

鄺文記集團有限公司 KWONG MAN KEE GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock code : 8023



PLACING AND PUBLIC OFFER

Sponsor



Alliance Capital Partners Limited
同人融資有限公司

Joint Bookrunners and Joint Lead Managers



UPBEST SECURITIES COMPANY LIMITED



Alliance Capital Partners Limited
同人融資有限公司

IMPORTANT

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

Kwong Man Kee Group Limited

鄺文記集團有限公司

(incorporated in the Cayman Islands with limited liability)

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

Number of Offer Shares under the Share Offer	: 150,000,000 Shares
Number of Public Offer Shares	: 45,000,000 Shares (subject to reallocation)
Number of Placing Shares	: 105,000,000 Shares (subject to reallocation)
Offer Price	: Not more than HK\$0.50 per Offer Share and expected to be not less than HK\$0.40 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollar and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 8023

Sponsor



Alliance Capital Partners Limited

同人融資有限公司

Joint Bookrunners and Joint Lead Managers



UPBEST SECURITIES COMPANY LIMITED



Alliance Capital Partners Limited

同人融資有限公司

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

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

The Offer Price is currently expected to be fixed by an agreement between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) at or before 5:00 p.m. on Thursday, 6 October 2016 (Hong Kong time) or such later date or time as may be agreed by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company but in any event no later than 5:00 p.m. on Tuesday, 11 October 2016 (Hong Kong time). The Offer Price is currently expected to be not more than HK\$0.50 per Offer Share and not less than HK\$0.40 per Offer Share. The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of the reduction of the indicative Offer Price range will be published on the GEM website at www.hkgem.com and our Company's website at www.kwongmankee.com.hk not later than the morning of the day which is the last day for lodging applications under the Public Offer. If, for any reason, the Offer Price is not agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) at or before 5:00 p.m. on Tuesday, 11 October 2016 (Hong Kong time), the Share Offer will not become unconditional and will lapse.

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

Prospective investors of the Offer Shares should note that the Underwriters are entitled to terminate their obligations under the Public Offer Underwriting Agreement by notice in writing given by the Joint Lead Managers (for themselves and on behalf of the Underwriters) upon the occurrence of any of the events set forth under the section headed "Underwriting – Public Offer underwriting arrangements and expenses – Grounds for termination" in this prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

30 September 2016

CHARACTERISTICS OF GEM

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

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

EXPECTED TIMETABLE

2016⁽¹⁾

- Latest time to complete electronic applications under
the HK eIPO White Form service through
the designated website at www.hkeipo.hk ⁽²⁾ 11:30 a.m. on Wednesday, 5 October
- Application lists of the Public Offer open ⁽³⁾ 11:45 a.m. on Wednesday, 5 October
- Latest time to lodge **WHITE** and **YELLOW** Application Forms
and to give **electronic application instruction** to HKSCC ⁽⁴⁾ 12:00 noon on Wednesday, 5 October
- Latest time to complete payment of **HK eIPO White Form**
applications by effecting internet banking transfer(s)
or PPS payment transfer(s) 12:00 noon on Wednesday, 5 October
- Application lists of the Public Offer close ⁽³⁾ 12:00 noon on Wednesday, 5 October
- Expected Price Determination Date ⁽⁵⁾ at or before 5:00 p.m. on Thursday, 6 October
- Announcement of the final Offer Price, the level of
indication of interest in the Placing, the level of
applications in the Public Offer, the basis of allocation
of the Public Offer Shares to be published (a) in The Standard
(in English) and Hong Kong Economic Journal (in Chinese);
(b) on the website of our Company at www.kwongmankee.com.hk and
(c) the website of the Stock Exchange at www.hkexnews.hk on or before Wednesday, 12 October
- Results of allocations in the Public Offer (with successful
applicants' identification document numbers, where applicable)
to be available through a variety of channels. Wednesday, 12 October
- Results of allocations in the Public Offer will be available at
www.tricor.com.hk/ipo/result with a "search by ID number/Business
Registration Number" function from Wednesday, 12 October
- Despatch/Collection of share certificates in respect of
wholly or partially successful applications pursuant
to the Public Offer on or before ⁽⁶⁾⁽⁷⁾ Wednesday, 12 October
- Despatch/Collection of **HK eIPO White Form** e-Auto
Refund payment instructions/refund cheques in
respect of wholly successful applications if
the final Offer Price is less than the price payable
on application (if applicable) and wholly or
partially unsuccessful applications
pursuant to the Public Offer on or before ⁽⁷⁾⁽⁸⁾ Wednesday, 12 October
- Dealings in the Shares on GEM to commence at 9:00 a.m. on Thursday, 13 October

