companies and parties of approximately HK\$3.1 million which is partly offset by proceeds from disposal of property, plant and equipment of approximately HK\$0.1 million.

For the year ended 31 March 2015, the Group recorded net cash used in investing activities of approximately HK\$3.4 million, primarily as a result of increase in pledged bank deposits of approximately HK\$2.4 million, purchase of property, plant and equipment of approximately HK\$0.8 million and increase in amounts due from Directors of approximately HK\$1.1 million which was partly offset by proceeds from disposal of property, plant and equipment of approximately HK\$0.1 million and decrease in amounts due from related companies and parties of approximately HK\$0.9 million.

Net cash (used in)/from financing activities

The Group generated its cash inflow from financing activities principally from borrowings from banks and increase in amounts due to related parties during the Track Record Period. The Group's cash outflow from financing activities during the Track Record Period related to dividend paid, repayments of bank borrowings and the capital element of finance lease payment.

FINANCIAL INFORMATION

For the year ended 31 March 2014, the Group recorded net cash used in financing activities of approximately HK\$6.5 million, primarily as a result of dividends paid to non-controlling interests of approximately HK\$2.0 million, repayment of bank borrowings of approximately HK\$25.8 million and capital element of finance lease payment of approximately HK\$0.2 million which was partly offset by proceeds from new bank borrowings of approximately HK\$21.5 million.

For the year ended 31 March 2015, the Group recorded net cash from financing activities of approximately HK\$4.8 million, primarily as a result of proceeds from new bank borrowings of approximately HK\$27.9 million and increase in amounts due to related parties of approximately HK\$0.1 million which was partly offset by dividends paid of approximately HK\$1.2 million, dividends paid to non-controlling interests of approximately HK\$0.8 million, repayment of bank borrowings of approximately HK\$20.9 million and capital element of finance lease payment of approximately HK\$0.3 million.

FINANCIAL INFORMATION

NET CURRENT ASSETS

The following table sets out details of the current assets and liabilities as at the dates indicated:

	As at 31 March 2014 <i>HK\$'000</i>	As at 31 March 2015 <i>HK\$'000</i>	As at 31 August 2015 <i>HK\$'000</i> (Unaudited)
Current assets			
Inventories	2,547	3,309	3,585
Amounts due from customers of contract works	9,678	26,354	14,658
Trade and other receivables, deposits and prepayments	50,329	82,100	97,532
Amounts due from related companies	6,755	6,362	6,624
Amounts due from related parties	930	—	—
Amounts due from directors	1,965	2,493	3,370
Tax recoverable	938	8	8
Pledged deposits	1,500	—	—
Pledged bank deposits	7,589	10,027	10,241
Cash and bank balances	<u>10,485</u>	<u>5,791</u>	<u>14,774</u>
	<u>92,716</u>	<u>136,444</u>	<u>150,792</u>
Current liabilities			
Amounts due to customers of contract works	4,353	4,037	10,174
Trade and other payables	24,986	51,888	56,391
Derivative financial instruments	41	276	607
Amounts due to related parties	—	92	—
Tax payable	1,121	1,615	3,269
Bank borrowings	12,862	21,890	21,666
Obligation under finance leases	<u>191</u>	<u>279</u>	<u>266</u>
	<u>43,554</u>	<u>80,077</u>	<u>92,373</u>
Net current assets	<u><u>49,162</u></u>	<u><u>56,367</u></u>	<u><u>58,419</u></u>

The Group's current assets primarily comprise inventories, amounts due from customers of contract works, trade and other receivables, deposits and prepayments, amounts due from related companies, related parties and the Directors, tax recoverable, pledged deposits and pledged bank deposits and cash and bank balances. The Group's current liabilities primarily comprise amounts due to customers of contract works, trade and other payables, derivative financial instruments, amounts due to related parties, tax payable, bank borrowings and obligation under finance leases. The Group had been in net current asset position during the Track Record Period and up to 31 August 2015, being the latest practicable date for ascertaining the financial information of the Group.

FINANCIAL INFORMATION

The increase in the Group's net current assets from approximately HK\$49.2 million as at 31 March 2014 to approximately HK\$56.4 million as at 31 March 2015 was mainly attributable to the profit for the year ended 31 March 2015 of approximately HK\$14.6 million which was partly offset by the increase of non-current assets of approximately HK\$4.6 million from approximately HK\$6.4 million as at 31 March 2014 to approximately HK\$11.0 million as at 31 March 2015 and the declaration of dividend of approximately HK\$3.0 million during the year ended 31 March 2015.

The Group's current assets increased from approximately HK\$92.7 million as at 31 March 2014 to approximately HK\$136.4 million as at 31 March 2015 was mainly attributable to the increase in (i) inventories of approximately HK\$0.8 million; (ii) amounts due from customers of contract works of approximately HK\$16.7 million; (iii) trade and other receivables, deposits and prepayments of approximately HK\$31.8 million; (iv) amounts due from the directors of approximately HK\$0.5 million; and (v) pledged bank deposits of approximately HK\$2.4 million which was partly offset by the decrease in (i) amounts due from related companies of approximately HK\$0.4 million; (ii) amounts due from related parties of approximately HK\$0.9 million; (iii) tax recoverable of approximately HK\$0.9 million; (iv) pledged deposits of approximately HK\$1.5 million; and (v) cash and bank balances of approximately HK\$4.7 million.

The Group's current liabilities increased from approximately HK\$43.6 million as at 31 March 2014 to approximately HK\$80.1 million as at 31 March 2015 was mainly attributable to the increase in (i) trade and other payables of approximately HK\$26.9 million; (ii) tax payable of approximately HK\$0.5 million; and (iii) bank borrowings of approximately HK\$9.0 million.

As at 31 August 2015, being the latest practicable date for ascertaining the financial information of the Group, the Group had net current assets of approximately HK\$58.4 million.

INVENTORY ANALYSIS

The following table sets out the inventory balance by status as at the end of each year of the Track Record Period:

	As at 31 March	
	2014	2015
	HK\$'000	HK\$'000
Raw materials and supplies	2,547	3,309

The increase in level of inventory from approximately HK\$2.5 million as at 31 March 2014 to approximately HK\$3.3 million as at 31 March 2015 was mainly attributable to the increase in business of trading of building material products. The Group's construction works do not maintain a high level of inventories as materials for the Group's construction projects are generally delivered directly to work site for installation and are included in construction works. As at 31 August 2015, approximately 52.7% of the inventory as at 31 March 2015 were subsequently sold and used by the Group.

FINANCIAL INFORMATION

The following table sets out the average inventory turnover days for the Track Record Period:

	As at 31 March	
	2014	2015
Inventory turnover days	4.1	5.4

Note: The inventory turnover days for a year is the average inventory divided by revenue for that year and multiplied by 365 days.

AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS

The following table sets out the details of the amounts due from/to customers for contract works as at the end of each year of the Track Record Period:

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Costs incurred to date plus recognised profits	227,837	267,599
Less: Progress billings to date	(222,512)	(245,282)
	5,325	22,317
Amounts due from customers of contract works	9,678	26,354
Amounts due to customers of contract works	(4,353)	(4,037)
	5,325	22,317

The net amounts due from customers of contract works increased from approximately HK\$5.3 million as at 31 March 2014 to approximately HK\$22.3 million as at 31 March 2015. The increase in net amounts from customers of contract works was mainly due to (i) a substantial amount of contract costs incurred on the largest project for the year ended 31 March 2015 has not yet certified by the customer; and (ii) the costs incurred in designing and purchasing certain materials relating to certain projects which were not billable according to the project stage at the end of the reporting period.

As at 31 March 2015 and 31 August 2015, the net amounts due from customer of contract works was approximately HK\$22.3 million and HK\$4.5 million respectively. Such decrease was mainly due to project costs that were not yet certified by the Group's customers and not billable according to the project stage as at 31 March 2015 being billed to the Group's customers subsequent to the year end. As at the Latest Practicable Date, the Group subsequently billed HK\$23.3 million and HK\$1.6 million for the amounts due from customers of contract works as at 31 March 2015 and 31 August 2015, respectively and received settlement of approximately HK\$19.9 million and nil of the respective billed amounts.

FINANCIAL INFORMATION

TRADE RECEIVABLES ANALYSIS

The following table sets out the trade and other receivables, deposits and prepayments as at the end of each year of the Track Record Period:

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Trade and bills receivables</i>		
Trade and bills receivables	27,441	57,788
Less: Provision for impairment	(566)	(665)
Trade and bills receivables, net (<i>note (a)</i>)	26,875	57,123
<i>Other receivables, deposits and prepayments</i>		
Retention receivables	23,018	23,939
Less: Provision for impairment	(187)	(269)
Retention receivables, net (<i>note (b)</i>)	22,831	23,670
Deposits	447	169
Prepayments	176	1,138
	23,454	24,977
	50,329	82,100

- (a) The movements in the allowance for impairment of trade and bills receivables during the Track Record Period are as follows:

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	—	566
Impairment loss recognised	566	99
At the end of the year	566	665

Trade and bills receivables of HK\$566,000 and HK\$665,000 as at 31 March 2014 and 2015 respectively were impaired and full provision have been made for the balances.

FINANCIAL INFORMATION

The ageing analysis of trade and bills receivables (net), based on invoice date, as of the end of each year of the Track Record Period is as follow:

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	15,810	29,483
31 – 60 days	4,654	18,036
61 – 90 days	495	2,634
Over 90 days	5,916	6,970
	26,875	57,123

The ageing analysis of trade and bills receivables (net), based on due date, as at the end of each year of the Track Record Period are as follow:

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	15,991	28,389
Past due but not impaired		
Past due for less than 30 days	4,522	18,800
Past due for 30 days or more but less than 60 days	434	2,929
Past due for 60 days or more but less than 90 days	235	640
Past due for 90 days or more	5,693	6,365
	10,884	28,734
	26,875	57,123

Bills receivable are subject to tenor of 30 to 60 days. The credit period granted to other trade debtors ranged from 30 to 60 days.

Receivables that were neither past due nor impaired related to a range of customers for whom there was no recent history of default. Receivables that were past due but not impaired related to customers with long business relationship. Based on past experience, management believes that no impairment allowance is necessary as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

FINANCIAL INFORMATION

- (b) The movements in the allowance for impairment of retention receivables during the Track Record Period are as follows:

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	—	187
Impairment loss recognised	187	107
Bad debts written off	—	(25)
At the end of the year	187	269

As at 31 March 2014 and 2015, based on due date, the Group's retention receivables of approximately HK\$18,008,000 and HK\$21,914,000 respectively were not yet past due and the remaining balance of approximately HK\$4,823,000 and HK\$1,756,000 respectively were past due, of which approximately HK\$1,180,000 and HK\$1,318,000 respectively were past due for over one year. Based on the assessment of the directors, no impairment allowance is necessary for the net retention receivables outstanding at the end of the reporting periods as those balances are from customers with long business relationship and there has not been a significant change in their credit quality. Approximately HK\$1,760,000 of the retention receivables as at 31 March 2015 was subsequently settled by the Group's customers, which are the Independent Third Parties, up to the Latest Practicable Date.

The following table sets out the trade receivable turnover days for the Track Record Period:

	As at 31 March	
	2014	2015
Trade receivable turnover days	77.8	77.6

Note: The average trade and bills receivables turnover days for a year is the average of opening and closing gross trade and bills receivables balances divided by revenue for that year and multiplied by 365 days.

As previously mentioned, the progress of the two projects with highest revenue for the year ended 31 March 2015 was delayed coinciding to the overall extended project duration, as a result, a large portion of the works on the projects were carried out near end of the year ended 31 March 2015 to catch up the delay. Accordingly, a large amount of billings for these two projects which amounted to approximately HK\$21.5 million remained in trade and bills receivables as at 31 March 2015. Up to the Latest Practicable Date, approximately HK\$49.6 million of the trade and bills receivables as at 31 March 2015 has been settled by the Group's customers, which are the Independent Third Parties.

The trade receivables aged over 90 days for both year 2014 and 2015 mainly comprised of receivables for one project which the Group has been and still is in negotiation with the customer over works certification.

FINANCIAL INFORMATION

The Group's customers of design and build project typically issue payment certificates within one month after the Group's submission of payment applications and the credit period for payment is normally 30 days after issue of payment certificates; accordingly, the bills for design and build project will remain in receivables for 60 to 90 days after the month in which works were performed.

The trade receivable turnover days for the year ended 31 March 2014 and the year ended 31 March 2015 is approximately 77.8 days and 77.6 days respectively, which is slightly over the credit period of 60 days, as normal the Group will send out the payment application two weeks after each month end.

TRADE PAYABLES ANALYSIS

The following table sets out the trade and other payables as at the end of each year of the Track Record Period:

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables (<i>note (a)</i>)	19,603	35,459
Bills payable	—	5,172
	19,603	40,631
Trade and bills payables (<i>note (b)</i>)	19,603	40,631
Retention payables (<i>note (c)</i>)	2,872	6,993
Receipts in advance	777	514
Other payables, accruals and deposits received	1,734	3,750
	24,986	51,888

Notes:

- (a) Included in trade payables were balances due to related companies amounting to HK\$657,000 and HK\$946,000 respectively as at 31 March 2014 and 2015 which arose from the trading transactions as disclosed in note 37(a) of the Accountants' Report in Appendix I to this prospectus. These balances are unsecured, interest free and due for settlement within 30 days from the transaction date.
- (b) The Group's bills payable are subject to a tenor of up to 120 days. For other trade payables, the credit period granted by suppliers and contractors is normally 30 to 60 days.

The ageing analysis of trade and bills payables, based on invoice date, as of the end of each of the Track Record Period is as follows:

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	7,996	17,678
31–60 days	3,381	18,292
61–90 days	2,360	1,983
Over 90 days	5,866	2,678
	19,603	40,631

- (c) As at 31 March 2014 and 2015, retention payables of HK\$2,752,000 and HK\$4,547,000 respectively were aged one year or below and the remaining balance of approximately HK\$120,000 and HK\$2,446,000 respectively were aged over one year.

FINANCIAL INFORMATION

The following table sets out the trade payable turnover days for the Track Record Period:

	As at 31 March	
	2014	2015
Trade payable turnover days	57.3	68.9

Note: Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by purchases for the year, then multiplied by the number of days of the year (i.e. 365 days for a full year).

The trade and bill payables as at 31 March 2015 and 2014 was approximately HK\$40.6 million and HK\$19.6 million respectively. Up to 31 August 2015, approximately HK\$37.3 million of the trade and bill payables has been settled.

The Group's suppliers of building material products usually allow a credit period of 30 days while the Group's subcontractors typically submits application for payment within 14 days after end of each month and the payment certificates will usually be issued within 14 days of application; payments are typically made within 30 days after issue of payment certificates. As a result, balance of the Group's trade creditor's normally remaining in payables for between 30 to 60 days.

The trade payables turnover days for the year ended 31 March 2014 and the year ended 31 March 2015 is approximately 57.3 days and approximately 68.9 days respectively, the increase was mainly because large portion of works on the two highest revenue projects for year ended 31 March 2015 was recognised in latter part of the financial year and accordingly, a large amount of subcontractor billings remained in trade payables as at 31 March 2015.

KEY FINANCIAL RATIOS

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

	Note	For the year ended/ As at 31 March	
		2014	2015
Return on total assets	1	10.3%	9.9%
Return on equity	2	18.5%	21.8%
Current ratio	3	2.1	1.7
Quick ratio	4	2.1	1.7
Gearing ratio	5	24.4%	34.1%
Net profit margin	6	5.0%	7.4%

Notes:

1. Return on total assets is calculated based on the profit for the year divided by the total assets as at the end of the year.
2. Return on equity is calculated based on the profit for the year divided by total equity at the end of the year.
3. Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the year.

FINANCIAL INFORMATION

4. Quick ratio is calculated based on the difference between the total current assets and inventories divided by the total current liabilities at the end of the year.
5. Gearing ratio is calculated based on the total loans and borrowings divided by total equity at the end of the year.
6. Net profit margin is calculated by the total comprehensive income for the year divided by the revenue for the respective year.

Key financial ratios

Return on total assets

The Group's return on total assets dropped slightly from approximately 10.3% for the year ended 31 March 2014 to approximately 9.9% for the year ended 31 March 2015 which was due to the increase in trade receivables and amounts due from customers of contract works as at 31 March 2015. The progress of the two highest revenue projects for the year ended 31 March 2015 was delayed and a large portion of the revenue from these two projects was recognised in the latter part of the financial year to catch up the project progress; accordingly a large amount of billings and unbilled revenue remained in receivables and amounts due from customers of contract works as at 31 March 2015.

Return on equity

The Group's return on equity improved from approximately 18.5% for the year ended 31 March 2014 to approximately 21.8% for the year ended 31 March 2015, which was mainly due to the increase in net profit and net profit margin for the year ended 31 March 2015.

Current ratio

The Group's current ratio decreased from approximately 2.1 as at 31 March 2014 to approximately 1.7 as at 31 March 2015 mainly because of the rise in trade receivables and amounts due from customers of contract works in the year ended 31 March 2015 for design and build projects which billings remained unsettled as at 31 March 2015.

Quick ratio

The Group's quick ratio decreased from approximately 2.1 as at 31 March 2014 to approximately 1.7 as at 31 March 2015 mainly because of the rise in trade receivables and amounts due from customers of contract works in the year ended 31 March 2015 for design and build projects which billings remained unsettled as at 31 March 2015.

Gearing ratio

The gearing ratio of the Group increased from approximately 24.4% as at 31 March 2014 to approximately 34.1% as at 31 March 2015 due to a rise in bank borrowings to provide working capital for design and build projects which billings remained unsettled as at 31 March 2015.

FINANCIAL INFORMATION

Net profit margin

The Group's net profit margin improved from approximately 5.0% for the year ended 31 March 2014 to approximately 7.4% for the year ended 31 March 2015, which was mainly driven by the rise in profit before tax and partially offset by a rise in the effective tax rate from approximately 16.7% for the year ended 31 March 2014 to approximately 19.4% for the year ended 31 March 2015 as professional and other expenses incurred in relation to the Listing for the year ended 31 March 2015 are not deductible for profits tax purpose.

CAPITAL COMMITMENTS

At 31 March 2014 and 2015, the Group had the following capital commitments:

	As at 31 March	
	2014	2015
	HK\$'000	HK\$'000
Commitments for the investment in a subsidiary		
— contracted but not provided for	—	1,000

The capital commitments were the commitments for the investment in KPa (SZ).

CAPITAL EXPENDITURE

During the Track Record Period, the Group did not incur any material capital expenditure due to its business model. The Group's capital expenditure for the two years ended 31 March 2015 amounted to approximately HK\$0.8 million and approximately HK\$1.6 million, respectively, comprising mainly expenditures for computer, office equipment, furniture and fixtures, and purchase of motor vehicles.

For the years ending 31 March 2016 and 2017, the Group estimates that the capital expenditures will amount to approximately HK\$2.5 million and nil, respectively, which are primarily for paying the lifetime waiver fees of approximately HK\$2.2 million and the remaining of HK\$0.3 million for leasing a new office for expansion of the Group's structural design and shop drawing teams and purchase of computers and office equipment. The waiver fees have been fully paid and financed by the Group's existing banking facilities in August 2015 and the Directors expect to fund such planned capital expenditures principally through the net proceeds from the Placing and cash generated from operating activities. The Directors believe that these sources of funding will be sufficient to finance the Group's planned capital expenditures for the next 12 months.

The planned capital expenditures are subject to revision based upon any future changes in the Group's business plan, market conditions, and economic and regulatory environment. Please refer to the section headed "Statement of business objectives and use of proceeds" for further details.

FINANCIAL INFORMATION

INDEBTEDNESS

The following table sets out the Group's indebtedness as at the respective financial position dates:

	As at 31 March		As at 31 August
	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Unaudited)
Current liabilities			
Bank borrowings	12,862	21,890	21,666
Obligation under finance leases	191	279	266
	13,053	22,169	21,932
Non-current liabilities			
Obligation under finance leases	408	618	499
	13,461	22,787	22,431

As at 31 March 2014 and 2015 and 31 August 2015, the Group's indebtedness position was at approximately HK\$13.5 million, HK\$22.8 million and HK\$22.4 million, respectively. The Group's indebtedness was primarily bank borrowings, approximately HK\$12.9 million, HK\$21.9 million and HK\$21.7 million respectively as of 31 March 2014 and 2015 and 31 August 2015, which was used for financing the Group's daily operations.

As at 31 August 2015, the Group had a total available banking and other facilities of approximately HK\$66.2 million, of which approximately HK\$24.9 million was utilised and approximately HK\$41.3 million was unutilised and available for use. The Group intends to repay any outstanding banking facilities primarily by the internal resources generated from its operating activities. The Directors confirm that the Group has not experienced any difficulties in obtaining bank borrowings nor any default in repayment on bank borrowings during the Track Record Period and up to the Latest Practicable Date.

FINANCIAL INFORMATION

Bank borrowings

The status of the Group's bank borrowings as at the respective financial position dates is as follows:

	As at 31 March		As at 31 August
	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Unaudited)
Current liabilities			
Secured and interest-bearing bank borrowings			
Bank overdrafts	2,993	5,014	—
Bank loans subject to repayment on demand clause			
— Bank loans due for repayment within one year	4,504	12,755	18,390
— Bank loans due for repayment after one year	5,365	4,121	3,276
	<u>9,869</u>	<u>16,876</u>	<u>21,666</u>
	<u>12,862</u>	<u>21,890</u>	<u>21,666</u>

Notes:

- (a) Bank borrowings, including trade financing, are interest bearing at the banks' prime rates or cost of funds or Hong Kong Inter-Bank Offered Rate adjusted by certain basis points per annum. The interest rates of the Group's bank borrowings as at 31 March 2014 and 31 March 2015 granted under banking facilities ranged from 2.97% to 6.50% and 2.58% to 6.25% respectively per annum.

The interest rates of the Group's bank loans as at 31 August 2015 ranged from 2.99% to 5.50% per annum.

- (b) The Group's bank borrowings and banking facilities as at 31 March 2014 and 2015 are secured by the followings:
- land and buildings with net carrying amount of HK\$4,069,000 and HK\$5,191,000 as at 31 March 2014 and 31 March 2015 respectively;
 - bank deposits of HK\$7,589,000 and HK\$10,027,000 as at 31 March 2014 and 31 March 2015 respectively; and
 - personal guarantees executed by three Directors, namely Mr. Lui, Mr. Wai and Mr. Yip.

The Group's bank borrowings and banking facilities as at 31 August 2015 are secured by the followings:

- land and buildings with net carrying amount of HK\$5,121,000 as at 31 August 2015;
- bank deposits of HK\$10,241,000 as at 31 August 2015; and
- personal guarantees executed by three Directors, namely Mr. Lui, Mr. Wai and Mr. Yip. The personal guarantees provided by Mr. Lui, Mr. Wai and Mr. Yip for the banking facilities existed at the date of this prospectus will be fully released, discharged or replaced by corporate guarantees or other securities provided by the Group upon the Listing.

FINANCIAL INFORMATION

In addition, outstanding loan balances of HK\$2,690,000, HK\$1,536,000 and HK\$200,000 as at 31 March 2014, 31 March 2015 and 31 August 2015 respectively are also subject to special loan guarantee issued by the Government of The Hong Kong Special Administrative Region.

As at the respective financial position dates, the Group's bank loans and overdrafts were scheduled to repay as of the end of each year of the Track Record Period and 31 August 2015 were as follows:

	<u>As at 31 March</u>		<u>As at 31 August</u>
	<u>2014</u>	<u>2015</u>	<u>2015</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Unaudited)
On demand or within one year	7,497	17,769	18,390
More than one year, but not exceeding two years	1,245	824	405
More than two years, but not exceeding five years	1,918	1,530	1,290
More than five years	<u>2,202</u>	<u>1,767</u>	<u>1,581</u>
	<u>12,862</u>	<u>21,890</u>	<u>21,666</u>

The amounts due are based on the scheduled repayment dates in the loan agreements and ignore the effect of any repayment on demand clause.

Obligation under finance leases

The Group leases certain of its motor vehicles and office equipment and these leases are classified as finance leases. The lease obligations are secured by the leased assets.

The future lease payments under the finance lease are due as follows:

	<u>Minimum lease payments</u>	<u>Interest</u>	<u>Present value of minimum lease payments</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>As at 31 March 2014</i>		
Not later than one year	214	(23)	191
Later than one year but not later than five years	<u>430</u>	<u>(22)</u>	<u>408</u>
	<u>644</u>	<u>(45)</u>	<u>599</u>

FINANCIAL INFORMATION

	Minimum lease payments	Interest	Present value of minimum lease payments
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>As at 31 March 2015</i>			
Not later than one year	320	(41)	279
Later than one year but not later than five years	621	(3)	618
	941	(44)	897
	Minimum lease payments	Interest	Present value of minimum lease payments
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)
<i>As at 31 August 2015 (Unaudited)</i>			
Not later than one year	289	(23)	266
Later than one year but not later than five years	501	(2)	499
	790	(25)	765

The aggregate net carrying amounts of the Group's office equipment and motor vehicles held under finance leases and classified as property, plant and equipment as at 31 March 2014 and 2015 amounted to HK\$632,000 and HK\$1,350,000 respectively.