EXPECTED TIMETABLE

Notes:

1. In this prospectus, unless otherwise stated, all times and dates refer to Hong Kong local times and dates.
2. You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application money) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 5 October 2016, the application lists will not open on that day. For further information please refer to the section headed “How to apply for Public Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
4. Applicants who apply by giving electronic application instructions to HKSCC should refer to the section headed “How to Apply for Public Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is scheduled on Thursday, 6 October 2016 (or such later date as agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters)). If the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on the Price Determination Date, or such later date or time as may be agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters), the Share Offer will not become unconditional and will lapse.
6. Share certificates for the Offer Shares are expected to be issued on or before Wednesday, 12 October 2016 but will only become valid certificates of title provided that the Share Offer becomes unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms before 8:00 a.m. on the Listing Date. Investors who trade the Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.
7. Applicants who have applied on **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheques and share certificates(as applicable) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Wednesday, 12 October 2016. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to our Hong Kong Branch Share Registrar.

Applicants who apply with **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheques (where relevant) in person but may not collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post and at the own risk of the applicants shortly after the expiry of the time for collection at the date of despatch of refund cheque as described in the section headed “How to apply for Public Offer Shares — 14. Despatch/Collection of share certificates and refund monies” in this prospectus.

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

EXPECTED TIMETABLE

Investors may obtain a printed copy of this prospectus, free of charge, during normal business hours from any of the designated branches of the receiving banks and the designated offices of the Sponsor as set out in “How to apply for the Public Offer Shares”. An electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of our Company at www.kwongmankee.com.hk and the Stock Exchange at www.hkexnews.hk under the section headed “HKExnews > Listed Company Information > Latest Listed Company Information”.

Distribution of this prospectus into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this prospectus come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

For details of the structure of the Share Offer, including the conditions of the Share Offer, and the procedures for application for the Public Offer Shares, you should read “Structure and Conditions of the Share Offer” and “How to apply for the Public Offer Shares”, respectively.

If the Public Offer does not become unconditional or is terminated in accordance with its terms, the Public Offer will not proceed. In such case, our Company will make an announcement as soon as practicable thereafter.

CONTENTS

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

You should rely only on the information contained in this prospectus to make your investment decision.

Our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made nor contained in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, advisers, agents, representatives or affiliates of any of them or any other persons or parties involved in the Share Offer.

The contents of our Company's website at www.kwongmankee.com.hk do not form part of this prospectus.

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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 the whole prospectus before you decide to invest in the Offer Shares. These are risks associated with any investments. Some of the particular risks in investing in the Offer Shares are outlined in the section headed “Risk Factors” of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

BUSINESS OVERVIEW

We commenced our business in construction sector in 2003 and are an established contractor in the Hong Kong car park flooring industry. We provide (i) flooring services, which involve the application of proprietary floor coating products for the purpose of providing a colourful, slip-resistance, hard wearing surface that is resistant against water and petrochemicals; and (ii) ancillary services, which include concrete repairing and wall painting work in Hong Kong. Our target segment is the mid to high end customers in the car park flooring market.