The net carrying amount of the Group's motor vehicles held under finance leases and classified as property, plant and equipment as at 31 August 2015 amounted to HK\$1,093,000.

The Group's finance lease liabilities are subject to personal guarantees provided by Mr. Yip and Mr. Wai. The Directors confirmed that the outstanding finance lease liabilities would be settled prior to the Listing Date. After full repayment of such finance lease liabilities, the aforementioned personal guarantee given by Mr. Yip and Mr. Wai will be released.

The present value of future lease payments are analysed as:

	As at 31 March		As at 31 August
	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Unaudited)
Current liabilities	191	279	266
Non-current liabilities	408	618	499
	599	897	765

FINANCIAL INFORMATION

The effective interest rates of the Group's finance lease liabilities as at 31 March 2014 and 2015 and 31 August 2015 ranged from 1.40% to 4.91%, 1.40% to 3.82% and 1.80% to 3.82%, respectively.

Contingent liabilities

Guarantees

The Group provided guarantee in respect of the surety bonds issued in favour of the customers of certain construction contracts as at the respective financial position dates as follows:

	As at 31 March		As at 31 August
	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000
Aggregate value of the surety bonds issued in favour of customers	4,191	11,446	11,446

As at 31 March 2014 and 2015 and 31 August 2015, the Group has placed aggregate deposits of HK\$1,500,000, HK\$3,900,000 and HK\$3,900,000 respectively with an insurance company as collaterals for the surety bonds issued.

Litigation

During the Track Record Period, a number of lawsuits and claims arising from the normal course of business were lodged against the Group which remained outstanding as of 31 August 2015. Claim amounts are not specified in some of the applications of these lawsuits and claims. In the opinion of the Directors, sufficient insurance coverage are maintained to cover the losses, if any, arising from most of these lawsuits and claims and therefore the ultimate liability under these lawsuits and claims would not have a material adverse impact on the financial position of the Group.

Save as aforesaid and as otherwise disclosed in Section "Financial information — Indebtedness" to this prospectus and apart from intra-group liabilities and normal trade payables, the Group did not have any mortgages, charges, debt securities, term loans, other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, or any guarantees or other material contingent liabilities at the close of business on 31 August 2015.

Disclaimer

The Directors confirmed that (i) the Group has not experienced any difficulty in obtaining bank borrowing or any default in payment on bank borrowings or any breach of finance covenants during the Track Record Period and up to the Latest Practicable Date; (ii) there has not been any material change in the Group's indebtedness and contingent liabilities since 31 August 2015 and up to the Latest Practicable Date; (iii) the Directors are not aware of any material defaults in payment of the Group's trade and non-trade payables and bank borrowings during the Track Record Period and up to the Latest Practicable Date; (iv) the bank loans, finance lease and bank facility is subject to standard banking conditions and not subject to fulfillment of covenants relating to the financial ratio requirements or any other material covenants which could adversely affect the Group's ability to undertake additional debt on

FINANCIAL INFORMATION

equity financings; and (v) the Group has not received any notice from banks indicating that they might withdraw or downsize the bank loans or bank facilities and none of the Group's bank borrowings and facilities are subject to the fulfillment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect the Group's ability to undertake additional debt or equity financings. Save as disclosed in section "Financial information — Indebtedness" to this prospectus, the Group did not have, at the close of business on 31 August 2015, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

PROPERTY INTERESTS AND PROPERTY VALUATION

Asset Appraisal Limited, an independent property valuer, has valued the Group's property interests as of 30 June 2015 and is of the opinion that the aggregate value of the property interests as of such date was HK\$23,950,000. The full text of the letter and the valuation certificate issued by Assets Appraisal Limited are set out in Appendix III to this prospectus. The table below shows a reconciliation of the amount of the Group's property interests as reflected in the combined financial information as at 31 March 2015 as set out in Appendix I to this prospectus with the valuation of these properties as at 30 June 2015 as set out in Appendix III to this prospectus:

	<i>HK\$'000</i>
Net book value of the properties as at 31 March 2015	
— Leasehold land and building	5,191
Less: Movements for the three months ended 30 June 2015	
— Depreciation and amortization	<u>(42)</u>
Net book value of the properties as at 30 June 2015	5,149
Net valuation surplus	18,801
Valuation as at 30 June 2015	<u><u>23,950</u></u>

DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Derivative financial liabilities		
— Foreign exchange forward contracts	<u>41</u>	<u>276</u>

FINANCIAL INFORMATION

The Group entered into foreign exchange forward contracts for investment purposes. These contracts are to be settled on net basis on the maturity dates of the instruments and details are set out as follows:

- (a) As at 31 March 2014, there were three outstanding foreign exchange forward contracts which included the following contracts:
- one contract with notional amount of US\$500,000 which purchased RMB and sell US\$. The contract will mature in ten months from 31 March 2014. The contract rate was RMB6.052: US\$1. This contract matured during the year ended 31 March 2015; and
 - two contracts with aggregate notional amount of US\$300,000 having a tenor of 24 months and will mature within two years from 31 March 2014. The amount to be received/settled by the Group on a monthly basis throughout the contract period depends on the exchange rate of US\$ against RMB on each monthly valuation date.

The fair value of these contracts is estimated to be HK\$41,000 (financial liability) and it is classified as a current liability as at 31 March 2014.

- (b) As at 31 March 2015, the aggregate notional amount of the two outstanding foreign exchange forward contracts amounted to US\$300,000. These contracts have a tenor of 24 months and will mature within one year from 31 March 2015. The amount to be received/settled by the Group on a monthly basis throughout the contract period depends on the exchange rate of US\$ against RMB on each monthly valuation date. The fair value of these contracts is estimated to be HK\$276,000 (financial liability) and it is classified as a current liability as at 31 March 2015.

The Group has no formal and written investment and treasury policies. During the Track Record Period, the executive Directors relied on the professional advice of the relevant bank in making investment decisions and the entering into such foreign exchange forward contracts was approved by the executive Directors. Mr. Yip, the chairman of the Board and an executive Director, and Mr. Chan Ngai Fan, the financial controller of the Group, will be responsible for the on-going reviewing and monitoring of the Group's exposure under the outstanding foreign exchange forward contracts. Internal valuation will also be performed at the end of each quarter based on the then available market data and the open position of the foreign exchange forward contracts at each quarter end will also be reviewed by the audit committee after the Listing. Save and except the two outstanding foreign exchange forward contracts, the Group does not intend to engage in such investments activities in the future.

LISTING EXPENSES

The Group expects that its total listing expense, which is non-recurring in nature, will amount to approximately HK\$18.0 million. Out of the total HK\$18.0 million in listing expense, the Group has incurred approximately HK\$3.8 million (including approximately HK\$2.9 million recognised as expense in the combined statements of comprehensive income) during the year ended 31 March 2015. For the remaining amount of approximately HK\$14.2 million, the Group expects to further recognise approximately HK\$9.4 million in the combined statements of comprehensive income for the year ending 31 March 2016. Accordingly, the financial results of the Group for the year ending 31 March 2016 are expected to be affected by the estimated expenses in relation to the Listing. Such listing expense is a

FINANCIAL INFORMATION

current estimate for reference only and the final amount to be charged to the profit and loss account of the Group for the year ending 31 March 2016 and the amount to be deducted from the Group's capital is subject to change.

NO MATERIAL ADVERSE CHANGE

Save as the Listing expenses, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 March 2015 (being the date to which the latest audited combined financial statements of the Group were prepared), and there is no event since 31 March 2015 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

WORKING CAPITAL

The Group experienced negative operating cash flow for the year ended 31 March 2015 primarily due to the increase in amounts due from customers of contract works, and trade and other receivables, deposits and prepayments.

Taking in consideration the facts that (i) the Group has banking facilities in an aggregate amount of approximately HK\$66.2 million, of which approximately HK\$24.9 million had been utilised and approximately HK\$41.3 million remained unutilised and available for use as at 31 August 2015; (ii) approximately HK\$27.0 million of the net proceeds will be raised from the issue of the new Shares under the Placing; (iii) the Group had cash and cash equivalents of approximately HK\$14.8 million as at 31 August 2015, as compared to the audited cash and cash equivalents of approximately HK\$0.8 million as at 31 March 2015; (iv) the subsequent settlement for trade and bills receivables up to the Latest Practicable Date amounted approximately HK\$49.6 million, representing approximately 86.9% of the balance of trade and bills receivables as at 31 March 2015; and (v) the Group has implemented measures to closely monitor its cash flow and liquidity position on a monthly basis, the Directors are of the opinion, and the Sponsor concurs, that the Group would have sufficient working capital for its present requirements, for at least the next 12 months from the date of this prospectus.

DISTRIBUTABLE RESERVES

The Company was incorporated on 15 May 2015 and therefore no distributable reserves were available for distribution to the Shareholders as at 31 March 2015.

RELATED PARTY TRANSACTIONS

Please refer to the paragraph headed "Related party transactions" in note 37 of the notes to the Accountants' Report in Appendix I to this prospectus.

FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks which comprise market risk (mainly interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the key management under the

FINANCIAL INFORMATION

policies approved by the Board. The Group does not have written risk management policies. However, the Directors meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

Generally, the Group employs a conservative strategy regarding its financial risk management. As the Directors consider that the Group's exposure to financial risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The most significant risks to which the Group is exposed to are described below:

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group's credit risk is primarily attributable to its trade and other receivables, including amounts due from related companies, related parties and directors and bank balances. The management of the Group has a credit policy in place and the exposures to credit risks are monitored on an ongoing basis.

In respect of trade receivables and other receivables, it is the Group's policy to deal only with creditworthy counterparties. In order to minimise credit risk, management has formulated a credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Normally, the Group does not obtain collateral from the counterparties.

In respect of cash and bank balances, pledged bank deposits and pledged deposits, the credit risk is limited because majority of the deposits are placed with reputable banks and financial institutions.

The Group provided guarantees in respect of the surety bonds issued in favour of several customers. As at 31 March 2014 and 2015, the maximum exposure to credit risk of guarantees issued by the Group was the value of the surety bonds of HK\$4,191,000 and HK\$11,446,000 respectively, which represented the maximum amount the Group could be required to pay if the guarantees were called on. The management of the Group considers that it is unlikely that the Group is unable to fulfill the performance requirements of the relevant contracts and accordingly, the Group's exposure to credit risk in this regard is low.

The credit policies have been consistently applied and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from bank deposits, bank borrowings and finance lease liabilities. Borrowings arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

FINANCIAL INFORMATION

All of the Group's bank borrowings as at 31 March 2014 and 2015 bore interest at floating rates whereas its finance lease liabilities bear interest at fixed rates.

The Group's bank balances, including pledged bank deposits also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors of the Company consider the Group's exposure to interest rate risk in respect of bank balances is not significant due to low level of deposit interest rate.

The Group currently does not have an interest rate hedging policy. However, the management of the Group closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The following sensitivity analysis demonstrates the Group's exposure to a reasonable possible change in interest rates on its floating rate bank borrowings with all other variables held constant at the end of each of the reporting periods (in practice, the results may differ from the sensitivity analysis below and the difference could be material):

	Increase/(Decrease) in profit for the year and retained profits for the year ended 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Changes in interest rate		
+1%	(107)	(183)
-1%	<u>107</u>	<u>183</u>

The changes in interest rates do not affect the Group's other component of equity. The above sensitivity analysis is prepared based on the assumption that the borrowing period of the bank borrowings outstanding at the end of each of the reporting periods resembles that of the corresponding financial years. The assumed changes in interest rate are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting period.

(c) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to foreign currency risk are primarily US\$, British Pound ("GBP"), Euro ("EUR") and RMB. The management monitors foreign currency exposure of the Group and will consider undertaking foreign exchange hedging activities to reduce the impact of foreign exchange rate movements on the Group's operating result.

FINANCIAL INFORMATION

The carrying amounts of the foreign currency denominated monetary assets and liabilities in net position as at 31 March 2014 and 2015 are as follows:

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net monetary assets/(liabilities)		
RMB	3,231	2,767
EUR	(120)	(4,542)
GBP	(203)	(371)
US\$	326	152

Sensitivity analysis

As HK\$ is pegged to US\$, exposure in respect of US\$ is considered insignificant. The following tables illustrate the approximate change in the Group's profit for the year and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure, including RMB, EUR and GBP, at the end of each of the reporting periods.

	Increase/(Decrease) in profit for the year and retained profits for the year ended 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
RMB appreciated by 1%	27	23
EUR appreciated by 5%	(5)	(190)
GBP appreciated by 1%	(2)	(3)

The changes in exchange rates do not affect the Group's other component of equity. The same percentage depreciation in the foreign currencies against the functional currency of the respective group companies would have the same magnitude on profit and retained profits but of opposite effect.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because exposure at the end of each of the reporting periods does not reflect the exposure during the respective years.

FINANCIAL INFORMATION

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policy has been followed by the Group since prior years and is considered to have been effective in managing liquidity risks.

The following tables summarise the remaining contractual maturities of the Group's financial liabilities including bank loans with repayment on demand clause, based on undiscounted cash flows (including interest payments computed using contractual rates or if floating, based on rates ruling at the end of the reporting period) and the earliest date the Group can be required to pay.

Specifically, for bank loans which contain repayment on demand clause which can be exercised at bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

FINANCIAL INFORMATION

	<u>Carrying amount</u>	<u>Total contractual undiscounted cash flow</u>	<u>Within one year or on demand</u>	<u>More than 1 year but less than 2 years</u>	<u>More than 2 years but less than 5 years</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>As at 31 March 2014</i>					
Trade and other payables	24,209	24,209	24,209	—	—
Bank overdrafts	2,993	2,993	2,993	—	—
Bank loans subject to repayment demand clause	9,869	9,869	9,869	—	—
Obligation under finance leases	599	644	214	140	290
	<u>37,670</u>	<u>37,715</u>	<u>37,285</u>	<u>140</u>	<u>290</u>
Derivatives settled net:					
Foreign exchange forward contracts	41	41	41	—	—
	<u>41</u>	<u>41</u>	<u>41</u>	<u>—</u>	<u>—</u>
	<u>Carrying amount</u>	<u>Total contractual undiscounted cash flow</u>	<u>Within one year or on demand</u>	<u>More than 1 year but less than 2 years</u>	<u>More than 2 years but less than 5 years</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>As at 31 March 2015</i>					
Trade and other payables	51,374	51,374	51,374	—	—
Amounts due to related parties	92	92	92	—	—
Bank overdrafts	5,014	5,014	5,014	—	—
Bank loans subject to repayment demand clause	16,876	16,876	16,876	—	—
Obligation under finance leases	897	941	320	288	333
	<u>74,253</u>	<u>74,297</u>	<u>73,676</u>	<u>288</u>	<u>333</u>
Derivatives settled net:					
Foreign exchange forward contracts	276	276	276	—	—
	<u>276</u>	<u>276</u>	<u>276</u>	<u>—</u>	<u>—</u>

The following tables summarise the maturity analysis of the Group's bank loans (excluding bank overdrafts) with repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time banding in the maturity analysis contained above. Taking into account the Group's financial position, the Directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The Directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

FINANCIAL INFORMATION

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Bank loans subject to repayment demand clause</i>						
As at 31 March 2014	9,869	10,702	4,741	1,401	2,197	2,363
As at 31 March 2015	16,876	17,568	13,008	942	1,752	1,866

Commodity price risk

The Group is exposed to commodity price risk that arises from price fluctuations of raw materials. In particular, aluminium constitutes the majority of raw materials used in the Group's design and build projects. During the Track Record Period, the costs of aluminium represented approximately 54.7% and 42.7% of the Group's total material and processing charges, respectively. The Group currently does not engage in any hedging activities to mitigate the risks relating to fluctuations in the price of aluminium because the Group will generally obtain preliminary quotations from the suppliers to have a more accurate estimation on the project costs. The Directors consider that the aluminium price fluctuations did not have a material adverse effect on the Group's business operation during the Track Record Period.

The price and availability of aluminium may vary from period to period due to various factors such as supply and demand of aluminium, and other market conditions. The following sensitivity analysis, with the hypothetical fluctuation rates set at 5% and 10%, illustrates the impact of hypothetical fluctuations in the price of aluminium on the Group's profits during the Track Record Period:

Hypothetical fluctuations in price of aluminium	-5%	-10%	+5%	+10%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(Decrease) in profit before tax				
Year ended 31 March 2014	1,989	3,978	(1,989)	(3,978)
Year ended 31 March 2015	1,547	3,094	(1,547)	(3,094)
Increase/(Decrease) in profit after tax				
Year ended 31 March 2014	1,661	3,322	(1,661)	(3,322)
Year ended 31 March 2015	1,292	2,583	(1,292)	(2,583)

FINANCIAL INFORMATION

DIVIDEND POLICY

	<u>For the year ended 31 March</u>	
	<u>2014</u>	<u>2015</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends attributable to the year		
Interim dividends attributable to:		
— Owners of the Company	4,050	1,800
— Non-controlling interests	<u>2,000</u>	<u>1,200</u>
	<u>6,050</u>	<u>3,000</u>

No dividend has been paid or declared by the Company since its incorporation. The interim dividends for the years ended 31 March 2014 and 2015 amounting to HK\$6,050,000 and HK\$3,000,000 respectively represented interim dividends declared by certain group entities to their then shareholders.

In addition, the Group declared an interim dividend of HK\$15.0 million to the then shareholders of the Group in September 2015. This dividend declared will be fully paid prior to the Listing Date and the Group will finance the payment of these dividends by offsetting the equivalent amounts in the relevant current accounts (including the amounts due from the Directors) in a sum of approximately HK\$10.0 million, and the remaining amount of approximately HK\$5.0 million by internal resources generated from the Group's business operation including cash and the receivables of the amounts due from customers of contract works subsequent to 31 March 2015. Taking into account of the Group's available financial resources and the net proceeds from the Placing, the Directors consider that there is no material adverse impact on the Group's financial and liquidity position arising out of the dividend payment.

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful.

The Company currently does not have a fixed dividend policy and may declare dividends by way of cash or by other means that the Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of the Board and depend upon the following factors:

- the Group's financial results;
- the Group's shareholders' interests;
- general business conditions, strategies and future expansion needs;
- the Group's capital requirements;
- the payment by its subsidiaries of cash dividends to the Company;
- possible effects on liquidity and financial position of the Group; and
- other factors as the Board may consider relevant.

FINANCIAL INFORMATION

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

The Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which could give rise to a disclosure obligation pursuant to Rules 17.15 to 17.21 of the GEM Listing Rules.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with paragraph 7.31 of the GEM Listing Rules and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants is for illustrative purpose only, and is set out herein to provide the prospective investors with further illustrative financial information about how the Placing might have affected the combined net tangible assets of the Group attributable to owners of the Company after the completion of the Placing as if the Placing had taken place on 31 March 2015. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position of the Group had the Placing been completed on 31 March 2015 or at any future dates.

The unaudited pro forma adjusted combined net tangible assets of the Group as at 31 March 2015 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 set out in Appendix I to this prospectus and the adjustments described below.

	Combined net tangible assets of the Group attributable to 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 owners of the Company	Unaudited pro forma adjusted combined net tangible assets per Share
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(Note 3)</i>
Based on Placing Price of HK\$0.30 per Placing Share	59,895	29,903	89,798	0.15

Notes:

1. The combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2015 are based on audited combined net assets of the Group attributable to owners of the Company as at 31 March 2015 of HK\$59,895,000 as shown in the Accountants’ Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Placing are based on 150,000,000 Placing Shares and the Placing Price of HK\$0.30 per Placing Share after deduction of the underwriting fees and related expenses payable by the Company which has not been reflected in combined net tangible assets of the Group as at 31 March 2015. No account has been taken of any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.

FINANCIAL INFORMATION

3. The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 600,000,000 Shares in issue immediately following the completion of the Placing and the Capitalisation Issue, but takes no account of any Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this prospectus.
4. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company and the unaudited pro forma adjusted combined net tangible assets per Share have not taken into account the interim dividends declared subsequent to 31 March 2015. In September 2015, the directors of certain subsidiaries declared interim dividends amounting to HK\$15,000,000 in aggregate, of which HK\$12,600,000 was attributable to the owners of the Company whereas HK\$2,400,000 was attributable to the non-controlling interests. The dividend will be settled prior to the Listing Date by (i) offsetting amounts in the relevant current accounts amounting to approximately HK\$10 million; and (ii) cash payment of approximately HK\$5 million. The unaudited pro forma adjusted combined net tangible assets per Share would have been reduced to HK\$0.13 per Share based on Placing Price of HK\$0.30 per Placing Share after taking into account the dividend attributable to owners of the Company in the sum of HK\$12,600,000.
5. No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2015.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the section headed “Business — Business strategies” to this prospectus for the Group’s business objectives and strategies.

IMPLEMENTATION PLANS

In order to implement the business objectives and strategies as described above, set forth below are the implementation plans of the Group for each of the six-month periods from the Latest Practicable Date until 31 March 2018. It should be noted that the implementation plans are formulated on the bases and assumptions referred to in the section headed “Statement of business objectives and use of proceeds — Bases and assumptions” to this prospectus. These bases and assumptions are subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk factors” to this prospectus.

From the Latest Practicable Date to 31 March 2016

- | | |
|---|---|
| Further expanding the Group’s capacity to capture more business opportunities | <ul style="list-style-type: none">• Undertake more Development Bureau projects should the Group be able to identify and secure suitable business opportunities, with HK\$6.8 million earmarked for satisfying the various requirements as discussed in the section headed “Regulatory overview — Hong Kong — The laws in relation to contractor licensing — Development Bureau projects” to this prospectus• Recruit up to about 1 project manager and 4 relevant project staff to enhance the Group’s capacity for securing more projects |
| Further development of the Group’s structural engineering business | <ul style="list-style-type: none">• Undertake more design and build projects should the Group be able to identify and secure suitable business opportunities, with HK\$1.5 million earmarked for satisfying potential customers’ requirements for surety bonds |
| Enhancing the Group’s design and customisation capabilities | <ul style="list-style-type: none">• Open a new office for expansion of the Group’s structural design and shop drawing teams• Recruit up to about 10 additional designers and draftsmen to strengthen the design and customisation capabilities of the Group• Sponsor the designers and other relevant staff to attend technical seminars and occupational health and safety courses organised by third parties |

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

For the six months ending 30 September 2016

- | | |
|---|---|
| Further expanding the Group's capacity to capture more business opportunities | <ul style="list-style-type: none">● Recruit up to about 1 to 4 project staff to cope with the business development |
| Further development of the Group's structural engineering business | <ul style="list-style-type: none">● Undertake more design and build projects should the Group be able to identify and secure suitable business opportunities, with HK\$1.6 million earmarked for satisfying potential customers' requirements for surety bonds |
| Enhancing the Group's design and customisation capabilities | <ul style="list-style-type: none">● Recruit up to about 3 additional designers and draftsmen to strengthen the design and customisation capabilities of the Group● Sponsor the designers and other relevant staff to attend technical seminars and occupational health and safety courses organised by third parties |

For the six months ending 31 March 2017

- | | |
|---|---|
| Further expanding the Group's capacity to capture more business opportunities | <ul style="list-style-type: none">● Recruit up to about 1 to 4 project staff to cope with the business development |
| Further development of the Group's structural engineering business | <ul style="list-style-type: none">● Undertake more design and build projects should the Group be able to identify and secure suitable business opportunities, with HK\$1.9 million earmarked for satisfying potential customers' requirements for surety bonds |
| Enhancing the Group's design and customisation capabilities | <ul style="list-style-type: none">● Recruit up to about 3 additional designers and draftsmen to strengthen the design and customisation capabilities of the Group● Sponsor the designers and other relevant staff to attend technical seminars and occupational health and safety courses organised by third parties |

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

For the six months ending 30 September 2017

- | | |
|---|---|
| Further expanding the Group's capacity to capture more business opportunities | <ul style="list-style-type: none">● Recruit up to about 1 to 4 project staff to cope with the business development |
| Enhancing the Group's design and customisation capabilities | <ul style="list-style-type: none">● Recruit up to about 3 additional designers and draftsmen to strengthen the design and customisation capabilities of the Group● Sponsor the designers and other relevant staff to attend technical seminars and occupational health and safety courses organised by third parties |

For the six months ending 31 March 2018

- | | |
|---|---|
| Further expanding the Group's capacity to capture more business opportunities | <ul style="list-style-type: none">● Recruit up to about 1 to 4 project staff to cope with the business development |
| Enhancing the Group's design and customisation capabilities | <ul style="list-style-type: none">● Recruit up to about 3 additional designers and draftsmen to strengthen the design and customisation capabilities of the Group● Sponsor the designers and other relevant staff to attend technical seminars and occupational health and safety courses organised by third parties |

Note: Any amounts allocated above but unutilised in the relevant period will be rolled over to subsequent periods and any funding requirements in any periods exceeding the above allocation amounts will be satisfied by the Group's internal resources.