Our car park flooring services

We conduct car park flooring work in respect of the new car park in a new construction project, or the old car park in an existing building in a refurbishment project. The following table sets out a breakdown of our revenue during the Track Record Period attributable to new construction projects and refurbishment projects:

	FY2015		FY2016	
	HK\$'000	%	HK\$'000	%
New construction projects	33,767	78.9	57,322	83.6
Refurbishment projects	9,041	21.1	11,253	16.4
Total	42,808	100.0	68,575	100.0

The following table sets forth a breakdown of our revenue by the amount of contract sums during the Track Record Period.

	FY2015		FY2016	
	Number of contracts (Note)	Revenue recognised (HK\$'000)	Number of contracts (Note)	Revenue recognised (HK\$'000)
Above HK\$5 million	3	2,910	6	25,034
Above HK\$2 million to HK\$5 million	12	16,373	17	22,529
Above HK\$1 million to HK\$2 million	14	12,777	15	10,981
Above HK\$0.5 million to HK\$1 million	10	4,942	9	3,030
HK\$0.5 million or below	56	5,806	54	7,001
Total	95	42,808	101	68,575

Note: The number of contracts refers to the number of projects which generated revenue recognised by our Group during the financial year.

The car park flooring projects carried out by us cover car parks located in a vast range of property types. For FY2015 and FY2016, 98.3% and 96.8% of our total revenue were generated from flooring services which are mostly provided for car parks in residential properties, commercial properties, hospitals and hotels. We also provide flooring services, to a much lesser extent, for highways and industrial properties.

SUMMARY

The table below sets out the number and outstanding contract value of our contracts on hand as at 31 March 2015 and 2016 and as at the Latest Practicable Date:

	Number of contracts		Outstanding contract value	
	Project in progress	Projects awarded but not yet commenced	Project in progress (HK\$ million)	Projects awarded but not yet commenced (HK\$ million)
As at 31 March 2015	12	21	10.2	15.5
As at 31 March 2016	9	24	8.9	44.9
As at the Latest Practicable Date	11	21	8.6	40.9

Our customers

We provide services to both the private sector and public sector. We classify public sector contracts as contracts in which the ultimate customer is a government department, statutory body or related organisation, or institutional body. Private sector contracts refer to contracts in which the ultimate customer is in the private sector, such as property developers and incorporated owners. The following table sets forth a breakdown of our revenue classified by sector during the Track Record Period.

	FY2015 (HK\$'000)		FY2016 (HK\$'000)	
		%		%
Private sector	38,441	89.8	64,086	93.5
Public sector	4,367	10.2	4,489	6.5
Total	42,808	100	68,575	100

For FY2015 and FY2016, our direct customers included main contractors, property developers, property management companies and upper tier subcontractors. The table below sets out our revenue by customer type during the Track Record Period:

	FY2015 (HK\$'000)		FY2016 (HK\$'000)	
		%		%
Main contractors	25,559	59.7	57,903	84.5
Property developers	11,187	26.1	4,125	6.0
Property management companies	278	0.7	1,309	1.9
Upper tier subcontractors	5,784	13.5	5,238	7.6
Total	42,808	100	68,575	100

Joint Surplus was our upper tier subcontractor and was one of our top five customers for FY2015. Further information on the relationship between our Group, Mr. Jason Yip and Joint Surplus is disclosed in the section headed “Relationship with Joint Surplus” in this prospectus.

SUMMARY

Our subcontractors

We act as either a main contractor or subcontractor when carrying out car park flooring and ancillary works. During the Track Record Period, we outsourced part of our works, such as application of proprietary floor coating products, screeding, and painting of line markings and signage, to subcontractors for the purposes of better allocating our resources, whether or not we acted as a main contractor or a subcontractor.

Our suppliers

Our suppliers primarily supply the following materials to us: (i) proprietary floor coating products for car park floor coating, screeding and anti-skid surfacing; (ii) cement; (iii) sand; and (iv) shot-blasting beads. During the Track Record Period, our material costs were approximately HK\$15.0 million and HK\$19.8 million respectively, representing 62.8% and 55.2% of our total costs of sales.

Reliance on major suppliers

During the Track Record Period, we relied on Supplier A, our largest supplier for supplying reputable car park floor coating materials. For FY2015 and FY2016, the percentage of our purchases from Supplier A was 77.8% and 80.1% of our total purchases for the corresponding periods, respectively, while the percentage of our purchases from our five largest suppliers in aggregate was 97.3% and 97.2%, respectively. For FY2015, FY2016, and the period from 1 April 2016 to the Latest Practicable Date, 79.6%, 81.8% and 74.1% of our Group's revenue, and 78.9%, 80.4% and 70.4% of our Group's gross profit were attributed to floor coating products sourced from Supplier A, respectively, while 19.7%, 15.0% and 17.5% of our Group's revenue, and 19.9%, 16.3% and 24.2% of our Group's gross profit were attributed to floor coating products sourced from Supplier B, respectively. For FY2015 and FY2016, our gross profit margin attributable to projects using Supplier A's products were 43.6% and 46.8%, and our gross profit margin attributable to projects using Supplier B's products were 44.7% and 52.0%.

For detailed analysis of the reasons for our reliance on Supplier A and the sustainability of our business in view of our reliance, please refer to the section headed "Business – Suppliers and Procurement of Materials – Reliance on major suppliers" in this prospectus. Please also refer to the section headed "Risk Factors – Risks relating to our business – Our business heavily relies upon certain major suppliers for supplying reputable car park floor coating materials" in this prospectus for our supplier concentration risk.

Our pricing strategy

Our pricing is determined on a case-by-case basis. Factors that we take into account in determining our fees generally include (i) product specifications; (ii) our customer's budget; (iii) relationship with our customer; (iv) competition; (v) overall cost in undertaking the project; (vi) expected duration of project; and (vii) prevailing market conditions. For example, we may set a higher price for tenders that specify Supplier A's or Supplier B's proprietary floor coating products as the approved materials, as we are Supplier B's sole distributor in Hong Kong and Supplier A's "preferred applicator" in Hong Kong and so have a competitive advantage in bidding for the tender. Alternatively, if the tender specifications favour floor coating products that are generally or exclusively distributed by our competitors, we will be inclined to set a more competitive price in order to compete for the tender. We also tend to set a more competitive price if (i) we have long and harmonious work relationship with the customer; (ii) the project is not expected to have undue delays; or (iii) the prevailing market conditions are unfavorable.

SUMMARY

INDUSTRY AND MARKET

According to the Industry Report, for FY2015, we ranked second in the overall car park flooring industry in Hong Kong with a 7.0% market share, and ranked first in the new construction market of car park flooring industry in Hong Kong with a 33.7% market share.

For details of the car park flooring industry and the competitive landscape of the industry, please refer to the section headed “Industry Overview” in this prospectus.

COMPETITIVE STRENGTHS

We believe the following competitive strengths enable us to compete effectively in the car park flooring industry in Hong Kong: (i) we are an established car park flooring contractor in Hong Kong; (ii) we are an approved applicator of the car park floor coating materials preferred by property developers and main contractors in Hong Kong; (iii) our executive Directors and supporting staff have substantial experience in the car park flooring industry; and (iv) we have stable relationship with our key customers and suppliers.

For details, please refer to the section headed “Business – Principal competitive strengths” in this prospectus.

BUSINESS STRATEGIES

Our principal business objective is to become the largest and most acclaimed car park flooring contractor in Hong Kong. We intend to pursue the following key strategies: (i) expanding our presence in the refurbishment market and provision of ancillary services; and (ii) strengthening our Group’s leading position in the new construction market by improving our overall capacity and project management.

For details, please refer to the section headed “Business – Business strategies” in this prospectus.