BASES AND ASSUMPTIONS

The Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 31 March 2018:

- (a) there will be no material changes in the existing political, legal, fiscal or economic conditions in Hong Kong, and any other places in which any member of the Group carries on or will carry on its business and provides or will provide human resources related services;
- (b) there will be no material changes in the bases or rates of taxation in Hong Kong or in any other places in which any member of the Group operates or will operate or is incorporated;
- (c) the Placing will be completed in accordance with and as described in the section headed "Structure and conditions of the Placing" to this prospectus;

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- (d) the Group is able to retain its customers and suppliers;
- (e) the Group will be able to retain key staff in the management and the main operational departments;
- (f) the Group will not be materially affected by any risk factors set out in the section headed “Risk factors” to this prospectus; and
- (g) the Group will be able to continue its operations in substantially the same manner as the Group has been operating during the Track Record Period and the Group will be able to carry out the development plans without disruptions adversely affecting its operations or business objectives in any way.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Directors believe that the listing of the Shares on GEM will enhance its corporate profile and brand image and the net proceeds from the Placing will strengthen its financial position and will enable the Group to implement its business plans set out in the section headed “Statement of business objectives and use of proceeds — Implementation plans” to this prospectus. Furthermore, a public listing status on the Stock Exchange will offer the Group access to capital market for corporate finance exercise to assist in future business development, enhance its corporate profile and strengthen its competitiveness.

The net proceeds from the Placing, after deducting the related expenses, are estimated to be approximately HK\$27.0 million. The Directors presently intend that the net proceeds will be applied as follows:

- approximately 49.3% of the net proceeds, or approximately HK\$13.3 million, for further expanding the Group’s capacity to capture more business opportunities;
- approximately 18.5% of the net proceeds, or approximately HK\$5.0 million, for further development of the Group’s structural engineering business;
- approximately 22.2% of the net proceeds, or approximately HK\$6.0 million, for enhancing the Group’s design and customisation capabilities; and
- approximately 10.0% of the net proceeds, or approximately HK\$2.7 million, for the general working capital.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

In summary, the implementation of the Group's business objectives and strategies from the Latest Practicable Date to 31 March 2018 will be funded by the net proceeds from the Placing as follows:

	From the Latest Practicable Date to 31 March 2016	For the six months ending				Total
		30 September 2016	31 March 2017	30 September 2017	31 March 2018	
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Further expanding the Group's capacity to capture more business opportunities	7.8	1.5	1.5	1.5	1.0	13.3
Further development of the Group's structural engineering business	1.5	1.6	1.9	—	—	5.0
Enhancing the Group's design and customisation capabilities	1.2	1.2	1.2	1.2	1.2	6.0
General working capital	1.6	1.1	—	—	—	2.7
	<u>12.1</u>	<u>5.4</u>	<u>4.6</u>	<u>2.7</u>	<u>2.2</u>	<u>27.0</u>

The Directors consider that the net proceeds from the Placing will be sufficient to finance the Group's business plans up to the year ending 31 March 2018.

To the extent that the net proceeds from the Placing are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds be placed in short-term interest bearing deposit accounts held with authorised financial institutions.

UNDERWRITING

UNDERWRITER

Underwriter

Aristo Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting agreement

Pursuant to the Underwriting Agreement, the Company is offering the Placing Shares at the Placing Price for subscription by professional, institutional and other investors on and subject to the terms and conditions of the Underwriting Agreement and this prospectus. Subject to, among other matters, the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and certain other conditions set out in the Underwriting Agreement being satisfied or waived on or before each of the respective dates set out in the Underwriting Agreement (or such later date as the Company and the Bookrunner (also in its capacity as the Underwriter) may agree), the Underwriter has agreed to subscribe and/or procure subscribers to subscribe for the Placing Shares on the terms and conditions of the Underwriting Agreement and in this prospectus.

Grounds for termination

The obligations of the Underwriter to subscribe for, or procure subscribers to subscribe for, the Placing Shares are subject to termination. The Bookrunner (also in its capacity as the Underwriter) shall be entitled to terminate their obligations under the Underwriting Agreement upon the occurrence of any of the following events by notice in writing to the Company given by the Bookrunner (also in its capacity as the Underwriter) at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the “**Termination Time**”), if prior to the Termination Time:

- (a) there comes to the notice of the Sponsor or the Bookrunner (also in its capacity as the Underwriter):
 - (i) any matter or event showing any of the representations, warranties or undertakings contained in the Underwriting Agreement given by the Company or any of the Controlling Shareholders and the executive Directors to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement or any other provisions of the Underwriting Agreement by any party thereto (other than those undertaken by the Sponsor and/or the Bookrunner (also in its capacity as the Underwriter)) which, in any such cases, is considered, in the sole and absolute opinion of the Bookrunner (also in its capacity as the Underwriter), to be material in the context of the Placing; or
 - (ii) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any material respect; or

UNDERWRITING

- (iii) any event, series of events, matters or circumstances occurs or arises on or after the date of the Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Underwriting Agreement, would have rendered any of the representations, warranties or undertakings contained in the Underwriting Agreement untrue, incorrect or misleading in any material respect, and which is considered, in the sole and absolute opinion of the Bookrunner (also in its capacity as the Underwriter), to be material in the context of the Placing; or
 - (iv) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole and absolute opinion of the Bookrunner (also in its capacity as the Underwriter), a material omission in the context of the Placing; or
 - (v) any event, act or omission which gives or is likely to give rise to any liability of the Company or any of the Controlling Shareholders or the executive Directors under the Underwriting Agreement arising out of or in connection with the material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement; or
 - (vi) any breach by any party to the Underwriting Agreement (other than the Sponsor or the Bookrunner (also in its capacity as the Underwriter)) of any provision of the Underwriting Agreement which, in the sole and absolute opinion of the Bookrunner (also in its capacity as the Underwriter), is material; or
- (b) there shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
- (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, the BVI, the PRC or any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business of the Group which is material to the conditions, business affairs, profits, losses or the financial or trading position of any member of the Group or otherwise material in the context of the Placing; or
 - (ii) any material change in, or any event or series of events or development resulting or likely to result in any change in Hong Kong, the Cayman Islands, the BVI, the PRC or any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdictions relevant to the business of the Group, the local, national, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or

UNDERWRITING

- (iii) any material adverse change in the conditions of Hong Kong, the PRC, the US or international equity securities or other financial markets; or
- (iv) any material adverse change or prospective change in the business or in the financial or trading position or prospects of any member of the Group; or
- (v) the imposition of any moratorium, suspension or restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (vi) any material change or development involving a prospective change in any forms of taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the Cayman Islands, the BVI, the PRC or any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to the business of the Group; or
- (vii) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the US or by the European Union (or any member thereof) or other jurisdiction relevant to the business of the Group or in which the Group conducts business which is material to the conditions, business affairs, profits, losses or the financial or trading position of any member of the Group or otherwise material in the context of the Placing; or
- (viii) a general moratorium on commercial banking activities in the PRC or Hong Kong declared by the relevant authorities; or
- (ix) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, outbreak of infectious disease, calamity, crisis, terrorism, strike or lock-out, (whether or not covered by insurance); or
- (x) any other change whether or not ejusdem generis with any of the foregoing, which, in the sole and absolute opinion of the Bookrunner (also in its capacity as the Underwriter):
 - (aa) is or will be, or is very likely to be adverse, in any material respect, to the business, financial or trading conditions or prospects of the Group; or
 - (bb) has or will have, or is very likely to have, a material adverse effect on the success of the Placing or the level of the Placing Shares being demanded, applied for or accepted, the distribution of the Placing Shares or the market price of the Shares following the Listing; or
 - (cc) for any other reason makes it impracticable, inadvisable or inexpedient to proceed with the Placing as a whole.

UNDERWRITING

For the above purpose:

- (i) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US or any change of the value of Hong Kong currency under such system or a devaluation of the RMB against any foreign currencies shall be taken as an event resulting in a change in currency conditions; and
- (ii) any fluctuations in Hong Kong, the PRC, the US or international equity securities or other financial markets, whether or not within the normal range therefor, may be considered as a change of market conditions or prospects referred to above.

Commission and expenses

The Underwriter will receive a commission of 3.5% on the aggregate Placing Price of all the Placing Shares now being offered, out of which the Underwriter will pay sub-underwriting commissions and selling concession. The Underwriting commission, documentation fee, Stock Exchange listing fees, brokerage, Stock Exchange trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expense relating to the Placing are approximately HK\$18.0 million (based on the Placing Price of HK\$0.30 per Placing Share).

Underwriter's interests in the Company

Save for its interests and obligations under the Underwriting Agreement and save as disclosed in this prospectus, the Underwriter is not nor any of its associates is interested beneficially or non-beneficially in any shares in any member of the Group nor has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares of any member of the Group.

Undertakings by the Controlling Shareholders

For the purpose of this subsection, unless the context otherwise requires, all references to “he” or “him” or “his” shall include references to all other genders.

Pursuant to the Underwriting Agreement, each of the Controlling Shareholders has jointly and severally undertaken to the Company, the Sponsor and the Bookrunner (also in its capacity as the Underwriter) that, except (i) pursuant to the Placing; or (ii) permitted under the GEM Listing Rules and with the prior written consent of the Bookrunner (also in its capacity as the Underwriter), he shall not, and shall procure that none of the relevant registered holder(s) will:

- (a) at any time during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders 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, or 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 which he is shown by this prospectus to be the beneficial owner; or

UNDERWRITING

- (b) at any time during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), dispose of, or 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 which he is shown by this prospectus to be the beneficial owner if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or the Controlling Shareholders as a group of persons would cease to be the Controlling Shareholders.

For the purpose of the above restriction, a person is treated as the beneficial owner of Shares if he has the ultimate beneficial ownership or control of the Shares, whether through a chain of companies or otherwise.

Nothing in the above restriction shall prevent the disposal of any interest of a Controlling Shareholder in the Shares referred to in paragraph (a) above in the following circumstances:

- (1) pursuant to a pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance), as security for a bona fide commercial loan;
- (2) pursuant to a power of sale under the pledge or charge (granted pursuant to sub-paragraph (1) immediately above);
- (3) on the death of the Controlling Shareholder; or
- (4) in any other exceptional circumstances to which the Stock Exchange has given its prior approval.

Without prejudice to the undertaking as referred to above, during the First Six-month Period and the Second Six-month Period, he shall:

- (i) when he pledges or charges any direct or indirect interest in any Shares (or interest therein) which are the subject of the above restrictions beneficially owned by him (as the case may be) in favour of an authorised institution (as defined in the Banking Ordinance) under the circumstances described in sub-paragraph (1) in the preceding paragraph, he must immediately inform the Company, the Sponsor and the Bookrunner (also in its capacity as the Underwriter) of such pledge or charge together with the number of the securities so pledged or charged and all other information as requested by the Company, the Sponsor and/or the Bookrunner (also in its capacity as the Underwriter); and
- (ii) subsequent to the pledge or charge over the securities (or interest therein) as mentioned in sub-paragraph (i) immediately above, immediately inform the Company, Sponsor and the Bookrunner (also in its capacity as the Underwriter) in the event that he becomes aware that the pledge or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

UNDERWRITING

Pursuant to Rule 17.29 of the GEM Listing Rules, except as otherwise provided for in that rule, no further shares or securities convertible into equity securities of the Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date).

Undertakings by the Company

Under the Underwriting Agreement, the Company has undertaken to and covenanted with the Sponsor and the Bookrunner (also in its capacity as the Underwriter) that, and each of the Controlling Shareholders and the executive Directors has jointly and severally undertaken and covenanted with the Sponsor and the Bookrunner also in its capacity as the Underwriter) to procure that, without the prior written consent of the Bookrunner (also in its capacity as the Underwriter) and subject always to the requirements of the Stock Exchange, save for the Placing Shares, the grant of options under the Share Option Scheme, and any Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or otherwise than by way of scrip dividend schemes or similar arrangements in accordance with the Memorandum and the Articles or any consolidation, sub-division or capital reduction of the Shares, the Company shall not:

- (a) allot and issue, accept subscriptions for, offer, sell or contract to sell, grant or agree to grant any option or other right in, directly or indirectly, conditionally or unconditionally, any shares, warrants or other convertible or exchangeable securities carrying the right to subscribe for or exchangeable into shares or other securities of the Company, or offer or agree to do any of the foregoing or announce any intention to do so at any time during the First Six-month Period and the Second Six-month Period; or
- (b) at any time during the First Six-month Period and the Second Six-month Period, subject to the GEM Listing Rules and the Takeovers Code, make or agree to make any buy back of any Shares or other securities of the Company.

Sponsor's interest in the Company

Messis Capital, being the Sponsor, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Under a compliance adviser's agreement dated 30 September 2015 and made between Messis Capital and the Company (the "**Compliance Adviser's Agreement**"), the Company appoints Messis Capital and Messis Capital agrees to act as the compliance adviser to the Company for the purpose of the GEM Listing Rules for a fee from the Listing Date and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date, i.e. 31 March 2018, or until the agreement is terminated, whichever is earlier. Save for the advisory and documentation fees to be paid to Messis Capital as the Sponsor to the Placing, it is having been appointed as the compliance adviser to the Company pursuant to the Compliance Adviser's Agreement, its obligations under the Underwriting Agreement and any interests in securities that may be subscribed by it pursuant to the Placing, neither Messis Capital nor any of its associates has or may, as a result of the Placing, have any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) has accrued any material benefit as a result of the successful outcome of the Placing.

UNDERWRITING

No director or employee of Messis Capital who is involved in providing advice to the Company has or may, as a result of the Placing, have any interest in any class of securities of the Company or other company in the Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the Placing).

No director or employee of Messis Capital has a directorship in the Company or any other company in the Group.

STRUCTURE AND CONDITIONS OF THE PLACING

PLACING PRICE

The Placing Price, being HK\$0.30 per Placing Share, plus a 1% brokerage fee, a 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy, amounting to a totals of HK\$3,030.23 for each board lot of 10,000 Shares.

The level of indication of interests in the Placing and the basis of allocations of the Placing Shares will be announced on the HKEx Website at www.hkexnews.hk and the Company's website at www.kpa-bm.com.hk at or before 9:00 a.m. on or about Wednesday, 7 October 2015.

THE PLACING

Placing

The Placing comprises 150,000,000 Placing Shares conditionally offered by the Company for subscription by way of private placements to professional, institutional or other investors. The Placing Shares will represent 25% of the Company's enlarged issued share capital immediately after completion of the Placing and the Capitalisation Issue. The Placing is fully underwritten by the Underwriter.

Pursuant to the Placing, it is expected that the Underwriter or sub-underwriters nominated by it, on behalf of the Company will conditionally place the Placing Shares at the Placing Price (plus a 1% brokerage fee, a 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy) with selected professional, institutional and other investors in Hong Kong. Professional, institutional and other investors generally include brokers, dealers, high net worth individuals and companies (including fund managers) whose ordinary business involves dealing and investing in shares and other securities.

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 purchase further Shares or hold or sell the Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead to the establishment of a solid professional and institutional shareholder base for the benefit of the Company and the Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, that no more than 50% of the Shares in public hands at the time of the Listing will be owned by the three largest public shareholders. No allocations of the Placing Shares will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

The Placing is subject to the conditions as stated in the section headed "Structure and conditions of the Placing — Conditions of the Placing" to this prospectus.

STRUCTURE AND CONDITIONS OF THE PLACING

CONDITIONS OF THE PLACING

Acceptance of your applications is conditional upon, among other things:

(a) Listing

The Listing Division granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein including any Shares which may fall to be issued pursuant to the Capitalisation Issue and upon exercise of the options that may be granted under the Share Option Scheme; and

(b) Underwriting Agreement

The obligations of the Underwriter under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sponsor and the Bookrunner (also in its capacity as the Underwriter) and the Underwriting Agreement not being terminated in accordance with its terms or otherwise prior to 8:00 a.m. (Hong Kong time) on the Listing Date). Details of the Underwriting Agreement, the conditions and grounds for termination, are set out in the section headed “Underwriting” to this prospectus,

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 such conditions have not been fulfilled or waived prior to the times and dates specified, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published by the Company at the GEM Website at www.hkexnews.hk and the Company’s website at www.kpa-bm.com.hk on the next Business Day following such lapse.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence on Thursday, 8 October 2015. Shares will be traded in board lots of 10,000 Shares each and freely transferrable.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Listing Division for listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus. If the Listing Division grants the listing of and permission to deal in the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or, under contingent situation, any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

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

STRUCTURE AND CONDITIONS OF THE PLACING

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interest.

Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.



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香港干諾道中111號
 永安中心25樓

30 September 2015

The Directors
 KPa-BM Holdings Limited
 Messis Capital Limited

Dear Sirs,

We set out below our report on the financial information of KPa-BM Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") which comprises the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the two years ended 31 March 2014 and 2015 (the "Relevant Periods") and the combined statements of financial position of the Group as at 31 March 2014 and 2015 together with a summary of significant accounting policies and other explanatory notes (the "Financial Information"), for inclusion in the prospectus of the Company dated 30 September 2015 (the "Prospectus") in connection with the initial listing (the "Listing") of the shares of the Company on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company in the Cayman Islands with limited liability on 15 May 2015. Pursuant to a group reorganisation (the "Reorganisation") as more fully explained in note 2 to the Financial Information, the Company has since 22 September 2015 become the holding company of the subsidiaries now comprising the Group. The Company has not carried on any business since the date of its incorporation saved for the Reorganisation.

The Group is principally engaged in (i) the provision of structural engineering works for the public and private sectors in Hong Kong; and (ii) trading of building material products. As of the date of this report, the particulars of the Company's subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation and type of legal entity	Place of operations	Issued and paid up capital	Effective interest held by the Company		Principal activities
				Directly	Indirectly	
Light Dimension Limited ("Light Dimension")	The British Virgin Islands ("BVI")/ 20 May 2015/ Limited liability company	Hong Kong	16 shares of United States dollars ("US\$") 1 each	100%	—	Investment holding

Name of subsidiary	Place and date of incorporation and type of legal entity	Place of operations	Issued and paid up capital	Effective interest held by the Company		Principal activities
				Directly	Indirectly	
AcouSystem Limited ("AcouSystem")	Hong Kong/ 17 November 2014/ Limited liability company	Hong Kong	300 shares of HK\$300	—	100%	Trademark holding
BuildMax Limited ("BuildMax (HK)")	Hong Kong/ 15 August 2001/ Limited liability company	Hong Kong	50,000 shares of HK\$50,000	—	100% (note (a))	Provision of structural engineering works and trading of building material products
KPa Contracting Limited ("KPa Contracting")	Hong Kong/ 25 August 2014/ Limited liability company	Hong Kong	300 shares of HK\$300	—	100%	Provision of structural engineering works
KPa Engineering Limited ("KPa Engineering")	Hong Kong/ 12 December 1991/ Limited liability company	Hong Kong	3,000,000 shares of HK\$3,000,000	—	100%	Provision of structural engineering works and trading of building material products
KPa Engineering (HK) Limited ("KPa (HK)")	Hong Kong/ 8 August 2014/ Limited liability company	Hong Kong	300 shares of HK\$300	—	100%	Provision of structural engineering works and trading of building material products
應力恒富設計 貿易(深圳) 有限公司 ("KPa (SZ)")	The People's Republic of China ("PRC")/ 2 March 2015/ Wholly foreign-owned enterprise	PRC	HK\$500,000 (note (b))	—	100%	Provision of fabrication drawing
Youkang Limited ("Youkang")	The BVI 29 May 2015/ Limited liability company	Hong Kong	10 shares of US\$1 each	—	100%	Investment holding
Sun Pool Engineering Limited ("Sun Pool")	Hong Kong/ 28 February 1991/ Limited liability company	Hong Kong	150,000 shares of HK\$150,000	—	100%	Provision of management services, property investment and investment holding

Notes:

- (a) Throughout the Relevant Periods, Sun Pool held 60% of the equity interest of BuildMax (HK). Upon acquisition of the remaining 40% equity interest of BuildMax (HK) by Sun Pool from the non-controlling shareholders on 14 September 2015 as part of the Reorganisation as disclosed in note 2 below, Sun Pool's equity interest in BuildMax (HK) increased from 60% to 100%.
- (b) KPa (SZ) was incorporated in the PRC on 2 March 2015 and has a registered capital of HK\$1,000,000. The Group injected capital amounting to HK\$500,000 to KPa (SZ) by 4 May 2015 and the remaining capital of HK\$500,000 has to be paid up or before 2 March 2018.

The Company and all of the above subsidiaries have adopted 31 March as their financial year end date except for KPa (SZ), which has adopted 31 December as its financial year end date.

No audited financial statements have been prepared for the Company as it is newly incorporated and has not been involved in any significant business transactions except for the Reorganisation.

No audited financial statements have been prepared for Light Dimension and Youkang since they are not subject to any statutory audit requirements under their jurisdiction of incorporation.

The statutory financial statements of KPa Engineering, BuildMax (HK) and Sun Pool for the years ended 31 March 2014 and 2015 as well as the statutory financial statements of AcouSystem, KPa Contracting and KPa (HK) from their respective dates of incorporation to 31 March 2015 were audited by BDO Limited, certified public accountants. These statutory financial statements were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

No audited financial statements have been prepared for KPa (SZ) since its date of incorporation.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”) in accordance with the basis of presentation set out in note 2 to the Financial Information below and the accounting policies set out in note 3 to the Financial Information below which conform to HKFRSs issued by the HKICPA. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA pursuant to separate terms of engagement with the Company.

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements with no adjustment made thereon.

RESPONSIBILITY

The directors of the Company are responsible for the contents of the Prospectus including the preparation and true and fair presentation of the Financial Information in accordance with the basis of presentation set out in note 2 to the Financial Information below and the accounting policies set out in note 3 to the Financial Information below and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”), and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an independent opinion on the Financial Information based on our examination and to report our opinion to you.

BASIS OF OPINION

For the purpose of this report, we have examined the Financial Information of the Group and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. For the purpose of this report, no adjustment to the Financial Information is considered necessary.

OPINION

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis of presentation set out in note 2 to the Financial Information below and in accordance with the accounting policies set out in note 3 to the Financial Information below, gives a true and fair view of the state of affairs of the Group as at 31 March 2014 and 2015 and of the results and cash flows of the Group for the Relevant Periods.

I. FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

	Notes	Year ended 31 March	
		2014	2015
		HK\$'000	HK\$'000
Revenue	7	205,285	197,435
Cost of revenue		<u>(176,391)</u>	<u>(158,702)</u>
Gross profit		28,894	38,733
Other income and gains	8	489	351
Marketing and distribution expenses		(621)	(1,221)
Administrative and other operating expenses		(15,913)	(19,036)
Finance costs	10	<u>(620)</u>	<u>(767)</u>
Profit before income tax	9	12,229	18,060
Income tax expense	11	<u>(2,044)</u>	<u>(3,501)</u>
Profit for the year		10,185	14,559
Other comprehensive income for the year		<u>—</u>	<u>—</u>
Total comprehensive income for the year		<u>10,185</u>	<u>14,559</u>
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		9,727	11,921
Non-controlling interests		<u>458</u>	<u>2,638</u>
		<u>10,185</u>	<u>14,559</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic and diluted earnings per share	14	<u>2.16</u>	<u>2.65</u>

Combined Statements of Financial Position

	Notes	As at 31 March	
		2014	2015
		HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	15	6,431	7,096
Pledged deposits	22	—	3,900
		<u>6,431</u>	<u>10,996</u>
Current assets			
Inventories	16	2,547	3,309
Amounts due from customers of contract works	17	9,678	26,354
Trade and other receivables, deposits and prepayments	18	50,329	82,100
Amounts due from related companies	19	6,755	6,362
Amounts due from related parties	20	930	—
Amounts due from directors	21	1,965	2,493
Tax recoverable		938	8
Pledged deposits	22	1,500	—
Pledged bank deposits	23	7,589	10,027
Cash and bank balances	24	10,485	5,791
		<u>92,716</u>	<u>136,444</u>
Current liabilities			
Amounts due to customers of contract works	17	4,353	4,037
Trade and other payables	25	24,986	51,888
Derivative financial instruments	26	41	276
Amounts due to related parties	20	—	92
Tax payable		1,121	1,615
Bank borrowings	27	12,862	21,890
Obligation under finance leases	28	191	279
		<u>43,554</u>	<u>80,077</u>
Net current assets		<u>49,162</u>	<u>56,367</u>
Total assets less current liabilities		<u>55,593</u>	<u>67,363</u>
Non-current liabilities			
Obligation under finance leases	28	408	618
Net assets		<u>55,185</u>	<u>66,745</u>
Capital and reserves			
Share capital	29	3,150	3,151
Reserves	30	46,623	56,744
Equity attributable to owners of the Company		49,773	59,895
Non-controlling interests	31	5,412	6,850
Total equity		<u>55,185</u>	<u>66,745</u>

Combined Statements of Changes in Equity

	Equity attributable to owners of the Company				Non-controlling interests	Total
	Share capital	Merger reserve*	Retained profits*	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 April 2013	3,150	(850)	41,796	44,096	6,954	51,050
Profit for the year	—	—	9,727	9,727	458	10,185
Other comprehensive income for the year	—	—	—	—	—	—
Total comprehensive income for the year	—	—	9,727	9,727	458	10,185
Transactions with owners:						
Dividends declared (note 13)	—	—	(4,050)	(4,050)	—	(4,050)
Dividends paid to non-controlling interests (note 13)	—	—	—	—	(2,000)	(2,000)
	—	—	(4,050)	(4,050)	(2,000)	(6,050)
At 31 March 2014 and 1 April 2014	3,150	(850)	47,473	49,773	5,412	55,185
Profit for the year	—	—	11,921	11,921	2,638	14,559
Other comprehensive income for the year	—	—	—	—	—	—
Total comprehensive income for the year	—	—	11,921	11,921	2,638	14,559
Transactions with owners:						
Issue of shares (note 29)	1	—	—	1	—	1
Dividends declared (note 13)	—	—	(1,800)	(1,800)	—	(1,800)
Dividends attributable to non-controlling interests (note 13)	—	—	—	—	(1,200)	(1,200)
	1	—	(1,800)	(1,799)	(1,200)	(2,999)
At 31 March 2015	3,151	(850)	57,594	59,895	6,850	66,745

* The total of these equity accounts as at 31 March 2014 and 2015 represent "reserves" in the combined statements of financial position

Combined Statements of Cash Flows

	Year ended 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating activities		
Profit before income tax	12,229	18,060
Adjustments for:		
Depreciation on property, plant and equipment	936	882
Bad debt written off	35	—
Provision for impairment of trade and bills receivables	566	99
Provision for impairment of retention receivables	187	107
Allowance for inventories	11	98
Write-off of inventories	37	29
Change in fair value of derivative financial instruments	41	235
Gain on disposal of property, plant and equipment	(124)	(240)
Bank interest income	(39)	(53)
Finance costs	620	767
	<u>14,499</u>	<u>19,984</u>
Operating profit before working capital changes	14,499	19,984
Increase in inventories	(515)	(889)
Decrease/(Increase) in amounts due from customers of contract works	10,400	(16,676)
Decrease/(Increase) in trade and other receivables, deposits and prepayments	20,576	(31,618)
Decrease in amounts due to customers of contract works	(12,754)	(316)
(Decrease)/Increase in trade and other payables	(12,967)	26,543
Increase in pledged deposits	—	(2,400)
	<u>19,239</u>	<u>(5,372)</u>
Cash generated from/(used in) operations	19,239	(5,372)
Interest paid on bank borrowings	(597)	(726)
Interest element of finance lease payment	(23)	(41)
Interest received	39	53
Income tax paid, net	(1,471)	(2,077)
	<u>17,187</u>	<u>(8,163)</u>
Net cash from/(used in) operating activities	17,187	(8,163)
Investing activities		
Decrease/(Increase) in pledged bank deposits	2	(2,438)
Purchase of property, plant and equipment	(335)	(829)
Proceeds from disposal of property, plant and equipment	125	121
Increase in amounts due from directors	(4,120)	(1,127)
(Increase)/Decrease in amounts due from related companies	(2,828)	393
(Increase)/Decrease in amounts due from related parties	(270)	530
	<u>(7,426)</u>	<u>(3,350)</u>
Net cash used in investing activities	(7,426)	(3,350)

	<u>Year ended 31 March</u>	
	<u>2014</u>	<u>2015</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financing activities		
Dividends paid (<i>note 36(c)</i>)	—	(1,200)
Dividends paid to non-controlling interests (<i>note 36(d)</i>)	(2,000)	(800)
Proceeds from new bank borrowings	21,453	27,935
Repayments of bank borrowings	(25,761)	(20,928)
Capital element of finance lease payment	(151)	(301)
Increase in amounts due to related parties	<u>—</u>	<u>92</u>
Net cash (used in)/from financing activities	<u>(6,459)</u>	<u>4,798</u>
Net increase/(decrease) in cash and cash equivalents	3,302	(6,715)
Cash and cash equivalents at beginning of year	<u>4,190</u>	<u>7,492</u>
Cash and cash equivalents at end of year	<u><u>7,492</u></u>	<u><u>777</u></u>
Analysis of the balances of cash and cash equivalents		
Cash at banks and in hand	10,485	5,791
Less: Bank overdrafts	<u>(2,993)</u>	<u>(5,014)</u>
	<u><u>7,492</u></u>	<u><u>777</u></u>

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 15 May 2015. The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at 4th Floor, Henry Centre, 131 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong.

The Group is principally engaged in (i) the provision of structural engineering works for the public and private sectors in Hong Kong; and (ii) trading of building material products.

2. REORGANISATION AND BASIS OF PRESENTATION

Prior to the Reorganisation, all entities which took part in the Reorganisation were collectively controlled by Mr. Lui Bun Yuen, Danny ("Mr. Lui"), Mr. Wai Yat Kin ("Mr. Wai") and Mr. Yip Pak Hung ("Mr. Yip"). Mr. Lui, Mr. Wai and Mr. Yip are collectively referred to as the "Controlling Shareholders".

Pursuant to the Reorganisation conducted by the companies now comprising the Group to prepare for the Listing, the Company has since 22 September 2015 become the holding company of its subsidiaries now comprising the Group. Part of the steps under the Reorganisation are described below:

- (1) The Company was incorporated in the Cayman Islands on 15 May 2015. The initial authorised share capital of the Company was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. Upon incorporation, one nil paid subscriber share was allotted and issued to the subscriber, which was transferred to Success Wing Investments Limited ("Success Wing") on 21 May 2015. Success Wing is a company incorporated in the BVI and the issued share capital of Success Wing was 720 shares of US\$1 each, of which (i) 240 shares were held by Mr. Lui, (ii) 240 shares were held by Mr. Wai and (iii) 240 shares were held by Mr. Yip.
- (2) Light Dimension was incorporated in the BVI on 20 May 2015 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 11 June 2015, one subscriber share was allotted and issued to each of Mr. Lui, Mr. Wai and Mr. Yip and credited as fully paid at par.
- (3) Youkang was incorporated in the BVI on 29 May 2015 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 11 June 2015, three shares were allotted and issued to Light Dimension and credited as fully paid at par. Upon completion of the allotment and issue, Youkang becomes a wholly-owned subsidiary of Light Dimension.
- (4) On 30 June 2015, Ms. Lam Suk Lan, Bonnie ("Ms. Lam"), the spouse of Mr. Yip and holding 50,000 shares of Sun Pool in trust and on behalf of Mr. Yip, transferred 50,000 shares of Sun Pool to Mr. Yip at a consideration of HK\$995,230.
- (5) On 3 July 2015, Light Dimension acquired (i) 833,333 shares of KPa Engineering from Mr. Lui and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Lui; (ii) 833,333 shares of KPa Engineering from Mr. Wai and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Wai; (iii) 833,333 shares of KPa Engineering from Mr. Yip and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Yip; and (iv) 500,001 shares of KPa Engineering from Sun Pool and in consideration of the acquisition and at the direction of Sun Pool, Light Dimension allotted and issued one share to Mr. Lui, Mr. Wai and Mr. Yip jointly. Upon the acquisitions, KPa Engineering becomes a wholly-owned subsidiary of Light Dimension.
- (6) On 3 July 2015, Light Dimension acquired (i) 100 shares of KPa Contracting from Mr. Lui and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Lui; (ii) 100 shares of KPa Contracting from Mr. Wai and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Wai; and (iii) 100 shares of KPa Contracting from Mr. Yip and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Yip. Upon the acquisitions, KPa Contracting becomes a wholly-owned subsidiary of Light Dimension.

- (7) On 3 July 2015, Light Dimension acquired (i) 100 shares of KPa (HK) from Mr. Lui and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Lui; (ii) 100 shares of KPa (HK) from Mr. Wai and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Wai; and (iii) 100 shares of KPa (HK) from Mr. Yip and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Yip. Upon the acquisitions, KPa (HK) becomes a wholly-owned subsidiary of Light Dimension.
- (8) On 3 July 2015, Light Dimension acquired (i) 100 shares of AcouSystem from Mr. Lui and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Lui; (ii) 100 shares of AcouSystem from Mr. Wai and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Wai; and (iii) 100 shares of AcouSystem from Mr. Yip and in consideration of the acquisition, Light Dimension allotted and issued one share, credited as fully paid at par, to Mr. Yip. Upon the acquisitions, AcouSystem becomes a wholly-owned subsidiary of Light Dimension.
- (9) On 17 August 2015, Youkang acquired (i) 50,000 shares of Sun Pool from Mr. Lui and in consideration of the acquisition and at the direction of Mr. Lui, Youkang allotted and issued one share, credited as fully paid at par, to Light Dimension; (ii) 50,000 shares of Sun Pool from Mr. Wai and in consideration of the acquisition and at the direction of Mr. Wai, Youkang allotted and issued one share, credited as fully paid at par, to Light Dimension; and (iii) 50,000 shares of Sun Pool from Mr. Yip and in consideration of the acquisition and at the direction of Mr. Yip, Youkang allotted and issued one share, credited as fully paid at par, to Light Dimension. Upon the acquisitions, Sun Pool becomes a wholly-owned subsidiary of Youkang.
- (10) On 14 September 2015, Sun Pool acquired (i) 15,000 shares of BuildMax (HK) from Mr. Liu Yuen Wai ("Mr. Liu") and in consideration of the acquisition and at the direction of Mr. Liu, Sun Pool procured Youkang to allot and issue three shares, credited as fully paid at par, to Mr. Liu; and (ii) 5,000 shares of BuildMax (HK) from Mr. Chan Chi Ming ("Mr. Chan") and in consideration of the acquisition and at the direction of Mr. Chan, Sun Pool procured Youkang to allot and issue one share, credited as fully paid at par, to Mr. Chan. Prior to the acquisitions, Mr. Liu and Mr. Chan were the non-controlling shareholders of BuildMax (HK) and the issued share capital of BuildMax (HK) was held as to 30% by Mr. Liu and 10% by Mr. Chan. Upon completion of the acquisitions, Sun Pool's equity interest in BuildMax (HK) increased from 60% to 100% and BuildMax (HK) becomes a wholly-owned subsidiary of Sun Pool.
- (11) On 22 September 2015, Mr. Lui, Mr. Wai and Mr. Yip entered into a reorganisation agreement and pursuant to which the Company acquired the entire issued share capital of Light Dimension and in consideration, the Company allotted and issued (i) six shares to Mr. Lui; (ii) six shares to Mr. Wai; (iii) six shares to Mr. Yip; and (iv) 81 shares to Success Wing. In addition, the Company credited the one nil paid share held by Success Wing referred to in step (1) above as fully paid. Upon completion of the acquisition, Light Dimension becomes a wholly-owned subsidiary of the Company.
- (12) On 22 September 2015, Light Dimension acquired (i) three shares of Youkang from Mr. Liu and in consideration of the acquisition, Light Dimension procured Success Wing to allot and issue 74 shares, credited as fully paid, to Mr. Liu; and (ii) one share of Youkang from Mr. Chan and in consideration of the acquisition, Light Dimension procured Success Wing to allot and issue 26 shares, credited as fully paid, to Mr. Chan. Upon completion of the acquisitions, Youkang becomes a wholly-owned subsidiary of Light Dimension.

Upon completion of the aforementioned steps of the Reorganisation, the issued share capital of the Company was held as to (i) 6% by Mr. Lui; (ii) 6% by Mr. Wai; (iii) 6% by Mr. Yip; and (iv) 82% by Success Wing, whereas the issued share capital of Success Wing was held as to (i) 29.27% by Mr. Lui; (ii) 29.27% by Mr. Wai; (iii) 29.27% by Mr. Yip; (iv) 9.02% by Mr. Liu and (v) 3.17% by Mr. Chan.

The Company and its subsidiaries now comprising the Group have been both before and after the Reorganisation under the common control of the Controlling Shareholders. A contractual arrangement existed among the Controlling Shareholders to manage the business and operations of the Group on a collective basis. The Controlling Shareholders have made collective decisions in respect of the financing and operating activities that significantly affect the Group's returns. Accordingly, the Controlling Shareholders are regarded as the controlling parties of the Group throughout the Relevant Periods.

The Group is regarded as a continuing entity since all entities which took part in the Reorganisation were controlled by the same ultimate controlling parties, i.e. the Controlling Shareholders, before and immediately after the Reorganisation. Consequently, immediately after the Reorganisation, there was a continuation of the risks and benefits to the ultimate controlling parties that

existed prior to the Reorganisation. Accordingly, the Reorganisation has been accounted for in accordance with Hong Kong Accounting Guideline 5 *Merger Accounting for Common Control Combinations* and the Financial Information has been prepared using the merger basis of accounting as if the current group structure had been in existence throughout the Relevant Periods.

The combined statements of comprehensive income and combined statements of cash flows of the Group for the Relevant Periods include the results and cash flows of the companies now comprising the Group as if the current structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation, whichever was shorter. The combined statements of financial position of the Group as at 31 March 2014 and 2015 have been prepared to present the state of affairs of the Group as if the current group structure had been in existence as at the respective dates.

The assets and liabilities of the companies now comprising the Group are combined using the existing book values from the controlling parties' perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of combination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The Financial Information has been prepared in accordance with the basis of presentation set out in note 2 and the accounting policies set out below, which conform to HKFRSs (which collective term includes Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA. The Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The HKICPA has issued a number of new or revised HKFRSs which are relevant to the Group and become effective during the Relevant Periods. In preparing this Financial Information, the Group has adopted all these new or revised HKFRSs throughout the Relevant Periods.

At the date of this report, certain new or revised HKFRSs have been issued by the HKICPA but are not yet effective and have not been adopted early by the Group. Details of which are set out in note 4.

The Financial Information have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out below.

The Financial Information are presented in Hong Kong dollars ("HK\$"), which is same as the functional currency of the Company and its major subsidiaries.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates and assumptions are based on management's best knowledge and judgment of current events and actions, actual results may ultimately different from those estimates and assumptions. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 5.

(b) Basis of combination

The Financial Information incorporates the financial statements of the Company and its subsidiaries comprising the Group for the Relevant Periods. As explained in note 2 above, the Reorganisation is accounted for using merger basis of accounting.

Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the combined financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(c) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis as follows:

Leasehold land and buildings	Over the shorter of 50 years or the remaining lease terms
Leasehold improvements	Over the shorter of 5 years or the remaining lease terms
Furniture and fixtures	5 years
Office equipment	5 years
Computer equipment	3 years
Motor vehicles	5 years

The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount (note 3(n)).

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(e) Leasing

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Company determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

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

The land and buildings elements of property leases are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease of property, plant and equipment.

The Group as lessee under finance lease

Where the Group acquires the right to use the assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present values of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease arrangement corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The Group as lessee under operating lease

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(f) Financial instruments**(i) Financial assets**

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivative, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors) and also incorporated other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;

- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of loans and receivables is reduced through the use of an allowance account. The amount of impairment loss is recognised in profit or loss of the period in which the impairment occurs. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realised or has been transferred to the Group.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

(iii) Financial liabilities

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, amounts due to related parties, bank borrowings and obligation under finance leases are subsequently measured at amortised cost, using the effective interest method. The related interest expense is accounted for in accordance with the accounting policy as set out in note 3(o).

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(g) Recognition of revenue and other income

Revenue and other income is recognised when it is probable that the economic benefits will flow to the Group and when the income can be measured reliably, on the following basis:

- (i) When the outcome of construction contracts can be estimated reliably, revenue from construction works is recognised according to the percentage of completion of individual contract at the end of the reporting period (note 3(h)).
- (ii) Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.
- (iii) Interest income is recognised on a time proportion basis by reference to the principal outstanding and using the effective interest method.

(h) Construction contracts

When the outcome of construction contracts can be estimated reliably, revenue from construction works and the associated contract costs are recognised according to the stage of completion of individual contract at the end of the reporting period. The stage of completion is determined using percentage of completion method by reference to the contract costs incurred to date as a proportion of the total estimated contract costs.

When the outcome of construction contracts cannot be estimated reliably, no profit is recognised and revenue is recognised only to the extent of contract costs incurred that would probably be recoverable.

Provisions are made for any foreseeable losses when they are identified and recognised immediately as an expense in profit or loss. Variations in contract work, claims and incentive payments are recognised as revenue when it is probable that they will be approved by customers and they can be measured reliably.

Amounts due from customers of contract works represent contract costs incurred plus recognised profits less progress billings and any foreseeable losses. Amounts due to customers of contract works represent the excess of progress billings over contract costs incurred plus recognised profits less any foreseeable losses. Costs mainly comprise materials, direct labour and sub-contractors' fees. Costs incurred during the period in connection with future activity of a contract are recognised as amounts due from customers of contract works provided it is probable that these costs will be recovered. Amounts billed for works performed but not yet paid by the customers are included in the combined statements of financial position under "Trade and other receivables, deposits and prepayments".

Retention monies, representing amounts of progress billings which are payable to sub-contractors or receivables from customers when conditions specified in the contracts undertaken are satisfied, are included in the combined statements of financial position under "Trade and other payables" and "Trade and other receivables, deposits and prepayments" respectively.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value.

For the purpose of presentation in the combined statements of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(j) Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(k) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(l) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on re-translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

For the purpose of preparing the Financial Information, income and expense items of foreign operations are translated into the functional currency of the Company (i.e. HK\$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the period when the employees render the related service.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(ii) Defined contribution retirement plan

Retirement benefits to employees are provided through defined contribution plans. The Group operates a defined contribution retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income.

Contributions are recognised as an expense in profit or loss when the services are rendered by the employees. The Group's obligations under these plans are limited to the fixed percentage contribution payable.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(n) Impairment of non-financial assets

Property, plant and equipment are subject to impairment testing. They are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, 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 assessment of time value of money and the risk specific to the asset.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's or cash-generating unit's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of such impairment is credited to profit or loss in the period in which it arises.

(o) Borrowings costs

Borrowings costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowings costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

(r) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

4. NEW OR REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE

The following new or revised HKFRSs have been issued, but are not yet effective and have not been early adopted by the Group in the preparation of the Financial Information.

HKFRSs (Amendments)	Annual Improvements 2010 – 2012 Cycle ²
HKFRSs (Amendments)	Annual Improvements 2011 – 2013 Cycle ¹
HKFRSs (Amendments)	Annual Improvements 2012 – 2014 Cycle ³
Amendments to HKAS 1	Disclosure Initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ³
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contribution ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
HKFRS 9 (2014)	Financial Instruments ⁵
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ⁴

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

³ Effective for annual periods beginning on or after 1 January 2016

⁴ Effective for annual periods beginning on or after 1 January 2017

⁵ Effective for annual periods beginning on or after 1 January 2018

The directors of the Company anticipate that all of the pronouncements will be adopted by the Group for the first period beginning after the effective date of the pronouncement. The directors of the Company are currently assessing the possible impact of these new or revised standards on the Group's results and financial position in the first year of application. Those new or revised HKFRSs that is expected to have material impact on the Group's financial statements are set out below.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework 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 and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and related interpretations.

HKFRS 15 requires the application of a 5 steps 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 each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Other new or revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group's results and financial position upon application.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) Construction contract

Construction contract revenue is recognised according to the percentage of completion of individual construction contract which requires the estimation of contract costs and gross profit margin of each contract. Contract costs and gross profit margin of individual contract is determined based on budget of the contract which was prepared by the management. In order to ensure that the total estimated contract costs are accurate and up-to-date such that gross profit margin can be estimated reliably, management reviews the costs incurred to date and costs to completion regularly, in particular in the case of costs over-runs and revise the estimated contract costs where necessary. Recognition of variations and claims also requires significant estimation and judgement by the management. Notwithstanding that, the management regularly reviews and revises the estimates of both contract costs and gross profit margin for the construction contracts when those construction contracts progress, the actual contract costs and gross profit margin may be higher or lower than the estimations and that will affect the revenue and gross profit recognised in the financial statements.

(ii) Useful lives of property, plant and equipment

Management determines the estimated useful lives, and related depreciation charges for the Group's property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of those assets of similar nature and functions. Management will increase the depreciation where useful lives are less than previously estimated lives. Management will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

(iii) Impairment of non-financial assets

Management assesses impairment by evaluating conditions specific to the Group that may lead to impairment of non-financial assets. When an impairment trigger exists, the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are mainly based on market conditions existing at the end of the reporting period and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group. Future changes in the events and conditions underlying the estimates and judgements would affect the estimation of recoverable amounts and result in adjustments to their carrying amounts.

(iv) Allowance for inventories

Management carries out inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items. A considerable amount of judgement and estimates is required in determining such allowance. If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required. Management reviews the inventory ageing analysis at the end of reporting period and identifies for slow-moving inventory that are no longer suitable for consumption and salable. Management estimates the net realisable value for such inventories based primarily on the latest invoice price and current market conditions.

(v) Impairment of receivables

The impairment policy for bad and doubtful debts of the Group is based on management's evaluation of collectability and ageing analysis of receivables (including amounts due from related parties) and on the specific circumstances for each account. Judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer or debtor. If the financial condition of the customers or debtors was to deteriorate resulting in an impairment of their ability to make payments, additional provision will be required.

(vi) *Estimates of current and deferred tax*

The Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation, the timing of payment of the related taxation and the implementation of these taxes. The Group recognised income tax and other taxes based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the tax expense in the period in which the tax calculations are finalised with the tax authorities.

(vii) *Fair value measurement*

Certain of the Group's financial instruments require measurement at, and/or disclosure of, fair value.

The fair values of financial instruments that are not traded in an active market, including foreign currency forward contracts, are determined with reference to dealer quotes and using valuation technique based on inputs from observable current market transactions, which requires significant estimation.

For more detailed information in relation to the fair value measurement of these financial instruments, please refer to note 39.

6. SEGMENT INFORMATION

(a) Operating segment information

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker, i.e. executive directors of the Company who are used to make strategic decisions.

The Group has two reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

— Structural engineering works	—	This segment mainly engages in the provision of structural engineering works for public and private sectors in Hong Kong and the Group mainly acts as a subcontractor.
— Trading of building material products	—	This segment engages in the sales of building material products in Hong Kong, the PRC (other than Hong Kong) and overseas.

Revenue and costs/expenses are allocated to the reportable segments with reference to sales generated by those segments and the costs/expenses incurred by those segments. Segment revenue represents revenue from external customers and there were no inter-segment sales between operating segments for the years ended 31 March 2014 and 2015. Corporate income and expenses are not allocated to the operating segments as they are not included in the measure of the segments' profit or loss that is used by the chief operating decision-maker for assessment of segment performance.

Segment assets include all assets with the exception of tax assets and corporate assets, including pledged bank deposits, cash and bank balances, derivative financial instruments and other assets that are not directly attributable to the business activities of the operating segments as these assets are managed on a group basis.

Information of the operating segments of the Group reported to the chief operating decision-maker for the purposes of resources allocation and performance assessment does not include liabilities. Accordingly, no information of segment liabilities is presented.

Segment results, segment assets and other segment information

Information regarding the Group's reporting segments including the reportable segment revenue, segment profit, segment assets, reconciliation to revenue, profit before income tax, total assets and other segment information are as follows:

	Structural engineering works	Trading of building material products	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 March 2014			
<i>Segment revenue</i>			
Sales to external customers	<u>199,542</u>	<u>5,743</u>	<u>205,285</u>
<i>Segment profit</i>	<u>26,091</u>	<u>2,015</u>	28,106
Corporate and unallocated income			489
Corporate and unallocated expenses			<u>(16,366)</u>
Profit before income tax			<u>12,229</u>
Year ended 31 March 2015			
<i>Segment revenue</i>			
Sales to external customers	<u>183,913</u>	<u>13,522</u>	<u>197,435</u>
<i>Segment profit</i>	<u>33,361</u>	<u>5,166</u>	38,527
Corporate and unallocated income			351
Corporate and unallocated expenses			<u>(20,818)</u>
Profit before income tax			<u>18,060</u>

	Structural engineering works	Trading of building material products	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 March 2014			
<i>Segment assets</i>	<u>59,956</u>	<u>3,475</u>	63,431
Tax assets			938
Other corporate assets			<u>34,778</u>
Total combined assets			<u>99,147</u>
As at 31 March 2015			
<i>Segment assets</i>	<u>110,227</u>	<u>4,129</u>	114,356
Tax assets			8
Other corporate assets			<u>33,076</u>
Total combined assets			<u>147,440</u>

	Structural engineering works	Trading of building material products	Corporate/ Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 March 2014				
<i>Other information</i>				
Interest income	—	—	39	39
Interest expense on bank borrowings	—	—	597	597
Interest element of finance lease payments	—	—	23	23
Depreciation	—	—	936	936
Impairment loss on loans and receivables	783	5	—	788
Impairment loss on inventories	—	48	—	48
Additions to specified non-current assets [#]	<u>—</u>	<u>—</u>	<u>830</u>	<u>830</u>
Year ended 31 March 2015				
<i>Other information</i>				
Interest income	—	—	53	53
Interest expense on bank borrowings	—	—	726	726
Interest element of finance lease payments	—	—	41	41
Depreciation	—	—	882	882
Impairment loss on loans and receivables	206	—	—	206
Impairment loss on inventories	—	127	—	127
Additions to specified non-current assets [#]	<u>—</u>	<u>—</u>	<u>1,558</u>	<u>1,558</u>

[#] Specified non-current assets include all non-current assets but exclude financial instruments

(b) Geographical segment information

The Company is an investment holding company and the principal place of the Group's operations are in Hong Kong. Accordingly, management determines that the Group is domiciled in Hong Kong.

The following table provides analysis of the Group's revenue from external customers, determined based on location of the customers:

	Year ended 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	204,640	196,530
PRC	19	—
Macau	—	698
Singapore	409	—
United Kingdom	217	207
	<u>205,285</u>	<u>197,435</u>

All of the Group's specified non-current assets are located in Hong Kong.

(c) Information about major customers

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

	Year ended 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer I	29,166	98,602
Customer II	62,323	27,129
Customer III	37,311	N/A
Customer IV	24,028	N/A
	<u>24,028</u>	<u>N/A</u>

7. REVENUE

The Group is principally engaged in (i) the provision of structural engineering works for the public and private sectors in Hong Kong; and (ii) trading of building material products. Revenue derived from these principal activities comprises the followings:

	Year ended 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from rendering structural engineering works	199,542	183,913
Revenue from trading of building material products	5,743	13,522
	<u>205,285</u>	<u>197,435</u>

8. OTHER INCOME AND GAINS

	Year ended 31 March	
	2014	2015
	HK\$'000	HK\$'000
Bank interest income	39	53
Exchange gain, net	91	—
Gain on disposal of property, plant and equipment	124	240
Others	235	58
	<u>489</u>	<u>351</u>

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting) the following:

	Year ended 31 March	
	2014	2015
	HK\$'000	HK\$'000
Auditor's remuneration	190	190
Bad debt written off	35	—
Provision for impairment of trade and bills receivables	566	99
Provision for impairment of retention receivables	187	107
Cost of inventories recognised as expense		
— Carrying amount of inventories consumed	72,752	72,493
— Allowance for inventories	11	98
— Write-off of inventories	37	29
	<u>72,800</u>	<u>72,620</u>
Change in fair value of derivative financial instruments	41	247
Depreciation in respect of:		
— Owned assets	755	488
— Leased assets	181	394
	<u>936</u>	<u>882</u>
Employee benefit expenses (including directors' emoluments (note 12(a)))		
— Salaries, allowances and other benefits (note (b))	22,245	23,750
— Contribution to defined contribution retirement plan (note (a))	732	844
	<u>22,977</u>	<u>24,594</u>
Exchange (gain)/loss, net	(91)	76
Listing expenses	—	2,903
Operating lease charges in respect of:		
— Land and buildings (note (b))	1,130	1,278
— Office equipment	162	210
	<u>162</u>	<u>210</u>

Notes:

- (a) In respect of the Group's contribution to defined contribution retirement plan, no contribution is available for reducing the Group's existing level of contribution for the years ended 31 March 2014 and 2015.
- (b) Operating lease charges in respect of the director's quarter of HK\$348,000 and HK\$348,000 for the years ended 31 March 2014 and 2015 are also included in employee benefit expenses for disclosure purpose.

10. FINANCE COSTS

	Year ended 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings (<i>note</i>)		
— Bank loans and overdrafts wholly repayable within five years	566	605
— Bank loans wholly repayable after five years	31	121
Interest element of finance lease payments	<u>23</u>	<u>41</u>
	<u>620</u>	<u>767</u>

Note: This analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with scheduled repayment dates set out in the loan agreements. For the years ended 31 March 2014 and 2015, interest on bank borrowings which contain a repayment on demand clause amounted to HK\$597,000 and HK\$726,000 respectively.

11. INCOME TAX EXPENSE

The amounts of income tax expense in the combined statements of comprehensive income represent:

	Year ended 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
— Tax for the year	2,068	3,555
— Over-provision in respect of prior years	<u>(24)</u>	<u>(54)</u>
	<u>2,044</u>	<u>3,501</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the Relevant Periods.

The income tax expense for the Relevant Periods can be reconciled to the profit before income tax in the combined statements of comprehensive income as follows:

	Year ended 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	<u>12,229</u>	<u>18,060</u>
Tax calculated at tax rate of 16.5%	2,018	2,980
Tax effect of revenue not taxable for tax purposes	(45)	(8)
Tax effect of expenses not deductible for tax purposes	18	656
Tax effect of temporary differences not recognised	69	(73)
Over-provision in respect of prior years	(24)	(54)
Others	<u>8</u>	<u>—</u>
Income tax expense	<u>2,044</u>	<u>3,501</u>

No deferred tax has been provided in the Financial Information as there were no material temporary differences as at 31 March 2014 and 2015.

12. DIRECTORS' EMOLUMENTS, HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments of each of the directors for the Relevant Periods are set out below:

	<u>Fees</u>	<u>Salaries, allowances and other benefits</u>	<u>Discretionary bonuses</u>	<u>Pension scheme contribution</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 March 2014					
<i>Executive Directors</i>					
Mr. Lui	—	1,185	155	15	1,355
Mr. Wai	—	1,577	207	15	1,799
Mr. Yip	—	1,233	164	15	1,412
Total	—	3,995	526	45	4,566
Year ended 31 March 2015					
<i>Executive Directors</i>					
Mr. Lui	—	1,032	—	19	1,051
Mr. Wai	—	1,522	—	19	1,541
Mr. Yip	—	1,092	—	19	1,111
Total	—	3,646	—	57	3,703

No emoluments were paid or payable to the independent non-executive directors during the Relevant Periods.

Included in other emoluments for the years ended 31 March 2014 and 2015 were rental charges amounting to HK\$348,000 and HK\$348,000 respectively, paid or payable to the lessor which is a related company in which one of the Company's directors has equity interest and control (note 37(a)).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during each of the Relevant Periods included 3 directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 highest paid individuals are as follows:

	<u>Year ended 31 March</u>	
	<u>2014</u>	<u>2015</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and other benefits	1,680	1,498
Contribution to pension scheme	30	53
	<u>1,710</u>	<u>1,551</u>

The emoluments of each of the above non-director highest paid individuals during the Relevant Periods were all within the band of nil to HK\$1,000,000.

(c) During the Relevant Periods, no emoluments were paid by the Group to the directors or highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emoluments during the Relevant Periods.

(d) **Senior management's emoluments**

Emoluments paid or payable to members of senior management who are not directors were within the following band:

	Year ended 31 March	
	2014	2015
	<i>No. of individuals</i>	<i>No. of individuals</i>
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>

13. DIVIDENDS

	Year ended 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividends attributable to:		
— Owners of the Company	4,050	1,800
— Non-controlling interests	<u>2,000</u>	<u>1,200</u>
	<u>6,050</u>	<u>3,000</u>

No dividend has been paid or declared by the Company since its incorporation. For the purpose of this Financial Information, the interim dividends for the years ended 31 March 2014 and 2015 amounting to HK\$6,050,000 and HK\$3,000,000 respectively represented interim dividends declared by certain group entities to their then shareholders.

In September 2015, the directors of certain subsidiaries declared interim dividends amounting to HK\$15,000,000 in aggregate, of which HK\$12,600,000 was attributable to owners of the Company whereas HK\$2,400,000 was attributable to the non-controlling interests. The interim dividend declared subsequent to 31 March 2015 has not been recognised as a liability as at 31 March 2015 in the Financial Information.

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this Financial Information.

14. EARNINGS PER SHARE

The calculations of earnings per share for the Relevant Periods are based on the profit for the years ended 31 March 2014 and 2015 attributable to owners of the Company of HK\$9,727,000 and HK\$11,921,000 respectively, and on the basis of 450,000,000 shares of the Company in issue, being the number of shares in issue immediately after the completion of Capitalisation Issue as further described in note 41(b), as if these shares had been issued throughout the Relevant Periods.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Furniture and fixtures	Office equipment	Computer equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2013							
Cost	7,388	186	2,175	1,056	1,303	2,187	14,295
Accumulated depreciation	(1,861)	(186)	(1,875)	(951)	(1,155)	(1,729)	(7,757)
Net carrying amount	5,527	—	300	105	148	458	6,538
Year ended 31 March 2014							
Opening net book amount	5,527	—	300	105	148	458	6,538
Additions	—	—	10	125	139	556	830
Disposals	—	—	—	(1)	—	—	(1)
Depreciation	(168)	—	(193)	(94)	(123)	(358)	(936)
Closing net carrying amount	5,359	—	117	135	164	656	6,431
At 31 March 2014							
Cost	7,388	186	2,185	1,175	1,437	2,213	14,584
Accumulated depreciation	(2,029)	(186)	(2,068)	(1,040)	(1,273)	(1,557)	(8,153)
Net carrying amount	5,359	—	117	135	164	656	6,431
Year ended 31 March 2015							
Opening net book amount	5,359	—	117	135	164	656	6,431
Additions	—	—	128	122	184	1,124	1,558
Disposals	—	—	—	(11)	—	—	(11)
Depreciation	(168)	—	(138)	(63)	(101)	(412)	(882)
Closing net carrying amount	5,191	—	107	183	247	1,368	7,096
At 31 March 2015							
Cost	7,388	186	2,313	1,241	1,621	2,481	15,230
Accumulated depreciation	(2,197)	(186)	(2,206)	(1,058)	(1,374)	(1,113)	(8,134)
Net carrying amount	5,191	—	107	183	247	1,368	7,096

Notes:

- (a) The Group's leasehold land and buildings included in property, plant and equipment as at 31 March 2014 and 2015 represent industrial units and a carpark situated in Hong Kong and are held under medium-term leases.
- (b) The Group has pledged its leasehold land and buildings with net carrying amount of HK\$4,069,000 and HK\$5,191,000 as at 31 March 2014 and 2015 respectively to secure the bank borrowings granted to the Group by banks (note 27).

- (c) The net carrying amount of the Group's property, plant and equipment included the following amounts in respect of assets held under finance leases (note 28):

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Office equipment (<i>note</i>)	11	—
Motor vehicles	621	1,350
	<u>632</u>	<u>1,350</u>

Note: The office equipment acquired under finance lease was disposed of during the year ended 31 March 2015.

16. INVENTORIES

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials and supplies	2,547	3,309

17. AMOUNTS DUE FROM/TO CUSTOMERS OF CONTRACT WORKS

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Costs incurred to date plus recognised profits	227,837	267,599
Less: Progress billings to date	<u>(222,512)</u>	<u>(245,282)</u>
	<u>5,325</u>	<u>22,317</u>
Amounts due from customers of contract works	9,678	26,354
Amounts due to customers of contract works	<u>(4,353)</u>	<u>(4,037)</u>
	<u>5,325</u>	<u>22,317</u>

All amounts due from/to customers of contract works are expected to be recovered/settled within one year.

18. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and bills receivables		
Trade and bills receivables	27,441	57,788
Less: Provision for impairment	(566)	(665)
Trade and bills receivables, net (<i>note (a)</i>)	<u>26,875</u>	<u>57,123</u>
Other receivables, deposits and prepayments		
Retention receivables	23,018	23,939
Less: Provision for impairment	(187)	(269)
Retention receivables, net (<i>note (b)</i>)	22,831	23,670
Deposits	447	169
Prepayments	176	1,138
	<u>23,454</u>	<u>24,977</u>
	<u>50,329</u>	<u>82,100</u>

Notes:

- (a) The movements in the allowance for impairment of trade and bills receivables during the Relevant Periods are as follows:

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	—	566
Impairment loss recognised	566	99
At the end of the year	<u>566</u>	<u>665</u>

Trade and bills receivables of HK\$566,000 and HK\$665,000 as at 31 March 2014 and 2015 respectively were impaired and full provision have been made for the balances.

The ageing analysis of trade and bills receivables (net), based on invoice date, as of the end of each of the Relevant Periods is as follow:

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	15,810	29,483
31 – 60 days	4,654	18,036
61 – 90 days	495	2,634
Over 90 days	5,916	6,970
	<u>26,875</u>	<u>57,123</u>

The ageing analysis of trade and bills receivables (net), based on due date, as at the end of each of the Relevant Periods is as follow:

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	15,991	28,389
Past due but not impaired		
Past due for less than 30 days	4,522	18,800
Past due for 30 days or more but less than 60 days	434	2,929
Past due for 60 days or more but less than 90 days	235	640
Past due for 90 days or more	5,693	6,365
	<u>10,884</u>	<u>28,734</u>
	<u>26,875</u>	<u>57,123</u>

Bills receivable are subject to tenor of 30 to 60 days. The credit period granted to other trade debtors ranged from 30 to 60 days.

Receivables that were neither past due nor impaired related to a range of customers for whom there was no recent history of default. Receivables that were past due but not impaired related to customers with long business relationship. Based on past experience, management believes that no impairment allowance is necessary as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

- (b) The movements in the allowance for impairment of retention receivables during the Relevant Periods are as follows:

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	—	187
Impairment loss recognised	187	107
Bad debts written off	—	(25)
At the end of the year	<u>187</u>	<u>269</u>

As at 31 March 2014 and 2015, based on due date, the Group's retention receivables of approximately HK\$18,008,000 and HK\$21,914,000 respectively were not yet past due and the remaining balance of approximately HK\$4,823,000 and HK\$1,756,000 respectively were past due, of which approximately HK\$1,180,000 and HK\$1,318,000 respectively were past due for over one year. Based on the assessment of the directors, no impairment allowance is necessary for the net retention receivables outstanding at the end of the reporting periods as those balances are from customers with long business relationship and there has not been a significant change in their credit quality.

19. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from related companies are as follows:

	As at 1 April 2013	As at 31 March 2014	Maximum outstanding amount during the year[^]
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
BuildMax Technology (Shenzhen) Limited ("BuildMax (SZ)")	—	1,691	1,691
Hillford Trading Limited ("Hillford")	3,917	5,064	5,634
KPa Macau Limited	10	—	120
	<u>3,927</u>	<u>6,755</u>	
	As at 1 April 2014	As at 31 March 2015	Maximum outstanding amount during the year[^]
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
BuildMax (SZ)	1,691	182	2,661
Hillford	5,064	6,180	9,397
	<u>6,755</u>	<u>6,362</u>	

[^] These amounts represented the maximum amounts due from the related companies during the respective years.

Notes:

(a) The executive directors of the Company, Mr. Lui, Mr. Wai and Mr. Yip, have equity interests in BuildMax (SZ), Hillford and KPa Macau Limited.

(b) The amounts due are unsecured, interest free and repayable on demand.

20. AMOUNTS DUE FROM/(TO) RELATED PARTIES

The amounts due from/(to) related parties are as follows:

	As at 1 April 2013	As at 31 March 2014	Maximum outstanding amount during the year[^]
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Chan	—	108	108
Mr. Liu	660	822	1,048
	<u>660</u>	<u>930</u>	

	As at 1 April 2014	As at 31 March 2015	Maximum outstanding amount during the year[^]
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Chan	108	(23)	108
Mr. Liu	<u>822</u>	<u>(69)</u>	822
	<u>930</u>	<u>(92)</u>	

[^] These amounts represented the maximum amounts due from the related parties during the respective years.

Notes:

(a) Mr. Chan and Mr. Liu are the non-controlling shareholders of BuildMax (HK) during the Relevant Periods and they are also the key management personnel of the Group.

(b) The amounts due are unsecured, interest free and repayable on demand.

21. AMOUNTS DUE FROM DIRECTORS

The amounts due from directors are as follows:

	As at 1 April 2013	As at 31 March 2014	Maximum outstanding amount during the year[^]
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Lui	356	231	1,081
Mr. Wai	352	1,117	1,117
Mr. Yip	<u>1,187</u>	<u>617</u>	1,687
	<u>1,895</u>	<u>1,965</u>	

	As at 1 April 2014	As at 31 March 2015	Maximum outstanding amount during the year[^]
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Lui	231	627	627
Mr. Wai	1,117	1,139	1,439
Mr. Yip	<u>617</u>	<u>727</u>	739
	<u>1,965</u>	<u>2,493</u>	

[^] These amounts represented the maximum amounts due from the respective directors during the respective years.

The amounts due are unsecured, interest-free and repayable on demand.

22. PLEDGED DEPOSITS

Balances as at 31 March 2014 and 2015 of HK\$1,500,000 and HK\$3,900,000 respectively represent deposits placed by the Group with an insurance company as collaterals for the surety bonds issued in favour of the customers of certain construction contracts. The aggregate bond values as at 31 March 2014 and 2015 were HK\$4,191,000 and HK\$11,446,000 respectively. The surety bonds are required for the entire period of the relevant construction contracts. As at 31 March 2014 and 2015, the respective construction contracts are expected to be completed in year 2014 and 2017 respectively.

The Group and the directors of the Company, including Mr. Lui, Mr. Wai and Mr. Yip, have unconditionally and irrevocably agreed to indemnify the insurance company for claims and losses the insurance company may incur in respect of the bonds. The indemnity provided by Mr. Lui, Mr. Wai and Mr. Yip will be fully released, discharged or replaced by corporate guarantee or other securities provided by the Group upon the Listing.

23. PLEDGED BANK DEPOSITS

Pledged bank deposits as at 31 March 2014 and 2015 are interest-bearing at fixed rates ranged from 0.25% to 0.65% per annum and 0.25% to 2.00% per annum respectively and have maturity period of one to three months and one to six months respectively. Among the pledged bank deposits as at 31 March 2014 and 2015, HK\$3,268,000 and HK\$3,296,000 respectively were denominated in Renminbi ("RMB") while the remaining balances of HK\$4,321,000 and HK\$6,731,000 respectively were denominated in HK\$.

Pledged bank deposits were placed in banks to secure the bank borrowings and banking facilities of the Group (note 27).

24. CASH AND BANK BALANCES

Cash at banks earns interest at floating rate based on daily bank deposit rates.

25. TRADE AND OTHER PAYABLES

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables (<i>note (a)</i>)	19,603	35,459
Bills payable	—	5,172
Trade and bills payables (<i>note (b)</i>)	19,603	40,631
Retention payables (<i>note (c)</i>)	2,872	6,993
Receipts in advance	777	514
Other payables, accruals and deposits received	1,734	3,750
	<u>24,986</u>	<u>51,888</u>

Notes:

- (a) Included in trade payables were balances due to related companies amounting to HK\$657,000 and HK\$946,000 respectively as at 31 March 2014 and 2015 which arose from the trading transactions as disclosed in note 37(a). These balances are unsecured, interest free and due for settlement within 30 days from invoice date.
- (b) The Group's bills payable are subject to a tenor of up to 120 days. For other trade payables, the credit period granted by suppliers and contractors is normally 30 to 60 days.

The ageing analysis of trade and bills payables, based on invoice date, as of the end of each of the Relevant Periods is as follows:

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	7,996	17,678
31–60 days	3,381	18,292
61–90 days	2,360	1,983
Over 90 days	5,866	2,678
	<u>19,603</u>	<u>40,631</u>

- (c) As at 31 March 2014 and 2015, retention payables of HK\$2,752,000 and HK\$4,547,000 respectively were aged one year or below and the remaining balance of approximately HK\$120,000 and HK\$2,446,000 respectively were aged over one year.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Derivative financial liabilities		
— Foreign exchange forward contracts	<u>41</u>	<u>276</u>

The Group entered into foreign exchange forward contracts for investment purposes. These contracts are to be settled on net basis on the maturity dates of the instruments and details are set out as follows:

- (a) As at 31 March 2014, there were three outstanding foreign exchange forward contracts which included the following contracts:
- one contract with notional amount of US\$500,000 which purchased RMB and sell US\$. The contract will mature in ten months from 31 March 2014. The contract rate was RMB6.052: US\$1. This contract was matured during the year ended 31 March 2015; and
 - two contracts with aggregate notional amount of US\$300,000 having a tenor of 24 months and will mature within two years from 31 March 2014. The amount to be received/settled by the Group on a monthly basis throughout the contract period depends on the exchange rate of US\$ against RMB on each monthly valuation date.

The fair value of these contracts is estimated to be HK\$41,000 (financial liability) and it is classified as a current liability as at 31 March 2014.

- (b) As at 31 March 2015, the aggregate notional amount of the two outstanding foreign exchange forward contracts amounted to US\$300,000. These contracts have a tenor of 24 months and will mature within one year from 31 March 2015. The amount to be received/settled by the Group on a monthly basis throughout the contract period depends on the exchange rate of US\$ against RMB on each monthly valuation date. The fair value of these contracts is estimated to be HK\$276,000 (financial liability) and it is classified as a current liability as at 31 March 2015.

27. BANK BORROWINGS

	As at 31 March	
	2014	2015
	HK\$'000	HK\$'000
Current liabilities		
<i>Secured and interest-bearing bank borrowings</i>		
Bank overdrafts (<i>note (a)</i>)	2,993	5,014
Bank loans subject to repayment on demand clause (<i>note (a)</i>)		
— Bank loans due for repayment within one year	4,504	12,755
— Bank loans due for repayment after one year (<i>note (b)</i>)	5,365	4,121
	<u>9,869</u>	<u>16,876</u>
	<u>12,862</u>	<u>21,890</u>

Notes:

- (a) Bank borrowings, including trade financing, are interest bearing at the banks' prime rates or cost of funds or Hong Kong Inter-Bank Offered Rate adjusted by certain basis points per annum. The interest rates of the Group's bank borrowings as at 31 March 2014 and 2015 granted under banking facilities ranged from 2.97% to 6.50% and 2.58% to 6.25%, respectively per annum.
- (b) The current liabilities as at 31 March 2014 and 2015 include bank loans of HK\$5,365,000 and HK\$4,121,000 respectively that are not scheduled to repay within one year after the end of the reporting periods. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at their own discretion. None of the portion of these bank loans due for repayment after one year which contain a repayment on demand clause and that are classified as current liabilities are expected to be settled within one year.
- (c) The Group's bank borrowings and banking facilities are secured by the followings:
- land and buildings with net carrying amount of HK\$4,069,000 and HK\$5,191,000 as at 31 March 2014 and 2015 respectively (*note 15*);
 - bank deposits of HK\$7,589,000 and HK\$10,027,000 as at 31 March 2014 and 2015 respectively (*note 23*); and
 - personal guarantees executed by Mr. Lui, Mr. Wai and Mr. Yip, directors of the Company. The personal guarantees provided by Mr. Lui, Mr. Wai and Mr. Yip for the banking facilities existed at the date of this report will be fully released, discharged or replaced by corporate guarantees or other securities provided by the Group upon the Listing.

In addition, outstanding loan balances of HK\$2,690,000 and HK\$1,536,000 as at 31 March 2014 and 2015 respectively are subject to special loan guarantee issued by the Government of The Hong Kong Special Administrative Region.

As at 31 March 2014 and 2015, the Group's bank loans and overdrafts were scheduled to repay as of the end of each of the Relevant Periods as follows:

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
On demand or within one year	7,497	17,769
More than one year, but not exceeding two years	1,245	824
More than two years, but not exceeding five years	1,918	1,530
More than five years	2,202	1,767
	<u>12,862</u>	<u>21,890</u>

The amounts due are based on the scheduled repayment dates in the loan agreements and ignore the effect of any repayment on demand clause.

28. OBLIGATION UNDER FINANCE LEASES

The Group leases certain of its motor vehicles and office equipment and these leases are classified as finance leases. The lease obligations are secured by the leased assets.

The future lease payments under the finance leases are due as follows:

	Minimum lease payments	Interest	Present value of minimum lease payments
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 March 2014			
Not later than one year	214	(23)	191
Later than one year but not later than five years	430	(22)	408
	<u>644</u>	<u>(45)</u>	<u>599</u>
	Minimum lease payments	Interest	Present value of minimum lease payments
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 March 2015			
Not later than one year	320	(41)	279
Later than one year but not later than five years	621	(3)	618
	<u>941</u>	<u>(44)</u>	<u>897</u>

The present value of future lease payments are analysed as:

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities	191	279
Non-current liabilities	408	618
	<u>599</u>	<u>897</u>

Notes:

- (a) The Group's finance lease liabilities are subject to personal guarantees provided by Mr. Yip and Mr. Wai, directors of the Company.
- (b) The effective interest rates of the Group's finance lease liabilities as at 31 March 2014 and 2015 ranged from 1.40% to 4.91% and 1.40% to 3.82% per annum respectively.