USE OF PROCEEDS

We estimate that net proceeds to be received by us from the Share Offer (after deducting the underwriting commission and related expenses payable by our Company in the aggregate amount of approximately HK\$22.3 million, and assuming an Offer Price of HK\$0.45 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$45.2 million. We intend to apply the net proceeds from the Share Offer as follows:

Business strategy	Approximate amount or % of net proceeds
• Expanding our presence in the refurbishment market	HK\$18.4 million or 40.7%
• Strengthening our Group’s leading position in the new construction market	HK\$13.9 million or 30.8%
• Repayment of bank loan	HK\$10 million or 22.1%
• General working capital	HK\$2.9 million or 6.4%

For details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

SUMMARY

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, we had 32 contracts on hand with a total outstanding contract value of HK\$49.5 million, among which 11 were in progress with total outstanding contract value of HK\$8.6 million, and 21 had yet to commence work with total contract sum of HK\$40.9 million. Out of the 32 contracts on hand, four of them were sizeable contracts with contract sum of over HK\$5 million each. These four contracts involve provision of car park flooring works for a new construction project in a residential development on Clear Water Bay Road, Sai Kung, a new construction project in a residential and commercial development in Tseung Kwan O, a new construction project in a residential and commercial development in Tsuen Wan, and a new construction residential development project in Yuen Long.

For details of projects in progress or not yet commenced, please refer to the section headed “Business – Projects undertaken by our Group – Projects in progress or not yet commenced” in this prospectus.

Save as disclosed in the paragraph headed “Listing Expenses” in this section, Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since 31 March 2016 (being the date to which the latest audited combined financial statements of our Group were made up) up to the date of this prospectus.

SELECTED FINANCIAL INFORMATION

The tables below present the selected financial information of our Group for the Track Record Period, which were set forth under the section headed “Financial Information” in this prospectus and should be read in conjunction with the Accountant’s Report in Appendix I to this prospectus.

During the Track Record Period, our revenue were approximately HK\$42.8 million and HK\$68.6 million respectively; whereas profit after tax were approximately HK\$11.1 million and HK\$16.8 million respectively. Our revenue increased by 60.2% or approximately HK\$26.0 million from FY2015 to FY2016 mainly due to an increase in number of larger contracts secured and completed in FY2016.

Our gross profit and gross profit margin were approximately HK\$ 18.9 million and 44.1% for FY2015, and HK\$ 32.7 million and 47.6% for FY2016. Our increase in gross profit approximately was in line with our increase in revenue during the Track Record Period. Increase of our gross profit margin was mainly due to our securing of a project with the total contract sum of approximately HK\$10 million in a commercial development at a shopping mall in Tsuen Wan with a relatively higher profit margin.

Our administrative expenses increased significantly from approximately HK\$5.8 million in FY2015 to approximately HK\$11.8 million in FY2016. Such increase was mainly due to the non-recurring expenses of approximately HK\$4.1 million incurred in FY2016 in relation to the Listing and increase of staff cost attributable to increase in headcount and salary increment.

SUMMARY

Our Summary Combined Statements of Profit or Loss

	FY2015 <i>(HK\$'000)</i>	FY2016 <i>(HK\$'000)</i>
Revenue	42,808	68,575
Cost of sales	(23,944)	(35,917)
Gross profit	18,864	32,658
Other income	43	25
General and administrative expenses	(5,830)	(11,772)
Profit before income tax	13,077	20,911
Income tax expense	(1,991)	(4,114)
Profit after tax for the year	<u>11,086</u>	<u>16,797</u>

The following table sets forth our gross profit margin by new construction projects and refurbishment projects during the Track Record Period.

	FY2015	FY2016
New construction projects	41.4%	47.9%
Refurbishment projects	<u>54.2%</u>	<u>46.1%</u>

The following table sets forth our gross profit margin by sector of projects during the Track Record Period.

	FY2015	FY2016
Private sector	45.6%	46.5%
Public sector	<u>30.5%</u>	<u>64.2%</u>

The table below sets out our gross profit margin by customer type during the Track Record Period:

	FY2015	FY2016
Main contractors	47.5%	46.0%
Property developers	38.5%	58.8%
Property management companies	71.9%	52.4%
Upper tier subcontractors	<u>38.2%</u>	<u>55.5%</u>

SUMMARY

Our gross profit margin from public sector increased from 30.5% for FY2015 to 64.2% for FY2016. Such increase was mainly due to our ability to secure a project on Po Heung Street with a relatively high profit margin. The project was awarded by Hong Kong Housing Authority with special site requirements and therefore requires the car park flooring materials tailored for its site conditions. Since our revenue was mainly derived from private sector, the increase of gross profit margin from public sector did not have significant impact to our overall gross profit margin during the Track Record Period.