29. SHARE CAPITAL

The Company was incorporated on 15 May 2015 with authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. Upon incorporation, one nil paid subscriber share was allotted and issued to the subscriber, which was then transferred to Success Wing on 21 May 2015. On 22 September 2015, the Company allotted and issued 99 shares in aggregate to Mr. Lui, Mr. Wai, Mr. Yip and Success Wing which were credited as fully paid as consideration for the transfer of their shareholding interest in Light Dimension to the Company.

For the purpose of this Financial Information, the share capital balance in the combined statement of financial position as at 31 March 2014 represented the issued share capital of the KPa Engineering and Sun Pool as at that date whereas the share capital balance as at 31 March 2015 represented the issued share capital of KPa Engineering, Sun Pool, AcouSystem, KPa Contracting and KPa (HK) as at 31 March 2015.

For the year ended 31 March 2015, AcouSystem, KPa Contracting and KPa (HK) issued shares as follows:

- AcouSystem issued 300 ordinary shares in aggregate at HK\$300 to Mr. Lui, Mr. Wai and Mr. Yip;
- KPa Contracting issued 300 ordinary shares in aggregate at HK\$300 to Mr. Lui, Mr. Wai and Mr. Yip; and
- KPa (HK) issued 300 ordinary shares in aggregate at HK\$300 to Mr. Lui, Mr. Wai and Mr. Yip.

30. RESERVES

Merger reserve was arising from combining the financial statements of the companies now comprising the Group.

31. NON-CONTROLLING INTERESTS

Throughout the Relevant Periods, the Group held 60% equity interest of BuildMax (HK), which has material non-controlling interests.

Summarised financial information of BuildMax (HK), before intra-group eliminations, is presented below:

	Year ended 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	17,770	30,581
Profit for the year	1,144	6,596
Total comprehensive income for the year	1,144	6,596
Profit attributable to non-controlling interests	458	2,638
Dividend paid to non-controlling interests	2,000	800
Cash flows from operating activities	988	9,471
Cash flows from investing activities	1,113	(7,159)
Cash flows used in financing activities	(4,916)	(2,084)
Net cash (outflows)/inflows	(2,815)	228
	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	16,336	23,228
Non-current assets	1,326	1,285
Current liabilities	(4,132)	(7,388)
Net assets	13,530	17,125
Accumulated non-controlling interests	5,412	6,850

32. OPERATING LEASE COMMITMENTS

Operating leases — The Group as lessee

The Group leases office premises, car parks, warehouses, director's quarter and office equipment under operating lease arrangement. The leases run for an initial period of two to five years and are non-cancellable. The total future minimum lease payments under these leases are due as follows:

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,086	493
Later than one year and not more than five years	1,056	549
	2,142	1,042

33. CAPITAL COMMITMENT

At 31 March 2014 and 2015, the Group had the following capital commitments:

	<u>As at 31 March</u>	
	<u>2014</u>	<u>2015</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Commitments for the investment in a subsidiary		
— contracted but not provided for	—	1,000
	<u> </u>	<u> </u>

34. GUARANTEE

The Group provided guarantee in respect of the surety bonds issued in favour of the customers of certain construction contracts. Details of these guarantees as of the end of each of the Relevant Periods are as follows:

	<u>As at 31 March</u>	
	<u>2014</u>	<u>2015</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Aggregate value of the surety bonds issued in favour of customers (<i>note 22</i>)	4,191	11,446
	<u> </u>	<u> </u>

As assessed by the directors, it is not probable that the insurance company would claim the Group for losses in respect of the guarantee contracts as it is unlikely that the Group is unable to fulfill the performance requirements of the relevant contracts. Accordingly, no provision for the Group's obligations under the guarantees has been made.

35. LITIGATIONS

During the Relevant Periods, a number of lawsuits and claims arising from the normal course of business were lodged against the Group which remain outstanding as of the end of each Relevant Periods. Claim amounts are not specified in some of the applications of these lawsuits and claims. In the opinion of the directors, sufficient insurance coverage are maintained to cover the losses, if any, arising from most of these lawsuits and claims and therefore the ultimate liability under these lawsuits and claims would not have a material adverse impact on the financial position of the Group.

36. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

- (a) For the years ended 31 March 2014 and 2015, the Group entered into finance lease arrangements in respect of acquisition of motor vehicles with an aggregate capital value at the inception of the leases of HK\$495,000 and HK\$599,000 respectively.
- (b) For the year ended 31 March 2015, the Group traded-in a fully depreciated motor vehicle at HK\$130,000 to settle part of the purchase price of a newly acquired motor vehicle.
- (c) For the year ended 31 March 2014, the dividend declared by Sun Pool amounting to HK\$4,050,000 was credited to the current accounts with the directors of the Company. For the year ended 31 March 2015, out of the dividend declared by Sun Pool amounting to HK\$1,800,000, HK\$1,200,000 was settled by cash payment whereas the remaining balance of HK\$600,000 was credited to the current accounts with the directors of the Company.
- (d) For the year ended 31 March 2015, BuildMax (HK) declared dividend amounting to HK\$3,000,000, of which HK\$1,200,000 was attributable to the non-controlling interests. Out of this sum, HK\$800,000 was settled by cash payment whereas the remaining balance of HK\$400,000 was credited to the current accounts with Mr. Liu and Mr. Chan. Mr. Liu and Mr. Chan, related parties of the Group, are also the non-controlling shareholders of BuildMax (HK) during the Relevant Periods.
- (e) For the year ended 31 March 2015, AcouSystem, KPa Contracting and KPa (HK) issued and allotted shares to Mr. Lui, Mr. Wai and Mr. Yip and the aggregate consideration of HK\$900 was settled through the current accounts with Mr. Lui, Mr. Wai and Mr. Yip.

37. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in this Financial Information, the Group has the following significant transactions with related parties.

- (a) During the Relevant Periods, the Group entered into the following transactions with related parties:

Name	Related party relationship	Type of transaction	Transaction amount	
			Year ended 31 March	
			2014	2015
			HK\$'000	HK\$'000
BuildMax (SZ)(note (i))	Directors and key management have equity interest	Purchase of construction materials and processing charges paid/payable	14,514	11,886
Hillford (note (i))	Directors and key management have equity interest	Handling charge paid/payable	140	140
Sampag International Limited (note (iii))	A director and key management have equity interest	Purchase of construction materials	1,667	1,506
Sampag International Limited (note (iii))	A director and key management have equity interest	Handling income received	32	—
Wonder Asia Development Limited (note (ii))	A director has equity interest	Rental expenses paid/payable	348	348

Notes:

- (i) Mr. Lui, Mr. Wai and Mr. Yip, the directors and shareholders of the Company, and Mr. Liu and Mr. Chan, key management of the Group, have equity interest in BuildMax (SZ) and Hillford. Mr. Lui, Mr. Wai, Mr. Yip, Mr. Liu and Mr. Chan are directors of Hillford whereas Mr. Wai and Mr. Yip are directors of BuildMax (SZ).
- (ii) Mr. Wai, director and shareholder of the Company, has equity interest in Wonder Asia Development Limited.
- (iii) Mr. Wai, director and shareholder of the Company, and Mr. Liu, key management of the Group, had equity interests in Sampag International Limited which have been disposed of in October 2014.

The transactions were conducted on the basis of mutually agreed terms.

- (b) As at 31 March 2014 and 2015, Mr. Lui, Mr. Wai and Mr. Yip, directors and shareholders of the Company, provide personal guarantee to secure for the bank borrowings and banking facilities granted to the Group (note 27(c)).
- (c) As at 31 March 2014 and 2015, Mr. Lui, Mr. Wai and Mr. Yip, directors and shareholders of the Company, provide indemnity to an insurance company for the surety bonds issued in favour of the customers of certain construction contracts (note 22).
- (d) As at 31 March 2014 and 2015, Mr. Lui, Mr. Wai and Mr. Yip, directors and shareholders of the Company, provide personal guarantee in favour to certain suppliers/contractors in respect of agreements entered by the Group. The personal guarantee will be fully released, discharged or replaced by corporate guarantee or other securities provided by the Group upon Listing.
- (e) As at 31 March 2014 and 2015, certain of the Group's lease arrangements are subject to the personal guarantees provided by Mr. Yip and Mr. Wai, directors and shareholders of the Company.

(f) Compensation of key management personnel

The remuneration of directors and other members of key management during the Relevant Periods were as follows:

	Year ended 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and other benefits	6,934	5,823
Contributions to defined contribution retirement plan	111	128
	<u>7,045</u>	<u>5,951</u>

38. CAPITAL MANAGEMENT

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, to maintain an optimal capital structure, to reduce the cost of capital and to support the Group's stability and growth.

The Group monitors capital using gearing ratio, which is total debt to equity. Total debts include bank borrowings and obligation under finance leases. Equity represents total equity of the Group.

The directors of the Company actively and regularly reviews and manages the Group's capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholders' returns. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, raise new debts or sells assets to reduce debt.

The gearing ratios as at 31 March 2014 and 2015 were as follows:

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings	12,862	21,890
Obligations under finance leases	599	897
	<u>13,461</u>	<u>22,787</u>
Total equity	<u>55,185</u>	<u>66,745</u>
Gearing ratio	<u>24.4%</u>	<u>34.1%</u>

The Group targets to maintain a gearing ratio to be in line with the expected changes in economic and financial conditions. The Group's overall strategy on capital management remains unchanged throughout the Relevant Periods.

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and liabilities:

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets		
<i>Loans and receivables</i>		
— Trade and bills receivables	26,875	57,123
— Other receivables and deposits	23,278	23,839
— Amounts due from related companies	6,755	6,362
— Amounts due from related parties	930	—
— Amounts due from directors	1,965	2,493
— Pledged deposits	1,500	3,900
— Pledged bank deposits	7,589	10,027
— Cash and bank balances	10,485	5,791
	<u>79,377</u>	<u>109,535</u>
Financial liabilities		
<i>Financial liabilities at amortised costs</i>		
— Trade and other payables	24,209	51,374
— Amounts due to related parties	—	92
— Bank borrowings	12,862	21,890
— Obligation under finance leases	599	897
	<u>37,670</u>	<u>74,253</u>
<i>Financial liabilities at fair value through profit or loss</i>		
— Derivative financial instruments	41	276

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade and bills receivables, other receivables and deposits, pledged deposits, pledged bank deposits, cash and bank balances, trade and other payables, bank borrowings, obligation under finance leases and balances with related companies, related parties and directors.

Due to their short term nature, the carrying values of the above financial instruments except for the non-current obligation under finance leases approximates their fair values.

For disclosure purpose, the fair values of non-current obligation under finance leases are not materially different from their carrying values. Their fair values have been determined by using discounted cash flow model and is classified as level 3 in the fair value hierarchy. Significant inputs include the discount rates used to reflect the credit risk of the Group.

(b) Financial instruments measured at fair value

The Group's foreign exchange forward contracts disclosed in note 26 are measured at fair value at the end of each of the reporting periods. Their fair values are determined with reference to dealer quotes and using valuation technique that maximises the use of observable market inputs such as market currency rates.

The following table provides an analysis of financial instruments carried at fair value by level of the fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 March 2014				
Financial liabilities at fair value through profit or loss:				
— Foreign exchange forward contracts	—	41	—	41
	<u>—</u>	<u>41</u>	<u>—</u>	<u>41</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 March 2015				
Financial liabilities at fair value through profit or loss:				
— Foreign exchange forward contracts	—	276	—	276
	<u>—</u>	<u>276</u>	<u>—</u>	<u>276</u>

There were no transfer between the levels of the fair value hierarchy during the Relevant Periods.

40. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks which comprise market risk (mainly interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors of the Company meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

Generally, the Group employs a conservative strategy regarding its financial risk management. As the directors consider that the Group's exposure to financial risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The most significant risks to which the Group is exposed to are described below:

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group's credit risk is primarily attributable to its trade and other receivables, including amounts due from related companies, related parties and directors, and bank balances. Management has a credit policy in place and the exposures to credit risk are monitored on an ongoing basis.

In respect of trade and other receivables, it is the Group's policy to deal only with creditworthy counterparties. In order to minimise credit risk, management has formulated a credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Normally, the Group does not obtain collateral from the counterparties.

In respect of cash and bank balances, pledged bank deposits and pledged deposits, the credit risk is limited because majority of the deposits are placed with reputable banks and financial institutions.

The Group provided guarantees in respect of the surety bonds issued in favour of several customers (note 34). As at 31 March 2014 and 2015, the maximum exposure to credit risk of guarantees issued by the Group was the value of the surety bonds of HK\$4,191,000 and HK\$11,446,000 respectively, which represented the maximum amount the Group could

be required to pay if the guarantees were called on. Management considers that it is unlikely that the Group is unable to fulfill the performance requirements of the relevant contracts and accordingly, the Group's exposure to credit risk in this regard is low.

The credit policies have been consistently applied and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from bank deposits, bank borrowings and finance lease liabilities. Borrowings arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

All of the Group's bank borrowings as at 31 March 2014 and 2015 bore interest at floating rates whereas its finance lease liabilities bear interest at fixed rates. Details of bank borrowings and finance lease liabilities are disclosed in notes 27 and 28 respectively.

The Group's bank balances, including pledged bank deposits also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors of the Company consider the Group's exposure to interest rate risk in respect of bank balances is not significant due to low level of deposit interest rate.

The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The following sensitivity analysis demonstrates the Group's exposure to a reasonable possible change in interest rates on its floating rate bank borrowings with all other variables held constant at the end of each of the reporting periods (in practice, the results may differ from the sensitivity analysis below and the difference could be material):

	Increase/(Decrease) in profit for the year and retained profits	
	Year ended 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Changes in interest rate		
+1%	(107)	(183)
-1%	107	183

The changes in interest rates do not affect the Group's other component of equity. The above sensitivity analysis is prepared based on the assumption that the borrowing period of the bank borrowings outstanding at the end of each of the reporting periods resembles that of the corresponding financial years. The assumed changes in interest rate are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting period.

(c) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to foreign currency risk are primarily US\$, British Pound ("GBP"), Euro ("EUR") and RMB. The management monitors foreign currency exposure of the Group and will consider undertaking foreign exchange hedging activities to reduce the impact of foreign exchange rate movements on the Group's operating result.

The carrying amounts of the foreign currency denominated monetary assets and liabilities in net position as at 31 March 2014 and 2015 are as follows:

	As at 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net monetary assets/(liabilities)		
RMB	3,231	2,767
EUR	(120)	(4,542)
GBP	(203)	(371)
US\$	<u>326</u>	<u>152</u>

Sensitivity Analysis

As HK\$ is pegged to US\$, exposure in respect of US\$ is considered insignificant. The following tables illustrate the approximate change in the Group's profit for the year and retained profits in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure, including RMB, EUR and GBP, at the end of each of the reporting periods.

	Increase/(Decrease) in profit for the year and retained profits	
	Year ended 31 March	
	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
RMB appreciated by 1%	27	23
EUR appreciated by 5%	(5)	(190)
GBP appreciated by 1%	<u>(2)</u>	<u>(3)</u>

The changes in exchange rates do not affect the Group's other component of equity. The same percentage depreciation in the foreign currencies against the functional currency of the respective group companies would have the same magnitude on profit and retained profits but of opposite effect.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because exposure at the end of each of the reporting periods does not reflect the exposure during the respective years.

(d) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policy has been followed by the Group since prior years and is considered to have been effective in managing liquidity risks.

The following tables summarise the remaining contractual maturities of the Group's financial liabilities including bank loans with repayment on demand clause, based on undiscounted cash flows (including interest payments computed using contractual rates or if floating, based on rates ruling at the end of the reporting period) and the earliest date the Group can be required to pay.

Specifically, for bank loans which contain repayment on demand clause which can be exercised at bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 March 2014					
Trade and other payables	24,209	24,209	24,209	—	—
Bank overdrafts	2,993	2,993	2,993	—	—
Bank loans subject to repayment demand clause	9,869	9,869	9,869	—	—
Obligation under finance leases	599	644	214	140	290
	<u>37,670</u>	<u>37,715</u>	<u>37,285</u>	<u>140</u>	<u>290</u>
Derivatives settled net:					
Foreign exchange forward contracts	41	41	41	—	—
As at 31 March 2015					
Trade and other payables	51,374	51,374	51,374	—	—
Amounts due to related parties	92	92	92	—	—
Bank overdrafts	5,014	5,014	5,014	—	—
Bank loans subject to repayment demand clause	16,876	16,876	16,876	—	—
Obligation under finance leases	897	941	320	288	333
	<u>74,253</u>	<u>74,297</u>	<u>73,676</u>	<u>288</u>	<u>333</u>
Derivatives settled net:					
Foreign exchange forward contracts	276	276	276	—	—

The following tables summarise the maturity analysis of the Group's bank loans (excluding bank overdrafts) with repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time banding in the maturity analysis contained above. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans subject to repayment demand clause						
As at 31 March 2014	9,869	10,702	4,741	1,401	2,197	2,363
As at 31 March 2015	16,876	17,568	13,008	942	1,752	1,866

41. SUBSEQUENT EVENTS

The following significant events took place subsequent to 31 March 2015:

- (a) Pursuant to the resolution passed by the shareholders of the Company on 22 September 2015, the authorised share capital of the Company has been increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 shares of HK\$0.01 each;
- (b) Pursuant to the resolutions passed by the shareholders of the Company on 22 September 2015, and subject to the same conditions as stated in the sub-paragraph headed “Conditions of the Placing” in the section headed “Structure and Conditions of the Placing” included in the Prospectus of the Company, the following have been approved:
 - (i) The placing of 150,000,000 new shares of the Company at placing price of HK\$0.30 per placing share (the “Placing”);
 - (ii) Conditional on the share premium account of the Company being credited as a result of the issue of shares by the Company pursuant to the Placing, the issue of a total of 449,999,900 shares at par by the Company to Mr. Lui, Mr. Wai, Mr. Yip and Success Wing on a pro-rata basis by way of capitalising an amount of HK\$4,499,999 from the share premium account of the Company (“Capitalisation Issue”); and
 - (iii) The principal terms of the share option scheme as set out in the section headed “Statutory and General Information” in Appendix V to the Prospectus.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 March 2015.

Yours faithfully,

BDO Limited
Certified Public Accountants

LEE MING WAI
Practising Certificate number: P05682
Hong Kong

The information set forth in this appendix does not form part of the Accountants' Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group prepared in accordance with paragraph 7.31 of the GEM Listing Rules and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants is for illustrative purpose only, and is set out herein to provide the prospective investors with further illustrative financial information about how the Placing might have affected the combined net tangible assets of the Group attributable to owners of the Company after the completion of the Placing as if the Placing had taken place on 31 March 2015. Because of its hypothetical nature, this unaudited pro forma statement of adjusted combined net tangible assets of the Group may not give a true picture of the financial position of the Group had the Placing been completed on 31 March 2015 or at any future dates.

	Combined net tangible assets of the Group attributable to 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 owners of the Company	Unaudited pro forma adjusted combined net tangible assets per Share
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(Note 3)</i>
Based on Placing				
Price of HK\$0.30				
per Placing Share	<u>59,895</u>	<u>29,903</u>	<u>89,798</u>	<u>0.15</u>

Notes:

1. The combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2015 are based on audited combined net assets of the Group attributable to owners of the Company as at 31 March 2015 of HK\$59,895,000 as shown in the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Placing are based on 150,000,000 Placing Shares and the Placing Price of HK\$0.30 per Placing Share after deduction of the underwriting fees and related expenses payable by the Company which has not been reflected in combined net tangible assets of the Group as at 31 March 2015. No account has been taken of any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.
3. The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 600,000,000 Shares in issue immediately following the completion of the Placing and the Capitalisation Issue, but takes no account of any Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this prospectus.

4. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company and the unaudited pro forma adjusted combined net tangible assets per Share have not taken into account the interim dividends declared subsequent to 31 March 2015. In September 2015, the directors of certain subsidiaries declared interim dividends amounting to HK\$15,000,000 in aggregate, of which HK\$12,600,000 was attributable to the owners of the Company whereas HK\$2,400,000 was attributable to the non-controlling interests. The dividend will be fully settled prior to the Listing Date by (i) offsetting amounts in the relevant current accounts amounting to approximately HK\$10 million; and (ii) cash payment of approximately HK\$5 million. The unaudited pro forma adjusted combined net tangible assets per Share would have been reduced to HK\$0.13 per Share based on Placing Price of HK\$0.30 per Placing Share after taking into account the dividend attributable to owners of the Company of HK\$12,600,000.
5. No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2015.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for inclusion in this prospectus, received from the reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, in relation to the Group's unaudited pro forma financial information.



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www.bdo.com.hk

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111 Connaught Road Central
Hong Kong

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傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

30 September 2015

The Board of Directors
KPa-BM Holdings Limited

Dear Sirs,

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of KPa-BM Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets of the Group as at 31 March 2015 and the related notes (the "Unaudited Pro Forma Financial Information") as set out in Section A of Appendix II to the prospectus of the Company dated 30 September 2015 (the "Prospectus") issued by the Company in connection with the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The applicable criteria on the basis of which the directors of the Company have compiled the Unaudited Pro Forma Financial Information are set out in Section A of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the proposed placing of shares of the Company on the Group's financial position as at 31 March 2015 as if the proposed placing had taken place on the same date. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's financial statements included in the accountants' report set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The directors of the Company 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 Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed placing at 31 March 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,

BDO Limited

Certified Public Accountants

LEE MING WAI

Practising Certificate number P05682

Hong Kong

The following is the text of a letter, summary of valuation and valuation certificate, prepared for the purpose of incorporation in this prospectus received from Asset Appraisal Limited, an independent property valuer, in connection with its valuation as at 30 June 2015 of the property interests held by the Group.



Asset Appraisal Limited
中誠達資產評估顧問有限公司

Rm 901, 9/F., On Hong Commercial Building
145 Hennessy Road, Wanchai, Hong Kong
香港灣仔軒尼詩道145號
安康商業大廈9字樓901室
Tel : (852) 2529 9448 Fax : (852) 3544 5854

30 September 2015

The Board of Directors
KPa-BM Holdings Limited
4/F, Henry Centre,
No. 131 Wo Yi Hop Road,
Kwai Chung,
New Territories.

Dear Sirs,

Re: Valuation of Various Units in Henry Centre, No, 131 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong.

In accordance with the instructions of **KPa-BM Holdings Limited** (the “**Company**”) to value the property interests (the “**Properties**”) held by the Company or its subsidiaries (altogether referred to as the “**Group**”) situated in Hong Kong, we confirm that we have carried out inspections of the Properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties as at 30 June 2015 (the “**date of valuation**”).

BASIS OF VALUATION

Our valuation of the Properties represents the market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

TITLESHIP

We have carried out title search for the Properties in the Land Registry. However, we have not verified ownership of the Properties and the existence of any encumbrances that would affect ownership of them.

VALUATION METHODOLOGY

The Properties have been valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

ASSUMPTIONS

Our valuation has been made on the assumption that the Group sells its interests in the Properties on the market without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the property interests.

As the Properties are held by the Group under leasehold interest, we have assumed that the Group has free and uninterrupted rights to use the Properties for the whole of the respective unexpired terms of the leasehold interests.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the Properties valued nor for any expenses or taxation. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the floor areas in respect of the Properties but have assumed that the floor areas shown on the legal documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The Properties were inspected on 16 June 2015 by Mr. Yang Jun Hao, who is an employee of us. We have inspected the exterior and, where possible, the interior of the Properties. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the Properties, we have complied with all the requirements contained in Chapter 8 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Unless otherwise stated, all monetary sums stated in this report are in Hong Kong Dollar (HK\$).

Our summary of valuation and valuation certificates are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited

Sandra Lau
MHKIS AAPI RPS(GP)
Director

Sandra Lau is a member of the Hong Kong Institute of Surveyors, an Associate of the Australian Property Institute and a Registered Professional Surveyor in General Practice. She is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

SUMMARY OF VALUATION

Property	Market value in existing state as at 30 June 2015 HK\$	Interest attributable to the Company as at 30 June 2015 %	Value of property interest attributable to the Company as at 30 June 2015 HK\$
Property held by the Group for self-occupation			
1. Workshop B on 3/F, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories	3,000,000	100%	3,000,000
2. Workshop C on 3/F, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories	6,400,000	100%	6,400,000
3. Workshop A on 4/F & Flat Roof A and Workshop B on 4/F & Flat Roof B, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories	9,500,000	100%	9,500,000
4. Workshop B on 7/F, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories	4,300,000	100%	4,300,000
5. Car Parking Space No. 1 on 1/F, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories	750,000	100%	750,000
	Total:		<u>23,950,000</u>

VALUATION CERTIFICATE

Properties held by the Group for self-occupation

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2015 HK\$
1. Workshop B on 3/F, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories 120/9993rd shares of and in Lot No. 312 in D. D. 444	<p>The property comprises an industrial unit on the 3rd floor within a 26-storey industrial building completed in about 1992.</p> <p>The gross floor area and saleable area of the property is approximately 1,050 square feet and 678 square feet respectively.</p> <p>The property is held under the New Grant No. 4288 for a term of 99 years commencing on 1 July 1898, which has been statutorily extended to 30 June 2047 and is subject to an annual Government Rent equivalent to three percent of Rateable Values from time to time.</p>	The property is occupied by the Group for office use.	3,000,000

Notes:

1. The registered owner of the property is Sun Pool Engineering Limited vide memorial no. TW857326 dated 14 August 1992.
2. Deed of Mutual Covenant and Management Agreement of the subject development is registered vide memorial nos. T853141 dated 15 August 1992.
3. The property is subject to a Mortgage to Secure General Banking Facilities in favour of Hang Seng Bank Limited registered via memorial no. TW1615104 dated 29 November 2004.
4. The property lies within an area zoned "Other Specified Uses (Business)" under Kwai Chung Outline Zoning Plan No. S/KC/28.
5. Pursuant New Grant No. 4288, the lot shall be used for general industrial and/or godown purposes. The property is currently used for office purpose. The existing use is unauthorized and may subject to the enforcement action of relevant authority. Pursuant Proposed Temporary Waiver for Workshop B on 3/F dated 10 July 2015, the waiver fee is HK\$301,690. As advised by the Company, the waiver fee has been settled on 5 August 2015 and pending for the issuance of the Waiver Letter from Lands Department.

VALUATION CERTIFICATE

Properties held by the Group for self-occupation

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2015 HK\$
<p>2. Workshop C on 3/F, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories</p> <p>243/9993rd shares of and in Lot No. 312 in D. D. 444</p>	<p>The property comprises an industrial unit on the 3rd floor within a 26-storey industrial building completed in about 1992.</p> <p>The gross floor area of the property is approximately 2,235 square feet.</p> <p>The property is held under the New Grant No. 4288 for a term of 99 years commencing on 1 July 1898, which has been statutorily extended to 30 June 2047 and is subject to an annual Government Rent equivalent to three percent of Rateable Values from time to time.</p>	<p>The property is occupied by the Group for office use.</p>	<p>6,400,000</p>

Notes:

1. The registered owner of the property is KPa Engineering Limited vide memorial nos. 09072702010034 dated 30 June 2009.
2. Deed of Mutual Covenant and Management Agreement of the subject development is registered vide memorial nos. T853141 dated 15 August 1992.
3. The property is subject to a mortgage (to secure all monies in respect of general banking facilities) in favour of Hang Seng Bank Limited registered via memorial no. 09091400580030 dated 8 September 2009.
4. The property lies within an area zoned "Other Specified Uses (Business)" under Kwai Chung Outline Zoning Plan No. S/KC/28.
5. Pursuant New Grant No. 4288, the lot shall be used for general industrial and/or godown purposes. The property is currently used for office purpose. The existing use is unauthorized and may subject to the enforcement action of relevant authority. Pursuant Proposed Temporary Waiver for Workshop C on 3/F and Workshop A on 4/F & Flat Roof A and Workshop B on 4/F & Flat Roof B dated 10 July 2015, the waiver fee is HK\$1,500,495. As advised by the Company, the waiver fee has been settled on 5 August 2015 and pending for the issuance of the Waiver Letter from Lands Department.

VALUATION CERTIFICATE

Properties held by the Group for self-occupation

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2015 HK\$
<p>3. Workshop A on 4/F & Flat Roof A and Workshop B on 4/F & Flat Roof B, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories</p> <p>395/9993rd shares of and in Lot No. 312 in D. D. 444</p>	<p>The property comprises two industrial units on the 4th floor together with the roof thereto within a 26-storey industrial building completed in about 1992.</p> <p>The gross floor area and roof area of the property is approximately 3,000 and 1,437 square feet respectively.</p> <p>The property is held under the New Grant No. 4288 for a term of 99 years commencing on 1 July 1898, which has been statutorily extended to 30 June 2047 and is subject to an annual Government Rent equivalent to three percent of Rateable Values from time to time.</p>	<p>The property is occupied by the Group for office use.</p>	<p>9,500,000</p>

Notes:

1. The registered owner of the property is KPα Engineering Limited vide memorial nos. TW1009675 and TW1015346 dated 15 June 1995 and 15 July 1995 respectively.
2. Deed of Mutual Covenant and Management Agreement of the subject development is registered vide memorial nos. T853141 dated 15 August 1992.
3. The property is subject to a Mortgage to Secure General Banking Facilities in favour of Hang Seng Bank Limited registered via memorial no. TW1615105 dated 29 November 2004.
4. The property lies within an area zoned "Other Specified Uses (Business)" under Kwai Chung Outline Zoning Plan No. S/KC/28.
5. Pursuant New Grant No. 4288, the lot shall be used for general industrial and/or godown purposes. The property is currently used for office purpose. The existing use is unauthorized and may subject to the enforcement action of relevant authority. Pursuant Proposed Temporary Waiver for Workshop C on 3/F and Workshop A on 4/F & Flat Roof A and Workshop B on 4/F & Flat Roof B dated 10 July 2015, the waiver fee is HK\$1,500,495. As advised by the Company, the waiver fee has been settled on 5 August 2015 and pending for the issuance of the Waiver Letter from Lands Department.

VALUATION CERTIFICATE

Properties held by the Group for self-occupation

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2015 HK\$
<p>4. Workshop B on 7/F, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories</p> <p>174/9993rd shares of and in Lot No. 312 in D. D. 444</p>	<p>The property comprises an industrial unit on the 7th floor within a 26-storey industrial building completed in about 1992.</p> <p>The gross floor area of the property is approximately 1,550 square feet.</p> <p>The property is held under the New Grant No. 4288 for a term of 99 years commencing on 1 July 1898, which has been statutorily extended to 30 June 2047 and is subject to an annual Government Rent equivalent to three percent of Rateable Values from time to time.</p>	<p>The property is occupied by the Group for office use.</p>	<p>4,300,000</p>

Notes:

1. The registered owner of the property is BuildMax Limited vide memorial no. 10020500880047 dated 8 January 2010.
2. Deed of Mutual Covenant and Management Agreement of the subject development is registered vide memorial nos. T853141 dated 15 August 1992.
3. The property is subject to a mortgage (for all moneys (PT.)) in favour of Hang Seng Bank Limited registered via memorial no.15020600300094 dated 30 January 2015.
4. The property lies within an area zoned "Other Specified Uses (Business)" under Kwai Chung Outline Zoning Plan No. S/ KC/28.
5. Pursuant New Grant No. 4288, the lot shall be used for general industrial and/or godown purposes. The property is currently used for office purpose. The existing use is unauthorized and may subject to the enforcement action of relevant authority. Pursuant Proposed Temporary Waiver for Workshop B on 7/F dated 10 July 2015, the waiver fee is HK\$433,340. As advised by the Company, the waiver fee has been settled on 5 August 2015 and pending for the issuance of the Waiver Letter from Lands Department.

VALUATION CERTIFICATE

Properties held by the Group for self-occupation

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2015 HK\$
5. Car Parking Space No. 1 on 1/F, Henry Centre, No. 131 Wo Yi Hop Road, Kwai Chung, New Territories 49/9993rd shares of and in Lot No. 312 in D.D. 444	<p>The property comprises an car parking space on the 1st floor within a 26-storey industrial building completed in about 1992.</p> <p>The property is held under the New Grant No. 4288 for a term of 99 years commencing on 1 July 1898, which has been statutorily extended to 30 June 2047 and is subject to an annual Government Rent equivalent to three percent of Rateable Values from time to time.</p>	The property is occupied by the Group for car parking use.	750,000

Notes:

1. The registered owner of the property is BuildMax Limited vide memorial nos. 10020500880047 dated 8 January 2010.
2. Deed of Mutual Covenant and Management Agreement of the subject development is registered vide memorial nos. T853141 dated 15 August 1992.
3. The property is subject to a mortgage (for all moneys (PT.)) in favour of Hang Seng Bank Limited registered via memorial no. 15020600300094 dated 30 January 2015.
4. The property lies within an area zoned "Other Specified Uses (Business)" under Kwai Chung Outline Zoning Plan No. S/KC/28.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 May 2015 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 22 September 2015 and will become effective on the Listing Date. The following is a summary of certain provisions of the Articles:

2.1 Shares

2.1.1 Classes of shares

The share capital of the Company consists of ordinary shares.

2.1.2 Share certificates

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by two Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued

and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than four persons as joint holders of any share.

2.2 Directors

2.2.1 *Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

2.2.2 Power to dispose of the assets of the Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

2.2.3 Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

2.2.4 Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their close associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

2.2.5 Disclosure of interest in contracts with the Company or with any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his close associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (a) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (d) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including (i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; or

- (e) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

2.2.6 *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons,

including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

2.2.7 Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one-third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the

Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to retirement by rotation provisions in the articles of association. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

- (a) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;
- (b) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (c) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;
- (d) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (e) if he is prohibited from being a director by law;
- (f) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (g) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (h) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

2.2.8 Borrowing powers

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

2.2.9 Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

2.2.10 Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

2.4 Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Cayman Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

2.6 Special resolution — majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice, specifying the intention to propose the resolution as a special resolution, has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days’ notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

2.7 Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share, and on a show of hands every member who is 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. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by:

- 2.7.1 at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- 2.7.2 any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- 2.7.3 a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

2.8 Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

2.9 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the GEM Listing Rules, the Company may send summarized financial statements to shareholders who has, in accordance with the GEM Listing Rules, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the GEM Listing Rules, and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.10 Notices of meetings and business to be conducted thereat

An annual general meeting of the Company must be called by at least 21 days' notice in writing, and a general meeting of the Company other than an annual general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Cayman Companies Law and the GEM Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- 2.10.1 in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- 2.10.2 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% of the total voting rights at the meeting of all members of the Company.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of the remuneration of the Directors and of the auditors;
- (f) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and
- (g) the granting of any mandate or authority to the Board to repurchase securities in the Company.

2.11 Transfer of shares

Subject to the Cayman Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

2.13 Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

2.14 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- 2.14.1 all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and

2.14.2 all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend subsequently declared or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

2.16 Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest

wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

2.17 Inspection of corporate records

Members of the Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

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, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3.6 of this Appendix.

2.20 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- 2.20.1 if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- 2.20.2 if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.21 Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

- 2.21.1 all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- 2.21.2 upon the expiry of the 12 years and 3 months period (being the 3 months' notice period referred to in paragraph 2.21.3 below), the Company has not during that time received any indication of the existence of the member; and
- 2.21.3 the Company has caused an advertisement to be published in accordance with the GEM Listing Rules 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 of the Company for an amount equal to such net proceeds.

2.22 Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 15 May 2015 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

3.2 Share capital

In accordance with the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- 3.2.1 paying distributions or dividends to members;
- 3.2.2 paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- 3.2.3 any manner provided in section 37 of the Cayman Companies Law;
- 3.2.4 writing-off the preliminary expenses of the company; and
- 3.2.5 writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Cayman Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Cayman Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Cayman Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

With the exception of sections 34 and 37A(7) of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Cayman Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- 3.6.1 an act which is *ultra vires* the company or illegal;
- 3.6.2 an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- 3.6.3 an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions in the Cayman Companies Law on the power of directors to dispose of assets of a company, however the directors have certain duties of care, diligence and skills and also fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Island courts will ordinarily follow).

3.8 Accounting and auditing requirements

Section 59 of the Cayman Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Cayman Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- 3.10.1 that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- 3.10.2 in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (a) on or in respect of the shares, debentures or other obligations of the Company;
or
 - (b) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of twenty years from 2 June 2015.

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.

3.11 Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

The Cayman Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of the company have no general right under the Cayman 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.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Cayman Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

3.15 Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.16 Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Cayman Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the

absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.17 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.18 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY AND THE SUBSIDIARIES**1. Incorporation of the Company**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 15 May 2015. The Company has established a place of business in Hong Kong at 4th Floor, Henry Centre, 131 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 26 June 2015. In connection with such registration, Mr. Yip has been appointed as the authorised representative of the Company for acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company was incorporated in the Cayman Islands, its operations are subject to the relevant laws and regulations of the Cayman Islands, the Companies Law and its constitution, which comprises its Memorandum of Association and Articles of Association. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in authorised and issued share capital of the Company

- (a) The Company was incorporated in the Cayman Islands on 15 May 2015 with an authorised share capital of the Company of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. As at the date of incorporation, one nil paid subscriber Share was allotted and issued to a subscriber, which was then transferred to Success Wing on 21 May 2015.
- (b) On 22 September 2015, pursuant to the Reorganisation Agreement dated the same date, the Company acquired the entire issued share capital of Light Dimension from Mr. Lui, Mr. Wai and Mr. Yip, and in consideration thereof, (i) the Company, at the direction and request of Mr. Lui, Mr. Wai and Mr. Yip, allotted and issued as fully paid an aggregate of 99 Shares to Mr. Lui, Mr. Wai, Mr. Yip and Success Wing; and (ii) the one nil paid Share as referred to in paragraph 2(a) above was credited as fully paid.
- (c) Pursuant to the written resolutions of the sole Shareholder passed on 22 September 2015, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of a further 1,962,000,000 Shares.
- (d) Immediately following the completion of the Placing and the Capitalisation Issue, without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, 600,000,000 Shares will be allotted and issued, fully paid or credited as fully paid and 1,400,000,000 Shares will remain unissued. Other than the Shares issuable pursuant to the exercise of any options which may fall to be granted under the Share Option Scheme, or the exercise of the general mandate referred to in the subsection headed “A. Further information about the Company and the subsidiaries — 3. Written resolutions of the sole Shareholder” in this Appendix, the Directors have no present intention to issue any part of the authorised

but unissued capital of the Company, and without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

- (e) Save as disclosed above, there has been no alteration in the share capital of the Company since its incorporation.

3. Written resolutions of the sole Shareholder

Pursuant to the written resolutions passed by the sole Shareholder on 22 September 2015, *inter alia*:

- (a) the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each by the creation of an additional 1,962,000,000 Shares of HK\$0.01 each;
- (b) conditional on the conditions as set out in the section headed “Structure and conditions of the Placing” of this prospectus:
 - (i) the Placing were approved and the Directors were authorised to (aa) allot and issue the Placing Shares to rank *pari passu* with the then existing Shares in all respects; (bb) implement the Placing and the listing of Shares on GEM; and (cc) do all things and execute all documents in connection with or incidental to the Placing and the Listing with such amendments or modifications (if any) as the Directors may consider necessary or appropriate;
 - (ii) conditional on the share premium account of the Company being credited as a result of the Placing, the Directors were authorised to capitalise HK\$4,499,999 standing to the credit of the share premium account of the Company towards paying up in full at par of a total 449,999,900 Shares for allotment and issue to Mr. Lui, Mr. Wai, Mr. Yip and Success Wing;
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the subsection headed “D. Share Option Scheme” in this Appendix, were approved and adopted and the Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options that may be granted under the Share Option Scheme and to take all such steps as may be necessary or desirable to implement the Share Option Scheme;
 - (iv) a general unconditional mandate was given to the Directors to exercise all the powers of the Company to allot, issue and deal with, otherwise than by way of rights issues or an issue of Shares upon the exercise of any subscription rights attached to any warrants of the Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar

arrangements providing for the allotment and issue of shares of the Company in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by the Shareholders in general meeting, Shares with a total nominal value not exceeding (1) 20% of the aggregate of the total nominal value of the share capital of the Company in issue immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and (2) the aggregate nominal value of shares repurchased under the Repurchase Mandate as defined in paragraph (v) below. Such mandate shall remain in effect until whichever is the earliest of:

- (1) the conclusion of the next annual general meeting of the Company;
 - (2) the expiration of the period within which the next annual general meeting of the Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or
 - (3) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;
- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors to exercise all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10.0% of the aggregate of the total nominal value of the share capital of the Company in issue immediately following the completion of the Capitalisation Issue and the Placing (without taking into account any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), such mandate shall remain in effect until whichever is the earliest of:
- (1) the conclusion of the next annual general meeting of the Company;
 - (2) the expiration of the period within which the next annual general meeting of the Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or
 - (3) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;
- (vi) the general unconditional mandate mentioned in paragraph (iv) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the Repurchase Mandate referred to in paragraph (v) above provided that such extended amount shall not

exceed 10.0% of the total nominal value of the share capital of the Company in issue immediately following the completion of the Placing and the Capitalisation Issue (excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme); and

- (vii) the Company approved and adopted the Memorandum of Association and Articles of Association, the terms of which are summarised in Appendix IV to this prospectus.

4. Reorganisation

The companies comprising the Group underwent the Reorganisation in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and corporate structure — Reorganisation” in this prospectus. Following the Reorganisation, the Company became the holding company of the Group.

Diagrams showing the Group structure after the Reorganisation and immediately upon completion of the Capitalisation Issue and the Placing (assuming that no Share has been allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme) are set out in the section headed “History, Reorganisation and corporate structure — Reorganisation” in this prospectus.

5. Changes in share capital of subsidiaries

The Company’s subsidiaries are referred to in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

Save as mentioned in the section headed “History, Reorganisation and corporate structure — the Group’s structure and corporate history” in this prospectus, there was no change in the share capital of the major subsidiaries of the Company during the two years preceding the date of this prospectus.

Save for the subsidiaries mentioned in Appendix I to this prospectus, the Company has no other subsidiaries.

6. Repurchase by the Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by the sole Shareholder on 22 September 2015, a general mandate was given to the Directors to exercise all powers of the Company to purchase Shares on the Stock Exchange or any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). The general mandate will remain in effect until whichever is the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by the Articles of Association or any applicable Cayman Islands law; or (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking, varying or renewing such mandate.

(ii) *Source of funds*

Any repurchases must be financed out of funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association and any applicable laws of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on the GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Cayman Islands law, any repurchases by the Company may be made out of profits of the Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Companies Law, out of capital and, in case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company, or if authorised by the Articles of Association and subject to the Companies Law, out of capital.

(iii) *Trading restrictions*

The total number of shares a listed company may be authorised to repurchase on the GEM or on any other stock exchange recognised by the SFC in Hong Kong and the Stock Exchange is the total number of shares which represent up to a maximum of 10.0% of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in that company representing up to 10.0% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on the GEM if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not purchase its shares on the GEM if the purchase price is higher by 5.0% or more than the average closing market price for the five preceding trading days on which its shares were traded on the GEM.

(iv) *Status of repurchased securities*

The listing of all repurchased securities (whether on the GEM or otherwise) is automatically cancelled upon the repurchase and the relevant certificates must be cancelled and destroyed. Under the Cayman Islands law, a company's repurchased shares may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) *Suspension of repurchase*

A listed company shall not make any repurchase of securities at any time after inside information has come to its knowledge, or development which may constitute inside information has occurred or has been the subject of a decision until such time as the inside information has been made publicly available. In particular, during the period of one 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 a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules) and (ii) the deadline for publication of an announcement of a listed company's results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances and provided that a waiver on

all or any of the restrictions under the GEM Listing Rules has been granted by the Stock Exchange. In addition, the Stock Exchange may prohibit repurchases of securities on the GEM if a company has breached the GEM Listing Rules.

(vi) *Reporting requirements*

Repurchases of securities on the GEM or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Trading Day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on the GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) *Core connected persons*

Under the GEM Listing Rules, a company shall not knowingly repurchase shares from a core connected person (as defined in the GEM Listing Rules) and a core connected person shall not knowingly sell his shares to the company.

(b) *Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 600,000,000 Shares in issue immediately after Listing, could accordingly result in up to 60,000,000 Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force.

(c) *Reasons for repurchases*

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share.

(d) *Funding of repurchases*

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of the Group as disclosed in this prospectus and taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

(e) *General*

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to the Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Memorandum and Articles and the applicable laws of the Cayman Islands.

No core connected person of the Company has notified the Company that he or she has a present intention to sell Shares to the Company, or has undertaken not to do so, in the event that the Repurchase Mandate is exercised.

As a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company will increase and such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequence which would arise under the Takeovers Code due to any repurchase which may be made pursuant to the Repurchase Mandate immediately after the Listing.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

7. Summary of material contracts

The following contracts (not being contracts entered into the ordinary course of business of the Group) had been entered into by members of the Group within the two years immediately preceding the date of this prospectus and are or may be material:





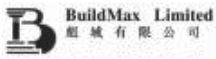
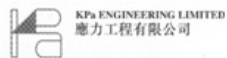

- (a) the Reorganisation Agreement;
- (b) the Deed of Indemnity;

- (c) the Deed of Non-competition; and
- (d) the Underwriting Agreement.

8. Intellectual property rights of the Group

(a) Trademarks


As at the Latest Practicable Date, the Group has registered the following trademarks in Hong Kong which are material to the Group's business:

Trademark	Registration number(s)	Registrant	Class (Note)	Registration date	Expiry Date
	303134277	BuildMax (HK)	6, 19	15 September 2014	14 September 2024
	303134286	BuildMax (HK)	6, 19	15 September 2014	14 September 2024
	303134295	BuildMax (HK)	19	15 September 2014	14 September 2024
	303307617	BuildMax (HK)	37, 42	16 February 2015	15 February 2025
	303307626	BuildMax (HK)	37, 42	16 February 2015	15 February 2025
	303307545	KPa Engineering	37, 42	16 February 2015	15 February 2025
	303307554	KPa Engineering	37, 42	16 February 2015	15 February 2025

Notes:

- Class 6: Building materials made of metal; building parts of aluminum; sound proofing panels and partitions of metal; all included in Class 6.
- Class 19: Building materials [not of metal]; building materials made of acrylic glass; glass for building purposes; frameworks for building elements [not of metal]; sound proofing panels and partitions [not of metal]; all included in Class 19.
- Class 37: Building construction supervision; building construction services; building maintenance and repair; building reinforcement services; building restoration; Construction and construction management of residential, commercial and industrial buildings; construction and renovation of buildings; construction consultancy services; construction management services; construction planning and construction supervision services; Consultation in building construction supervision; road construction; street construction; steel structure constructions works; technical consultation and construction in the field of building of curtain wall, glass wall, roof cladding, wall cladding, skylight, covered walkway, noise barrier, tensile fabric structure and structural steel works.
- Class 42: Architectural and engineering services; civil engineering services; construction drafting services; construction grading services; consultation in the field of structural engineering; design in the field of engineering; engineering services for building and property condition assessment; buildings monitoring and environmental risk consultation services.




As at the Latest Practicable Date, the Group has applied for registration of the following trademarks in Hong Kong, the registration of which has yet been granted:

Trademark	Application number(s)	Applicant	Class (Note)	Date of application
	303398978	BuildMax (HK)	6, 20	6 May 2015

Notes:

- Class 6: Poles of metal; common metals and their alloys in the form of poles; banner poles of metal; decorative poles of metal.
- Class 20: Flagpoles of metal.

As at the Latest Practicable Date, the Group has applied for registration of the following trademarks in the PRC, the registration of which has yet been granted:

<u>Trademark</u>	<u>Application number</u>	<u>Applicant</u>	<u>Class (Note)</u>	<u>Date of application</u>
	15361496	BuildMax (HK)	17	17 September 2014
	15361397	BuildMax (HK)	17	17 September 2014
	15361447	BuildMax (HK)	17	17 September 2014

Note:

Class 17: Synthetic rubber; caulking materials; organic glass; vulcanized fiber; flexible tubes, not of metal; soundproofing materials; bark coverings for sound insulation; insulating materials; padding materials of rubber or plastics; tear tape (cigarette).

(b) Domain name

As at the Latest Practicable Date, the Group had registered the following domain name:

<u>Domain name</u>	<u>Registrant</u>	<u>Commencement date</u>	<u>Expiry date</u>
kpa-bm.com.hk	KPa Engineering	17 June 2015	28 June 2018
kpa.com.hk	KPa Engineering	7 December 1998	1 September 2019
Buildmax.com.hk	KPa Engineering	29 September 2001	6 October 2019

Information contained in the above website does not form part of this prospectus.

Save as disclosed herein and in the section headed “Business — Intellectual property rights” to this prospectus, there are no other trade or service marks, patents, copyrights, other intellectual or industrial property rights which are or may be material to the business of the Group.

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

9. Directors

(a) *Disclosure of interests of Directors*

So far as the Directors are aware, immediately following completion of the Capitalisation Issue and the Placing without taking into account the Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), 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 the Company and the Stock Exchange pursuant to Rules 5.46 and 5.67 of the GEM Listing Rules, will be as follows:

(i) *Long position in the Shares*

<u>Name of Directors</u>	<u>Capacity</u>	<u>Number and class of securities</u>	<u>Approximate percentage of shareholding</u>
Mr. Lui (Notes 1, 2)	Beneficial owner; Interest in a controlled corporation; Interest held jointly with another person	450,000,000 ordinary Shares	75.0%
Mr. Wai (Notes 1, 3)	Beneficial owner; Interest in a controlled corporation; Interest held jointly with another person	450,000,000 ordinary Shares	75.0%
Mr. Yip (Notes 1, 4)	Beneficial owner; Interest in a controlled corporation; Interest held jointly with another person	450,000,000 ordinary Shares	75.0%

Notes:

- On 14 July 2015, Mr. Lui, Mr. Wai and Mr. Yip entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert of each of the members of the Group during the Track Record Period and continue as at and after the date of the Concert Parties Confirmatory Deed, details of which are set out in the section headed "History, Reorganisation and corporate structure — Parties acting in concert" of this prospectus.

2. Shares in which Mr. Lui is interested consist of (i) 27,000,000 Shares (representing approximately 4.5% of the total issued share capital of the Company) held by him as beneficial owner; (ii) 369,000,000 Shares (representing approximately 61.5% of the total issued share capital of the Company) held by Success Wing, a company which is in aggregate owned as to approximately 87.8% by Mr. Lui, Mr. Wai and Mr. Yip, in which Mr. Lui is deemed to be interested under the SFO; and (iii) 54,000,000 Shares (representing approximately 9.0% of the total issued share capital of the Company) in which Mr. Lui is deemed to be interested as a result of being a party acting-in-concert with Mr. Wai and Mr. Yip.
3. Shares in which Mr. Wai is interested consist of (i) 27,000,000 Shares (representing approximately 4.5% of the total issued share capital of the Company) held by him as beneficial owner; (ii) 369,000,000 Shares (representing approximately 61.5% of the total issued share capital of the Company) held by Success Wing, a company which is in aggregate owned as to approximately 87.8% by Mr. Lui, Mr. Wai and Mr. Yip, in which Mr. Wai is deemed to be interested under the SFO; and (iii) 54,000,000 Shares (representing approximately 9.0% of the total issued share capital of the Company) in which Mr. Wai is deemed to be interested as a result of being a party acting-in-concert with Mr. Lui and Mr. Yip.
4. Shares in which Mr. Yip is interested consist of (i) 27,000,000 Shares (representing approximately 4.5% of the total issued share capital of the Company) held by him as beneficial owner; (ii) 369,000,000 Shares (representing approximately 61.5% of the total issued share capital of the Company) held by Success Wing, a company which is in aggregate owned as to approximately 87.8% by Mr. Lui, Mr. Wai and Mr. Yip, in which Mr. Yip is deemed to be interested under the SFO; and (iii) 54,000,000 Shares (representing approximately 9.0% of the total issued share capital of the Company) in which Mr. Yip is deemed to be interested as a result of being a party acting-in-concert with Mr. Lui and Mr. Wai.

(ii) *Long position in the ordinary shares of associated corporations*

<u>Name of Directors</u>	<u>Name of associated corporation</u>	<u>Capacity/Nature</u>	<u>No. of share held</u>	<u>Percentage of interest</u>
Mr. Lui	Success Wing	Beneficial owner	720	87.8%
Mr. Wai	Success Wing	Beneficial owner	720	87.8%
Mr. Yip	Success Wing	Beneficial owner	720	87.8%

Note: By virtue of Mr. Lui acting in concert with Mr. Wai and Mr. Yip, each of Mr. Lui, Mr. Wai and Mr. Yip is deemed to be interested in the aggregate of the shares of Success Wing held by Mr. Lui, Mr. Wai and Mr. Yip.

(b) *Particulars of service contracts*

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party. Commencing from the Listing Date, each of the executive Directors is entitled to an annual salary set out below, such salary to be reviewed annually by the Board and the remuneration committee of the Company.

In addition, each of the executive Directors is entitled to such discretionary bonus by reference to the Group's audited net profit after taxation but before extraordinary items of the Group for the relevant year as the Board and the Remuneration Committee may approve, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board approving the amount of annual salary, discretionary bonus and other benefits payable to him/her. The current basic annual salary of the executive Directors are as follows:

<u>Name of Director</u>	<u>Annual Director's remuneration</u>
	<i>HK\$</i>
Mr. Yip	1,690,000
Mr. Wai	1,690,000
Mr. Lui	1,690,000

Each of Ms. Lai Pik Chi, Peggy, Mr. Lam Chi Wai, Peter and Dr. Yeung Kit Ming, being the independent non-executive Directors, has entered into a letter of appointment with the Company for an initial term commencing from the Listing Date and shall continue thereafter subject to a maximum of three years unless terminated by either party giving not less than one month's notice in writing. Commencing from the Listing Date, each independent non-executive Director is entitled to an annual director's fee of HK\$180,000.

Save as disclosed above, none of the Directors has or is proposed to enter into a service contract/letter of appointment with the Company or any of its subsidiaries (other than contracts expiring or determinable by the Group within one year without the payment of compensation (other than statutory compensation)).

(c) *Directors' remuneration*

The Company's policies concerning remuneration of executive Directors are:

- (i) the amount of remuneration payable to the executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to the Group by the relevant Director;
- (ii) non-cash benefits may be provided to the Directors under their remuneration package; and
- (iii) the executive Directors may be granted, at the discretion of the Board, share options of the Company, as part of the remuneration package.

An aggregate sum of approximately HK\$4.6 million and HK\$3.7 million was paid to the Directors as remuneration and benefits in kind by the Group for the two years ended 31 March 2015, respectively. Further information in respect of the Directors' remuneration is set out in note 12(a) to the Accountants' Report in Appendix I to this prospectus.

An aggregate sum of approximately HK\$5.1 million will be paid to the executive Directors as remuneration and benefits in kind by the Group for the year ending 31 March 2016 under the arrangements in force at the date of this prospectus excluding management bonus.

10. Substantial shareholders

So far as the Directors are aware, immediately following the completion of the Capitalisation Issue and the Placing and taking no account of any Shares which may be taken up under the Placing or any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme, the following persons/entities (not being the Directors or chief executive of the Company) will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Long positions in Shares, underlying Shares and debentures

<u>Name</u>	<u>Capacity/Nature</u>	<u>No. of share held/ interested in</u>	<u>Percentage of interest</u>
Ms. Lam (<i>Note 1</i>)	Interest of spouse	450,000,000	75.0%
Ms. Wu (<i>Note 2</i>)	Interest of spouse	450,000,000	75.0%
Success Wing	Beneficial owner	369,000,000	61.5%

Notes:

- Ms. Lam is the spouse of Mr. Yip and is deemed, or taken to be, interested in all Shares in which Mr. Yip has interest under the SFO.
- Ms. Wu is the spouse of Mr. Wai and is deemed, or taken to be, interested in all Shares in which Mr. Wai has interest under the SFO.

11. Related party transactions

The Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in note 37 of the Accountants' Report set out in Appendix I to this prospectus.

12. Disclaimers

Save as disclosed in this Appendix and the section headed “Substantial Shareholders” in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Placing or any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, the Directors are not aware of any person who immediately following completion of the Capitalisation Issue and the Placing will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either 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 the general meetings of the Company or any other members of the Group;
- (b) none of the Directors and chief executive of the Company has for the purposes of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by the Company pursuant to section 352 of the SFO or which will be required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;
- (c) none of the Directors nor the experts named in “E. Other information — 20. Qualifications of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (d) none of the 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 the Group; and
- (e) none of the experts named in “E. Other information — 20. Qualifications of experts” in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

D. SHARE OPTION SCHEME

13. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by the sole Shareholder on 22 September 2015.

For the purpose of this section, unless the context otherwise requires:

“Board”	means the board of Directors from time to time or a duly authorised committee thereof;
“Eligible Person”	means, among others, any full-time or part-time employee of the Company or any member of the Group, including any executive directors, non-executive directors and independent non-executive directors, advisors, consultants of the Company or any of its subsidiaries;
“Option”	means an option to subscribe for Shares granted pursuant to the Share Option Scheme;
“Option Period”	means in respect of any particular Option, the period to be determined and notified by the Board to each Participant but which shall not exceed ten years from the date of grant of such Option;
“Other Schemes”	means any other share option schemes adopted by the Group from time to time pursuant to which options to subscribe for Shares may be granted;
“Participant”	means any Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant;
“Shareholders”	means shareholders of the Company from time to time;
“Subsidiary”	means a company which is for the time being and from time to time a subsidiary (within the meaning of the GEM Listing Rules) of the Company, whether incorporated in Hong Kong or elsewhere; and
“Trading Day”	means a day on which trading of Shares take place on the Stock Exchange.

(a) Purpose of the Share Option Scheme

The Share Option Scheme enables the Company to grant Options to Eligible Persons as incentives or rewards for their contributions to the Group.

(b) *Who may join*

The Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the Option, the Eligible Person shall pay HK\$1.0 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of not less than 5 Trading Days from the date on which the Option is granted.

(c) *Grant of Option*

Any grant of Options must not be made after an event giving rise to inside information has occurred or such matter has been the subject of a decision until such inside information has been announced in accordance with the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the GEM Listing Rules), and (b) the deadline for the Company to publish an announcement of its results for any year, half-year, quarter-year period or any interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of results announcement. The Directors may not grant any Option to an Eligible Person during the periods or times in which the Directors are prohibited from dealing in shares pursuant to Rules 5.48 to 5.67 prescribed by the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1.0% of the Shares in issue from time to time, and provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if the Participant is a connected person) abstaining from voting, the Company may make a further grant of Options to such Participant (the "**Further Grant**") notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1.0% of the Shares in issue from time to time. In relation to the Further Grant, the Company must send a circular to the Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the GEM Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders' meeting and the date of meeting of the Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the relevant subscription price.

(d) Price of Shares

The subscription price for the Shares subject to Options will be a price determined by the Board and notified to each Participant and shall not be lower than the highest 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 Options, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share.

For the purpose of calculating the subscription price, in the event that on the date of grant, the Company has been listed for less than five Trading Days, the Placing Price shall be used as the closing price for any Trading Day falling within the period before the Listing Date.

(e) Maximum number of Shares

- (i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10.0% of the Shares in issue as at the Listing Date (the "Scheme Mandate Limit") provided that Options lapsed in accordance with the terms of the Shares Option Scheme or Other Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 600,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 60,000,000 Shares, representing 10.0% of the Shares in issue as at the Listing Date.
- (ii) Subject to the approval of Shareholders in general meeting, the Company may renew the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as renewed must not exceed 10.0% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. In relation to the Shareholders' approval referred to in this paragraph (ii), the Company shall send a circular to the Shareholders containing the information required by the GEM Listing Rules.
- (iii) Subject to the approval of Shareholders in general meeting, the Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by the Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), the Company shall send a circular to the Shareholders containing information from time to time as required by the GEM Listing Rules.

- (iv) Notwithstanding the foregoing, the Company may not grant any Options if the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and Other Schemes exceeds 30.0% of the Shares in issue from time to time.

(f) *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 to be determined and notified by the Board to each Participant provided that the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by the Board to each Participant, which the Board may in its absolute discretion determine.

(g) *Rights are personal to grantee*

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Option.

(h) *Rights on death*

If a Participant dies before exercising the Options in full, his or her personal representative(s) may exercise the Options up to the Participant's entitlement (to the extent that it has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death, failing which such Options will lapse.

(i) *Changes in capital structure*

In the event of any alteration in the capital structure of the Company while an Option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of capital of the Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to the Options so far as unexercised, and/or the exercise price, and/or the method of exercise of the Options, and/or the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under this paragraph must give a Participant the same proportion of the equity capital as that to which that Participant was previously entitled and shall be made on the basis that the aggregate exercise price payable by a Participant on the full exercise of any Option shall remain as nearly as possible the same (but shall not be

greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than nominal value and, unless with the prior approval of the Shareholders in general meeting, no such adjustments may be made to the advantage of the Participant. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, an independent financial adviser of the Company or the auditors of the Company must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the GEM Listing Rules and the supplementary guidance set out in the letter issued by the Stock Exchange dated 5 September 2005 and any further guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

(j) *Rights on take-over*

If a general offer (whether by way of takeover offer as defined in the Takeovers Code or scheme of arrangement of otherwise in like manner) has been made to all Shareholders (other than the offeror and/or any persons acting in concert with the offeror), to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his or her outstanding Options in full or any part thereof within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this sub-paragraph, “acting in concert” shall have the meaning ascribed to it under the Takeovers Code as amended from time to time.

(k) *Rights on a compromise or arrangement*

- (i) In the event that a notice is given by the Company to the Shareholders to convene a Shareholders’ meeting for the purpose of considering and approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to the Participants and the Participants may, by notice in writing to the Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant Options (such notice to be received by the Company not later than two Trading Days prior to the proposed meeting) exercise the outstanding Option either in full or in part and the Company shall, as soon as possible and in any event no later than the Trading Day immediately prior to the date of the proposed Shareholders’ meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise.
- (ii) In the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company (other than any relocation schemes as contemplated in Rule 10.18(3) of the GEM Listing Rules), the Company shall give notice thereof to all Participants on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme of arrangement, and thereupon the Participants may, by notice in writing to the Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant Options (such notice to be received by the

Company not later than two Trading Days prior to the proposed meeting) exercise the outstanding Option either in full or in part and the Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of the Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise credited as fully paid and registered the Participants as holders thereof.

(I) *Lapse of Option*

An Option shall lapse forthwith and not exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the Option as may be determined by the Board and under the Share Option Scheme;
- (ii) subject to paragraphs (f) and (p), the expiry of the Option Period of the Option;
- (iii) subject to paragraph (k)(i), the date of commencement of the winding-up of the Company;
- (iv) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph (k)(ii);
- (v) in the event that the Participant was an employee or director of any member of the Group on the date of grant of Option to him or her, the date on which such member of the Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of the Board or the board of directors of the relevant member of the Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this sub-paragraph shall be conclusive;
- (vi) the happening of any of the following events, unless otherwise waived by the Board:
 - (1) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the Participant (being a corporation); or
 - (2) the Participant (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts or otherwise become insolvent; or

- (3) there is unsatisfied judgment, order or award outstanding against the Participant or the Company has reason to believe that the Participant is unable to pay or has no reasonable prospect of being able to pay his/her/its debts; or
 - (4) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraphs (1), (2) and (3) above; or
 - (5) a bankruptcy order has been made against the Participant or any director of the Participant (being a corporation) in any jurisdiction; or
 - (6) a petition for bankruptcy has been presented against the Participant or any director of the Participant (being a corporation) in any jurisdiction; or
- (vii) the date the Participant commits any breach of any terms or conditions attached to the grant of the Option, unless otherwise resolved to the contrary by the Board; or
- (viii) the date on which the Board resolves that the Participant has failed or otherwise is or has been unable to meet the continuing eligibility criteria for participation in the Share Option Scheme.

(m) *Ranking of Shares*

Shares allotted and issued upon the exercise of an Option will be subject to the Articles of Association as amended from time to time and will rank *pari passu* in all respects with the fully paid or credited as fully paid Shares in issue on the date of such allotment or issue and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment or issue. Any Share allotted upon the exercise of an Option shall not carry voting rights until the name of the Participant has been entered into the register of members of the Company as the holder thereof.

(n) *Cancellation of Options granted*

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be agreed by the Participant concerned.

In the event that the Board elects to cancel any Options and issue new ones to the same Participant, the issue of such new Options may only be made with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

(o) *Period of Share Option Scheme*

The Share Option Scheme will be valid and effective for a period of ten years commencing on the Listing Date, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(p) *Alteration to and termination of Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board, except that the provisions of the Share Option Scheme relating to matters contained in Chapter 23 of the GEM Listing Rules shall not be altered to the advantage of the Participant or the prospective Participants without the prior approval of the Shareholders in general meeting (with the Eligible Persons, the Participants and their respective close associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Participants as would be required by the Shareholders under the Articles of Association (as amended from time to time) for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Share Option Scheme, which are of a material nature, shall first be approved by the Stock Exchange, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

The Company may, by ordinary resolution in general meeting, at any time terminate the operation of the Share Option Scheme before the end of its life and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to the Shareholders seeking approval for the first new scheme to be established after such termination.

(q) *Granting of Options to a director, chief executive or substantial shareholder of the Company or any of their respective associates*

Where Options are proposed to be granted to a director, chief executive or substantial shareholder of the Company or any of their respective associates, the proposed grant must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

If a grant of Options to a substantial shareholder of the Company or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the

Share Option Scheme or Other Schemes in any 12-month period up to and including the date of the grant (i) representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue from time to time, and (ii) having an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK\$5 million, then the proposed grant of Options must be approved by the Shareholders. The grantee, his associates and all core connected persons of the Company must abstain from voting at such general meeting, except that any connected person may vote against the resolution provided that his or her intention to do so has been stated in the circular. The circular must contain the information required under the GEM Listing Rules.

In addition, Shareholders' approval as described above will also be required for any change in terms of the Options granted to an Eligible Person who is a substantial shareholder of the Company, an independent non-executive Director or their respective associates.

The circular must contain the following:

- (i) details of the number and terms of the Options (including the subscription price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the subscription price;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the Options in question) to independent Shareholders, as to voting; and
- (iii) all other information as required by the GEM Listing Rules.

For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive (as defined in the GEM Listing Rules) of the Company set out in this paragraph (q) do not apply where the Eligible Person is only a proposed Director or proposed chief executive of the Company.

(r) *Conditions of Share Option Scheme*

The Share Option Scheme is conditional on (i) the passing of a resolution to adopt the Share Option Scheme by the Shareholders in general meeting; and (ii) the Stock Exchange granting approval for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of Options.

Application has been made to the Listing Division for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options that may be granted under Share Option Scheme.

(s) *Present status of the Share Option Scheme*

As at the Latest Practicable Date, no options had been granted or agreed to be granted by the Company under the Share Option Scheme.

The terms of the Share Option Scheme are in compliance with Chapter 23 of the GEM Listing Rules.

E. OTHER INFORMATION

14. Tax and other indemnities

Each of the Controlling Shareholders (collectively, the “**Indemnifiers**”) has entered into the Deed of Indemnity (being the material contract referred to in “B. Further information about the business of the Group — 7. Summary of material contracts — (b) the Deed of Indemnity” in this Appendix) with and in favour of the Company (for itself and as trustee for each of its present subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters:

- (a) any tax liabilities which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received, or of any transactions entered into, or the occurrence of any matters or things on or up to the date on which the Placing becomes unconditional (the “**Effective Date**”), save for any taxation the extent that:
 - (i) full provision has been made for such taxation in the audited accounts of the Group for the two years ended 31 March 2015 (the “**Accounts**”) as set out in Appendix I to this prospectus and to the extent that such taxation is incurred or accrued since 1 April 2015 which arises in the ordinary course of business of the Group as described in the section entitled “Business” in this prospectus;
 - (ii) falling on any member of the Group on or after 1 April 2015, unless the liability for taxation would not have arisen but for any act or omission of, or delay by, or transactions voluntarily effected by any member of the Group (whether alone or in conjunction with some other act, omission, delay or transaction, whenever occurring) otherwise than in the ordinary course of its business or in the ordinary causes of acquiring or disposing of capital assets or pursuant to a legally binding commitment created before 1 April 2015;
 - (iii) such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or the taxation authority of the PRC or any other relevant authority (whether in Hong Kong, or the PRC, or the Cayman Islands, or any other part of the world) coming into force after the Effective Date or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect;
 - (iv) any provisions or reserve made for taxation in the Accounts which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied pursuant in which case the Indemnifiers’ liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, to the Deed of Indemnity to reduce the Indemnifiers’ liability in respect of taxation shall not be available in respect of any such liability arising thereafter; and

- (b) any fines, penalties, administrative or other charges, levies, payments, orders, eviction or restraint from use of any property owned or leased by any member of the Group which may be imposed on any member of the Group, or any damages, losses, liabilities, claims, expenses and costs (including all costs for relocation of any member of the Group and its assets from any property owned, leased occupied or used by any member of the Group in case of it being subject to any eviction or restraint from use of such property), or damages, liabilities, claims, losses (including loss of profits or benefits) incurred or suffered by any member of the Group directly or indirectly arising from or in connection with any possible or alleged violation or non-compliance with the applicable laws, rules or regulations of Hong Kong on all matters, including but not limited to the incidents referred to in the section headed “Business — Non-compliance” to this prospectus and in connection with any property owned, leased, occupied or used by any member of the Group before the Listing Date.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in the Cayman Islands or the BVI or Hong Kong, being jurisdictions in which one or more of the companies comprising the Group were incorporated.

15. Litigation

Save as disclosed in the section headed “Business — Litigation” to this prospectus, neither the Company nor any of its subsidiaries is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

16. Sponsor

The Sponsor has made an application for and on behalf of the Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Placing Shares and any Shares which may fall to be allotted and issued pursuant to the Capitalisation Issue and the exercise of any options which may be granted under the Share Option Scheme.

17. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, the Company has appointed Messis Capital Limited as compliance adviser to provide advisory services to the Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

18. Preliminary expenses

The preliminary expenses relating to the incorporation of the Company are approximately HK\$33,000 and are payable by the Company.

19. Promoter

The Company has no promoter.

20. Qualification of experts

The qualifications of the experts who have given reports, letters or opinions (as the case may be) in this prospectus are as follows:

Name	Qualification
Messis Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
BDO Limited	Certified Public Accountants
TC & Co.	Legal advisers to the Company as to Hong Kong law
Hills & Co.	Legal advisers to the Company as to PRC law
Appleby	Legal advisers to the Company as to Cayman Islands law
Asset Appraisal Limited	Property Valuer
Cheung Man Fai Jeremy	Barrister-at-law of Hong Kong

21. Consents of experts

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports, letters, opinions, valuation certificates or summaries thereof (as the case may be) and the references to its name included in this prospectus in the form and context in which it respectively appears.

22. Sponsor's fees

The Sponsor will be paid by the Company a total fee of HK\$4.0 million to act as sponsor to the Company in connection with the Listing.

23. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

24. Miscellaneous

- (a) Save as disclosed in this Appendix and the sections headed “History, Reorganisation and corporate structure” and “Underwriting” in this prospectus, within the two years preceding the date of this prospectus:
 - (i) no share or loan capital of the Company or any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries; and
 - (iii) no commission has been paid or payable (excluding commission payable to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in the Company.
- (b) No share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (c) No founder, management or deferred shares of the Company or any of its subsidiaries has been issued or agreed to be issued.
- (d) The Directors confirm that, up to the date of this prospectus, save as disclosed in the section headed “Financial information — No material adverse change” to this prospectus, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 March 2015 (being the date to which the latest audited combined financial statements of the Group were made up), and there had been no event since 31 March 2015 which would materially affect the information as shown in the Accountants’ Report.
- (e) There has not been any interruption in the business of the Group which has had a material adverse effect on the financial position of the Group in the 24 months preceding the date of this prospectus.
- (f) None of Messis Capital Limited, BDO Limited, TC & Co., Hills & Co., Appleby, Asset Appraisal Limited and Cheung Man Fai Jeremy:
 - (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

- (g) No company within the Group is presently listed on any stock exchange or traded on any trading system and no part of the shares or loan capital of the Company is listed, traded or dealt in on any other stock exchange. At present, the Company is not seeking or proposing to seek listing of, or permission to deal in, any part of its shares or loan capital on any other stock exchange.
- (h) The Company has no outstanding convertible debt securities.
- (i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (j) There are no arrangements under which future dividends are waived or agreed to be waived.

25. Bilingual prospectus

The English language and the 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).

26. Taxation of holders of Shares

(a) *Hong Kong*

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *Cayman Islands*

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.

(c) *Consultation with professional advisers*

Intending holders of the 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 the Shares. It is emphasised that none of the Company, the Directors or parties involved in the Placing accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the written consents referred to in the paragraph headed “E. Other information — 21. Consents of experts” in Appendix V to this prospectus and copies of the material contracts referred to in the paragraph headed “B. Further information about the business of the Group — 7. Summary of material contracts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of TC & Co. of Units 2201–2203, 22nd Floor, Tai Tung Building, 8 Fleming Road, Wan Chai, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and the Articles of Association;
2. the Accountants’ Report prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus;
3. the audited financial statements of the Group for each of the two years ended 31 March 2014 and 2015;
4. the report prepared by BDO Limited on the unaudited pro forma financial information of the Group, the text of which are set out in Appendix II to this prospectus;
5. the letter, summary of valuation and valuation certificates prepared by Asset Appraisal Limited on the properties held by the Group, the text of which are set out in Appendix III to this prospectus;
6. the letter of opinion prepared by Asset Appraisal Limited on the market rental value of a property in the PRC rented by a member of the Group;
7. the legal opinion prepared by TC & Co., the legal adviser to the Company as to Hong Kong law, in respect of certain aspects of the Group;
8. the counsel’s opinion issued by Mr. Cheung Man Fai Jeremy, the Counsel;
9. the legal opinion prepared by Hills & Co., the legal adviser to the Company as to PRC law, in respect of certain aspects of the Group;
10. the letter of advice prepared by Appleby summarising certain aspects of the Companies Law referred to in Appendix IV to this prospectus;
11. the Companies Law;
12. copies of material contracts referred to in the paragraph headed “B. Further information about the business of the Group — 7. Summary of material contracts” in Appendix V to this prospectus;
13. the service agreements and letters of appointment referred to in the paragraph headed “C. Further information about directors, management and staff — 9. Directors” in Appendix V to this prospectus;

14. the written consents referred to the paragraph headed “E. Other information — 21. Consents of experts” in Appendix V to this prospectus; and
15. the Share Option Scheme.



KPa-BM Holdings Limited

應力控股有限公司*