Our gross profit margin from new construction projects increased from 41.4% for FY2015 to 47.9% for FY2016. Such increase was mainly due to our ability to secure projects in a commercial development on Hung Luen Road, Hung Hom and a retirement residential development on Tanner Hill Road, North Point with relatively higher profit margins in FY2016.

Our gross profit margin from refurbishment projects decreased from 54.2% for FY2015 to 46.1% for FY2016. Such decrease was mainly due to a project in shopping mall in Yuen Long with a relatively higher profit margin secured in FY2015.

Since our revenue was mainly derived from customers which are main contractors, the changes in gross profit margin from customers such as property management companies or upper tier subcontractors did not have significant impact to our overall gross profit margin during the Track Record Period.

Our Summary Combined Statements of Financial Position

	As at 31 March	
	2015	2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Non-current assets	594	482
Current assets	31,210	40,655
Current liabilities	18,131	17,178
Non-current liabilities	11	–
Net current assets	13,079	23,477
Total equity	13,662	23,958

Our Summary Combined Statements of Cash Flows

	FY2015	FY2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Operating cash flow before working capital changes	13,893	21,580
Net cash generated from operating activities	18,705	9,566
Net cash used in investing activities	(511)	(453)
Net cash used in financing activities	(2,753)	(11,858)
Net increase/(decrease) in cash and cash equivalents	15,441	(2,745)

SUMMARY

Key financial ratios

	FY2015/ As at 31 March 2015	FY2016/ As at 31 March 2016
Gross profit margin	44.1%	47.6%
Net profit margin	25.9%	24.5%
Current ratio	1.7x	2.4x
Quick ratio	1.5x	2.0x
Return on assets	34.9%	40.8%
Return on equity	81.1%	70.1%
Inventory turnover day	84	92
Account receivables turnover day	64	54
Account payable turnover day	101	89

HIGHLIGHTS OF RISK FACTORS

Our Group's business operations are affected by numerous risks and there are risks relating to investment in the Offer Shares. You should read the entire section headed "Risk Factors" in this prospectus carefully before you decided to invest in the Offer Shares. The following highlights some of the risks which are considered to be material by our Directors:

- Our business heavily relies upon certain major suppliers for supplying reputable car park floor coating materials;
- Our future growth is reliant on the continuous development of the property industry in Hong Kong;
- Introduction and acceptance of new car park floor coating material in Hong Kong with similar characteristics may adversely affect our profit margin;
- Any economic downturn in Hong Kong may delay refurbishment of car parks in older buildings and will exert cost pressure on tenders which will have an adverse effect on our planned business expansion in the refurbishment sector;
- We have a concentration of customers during the Track Record Period;
- Our success significantly depends on the key management and its ability to attract and retain additional technical and management staff; and
- We may face a shortage in materials and experience project delays if our suppliers fail to supply the quantity and quality of raw materials we need.

SUMMARY

NON-COMPLIANCE

During the Track Record Period, our Group did not comply with certain applicable laws and regulations including the Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong) and the articles of KMK's articles of association. Our Directors and our Legal Counsel consider that such non-compliance incidents do not and will not have any material impact on our Group's operations and financial position. For details of the non-compliance and internal control measures adopted by our Group, please refer to the section headed "Business – Non-compliance matters of our Group during the Track Record Period and as at the Latest Practicable Date" in this prospectus.

SHAREHOLDER INFORMATION

Upon completion of Share Offer and Capitalisation Issue, Mr. Kwong, through Sage City, a company directly owned by him as to 70%, will indirectly own 62.63% of the issued share capital of our Company. Accordingly, Mr. Kwong and Sage City will be our Controlling Shareholders. Our Pre-IPO Investors, namely, Silver Thrive, Speedtown, Marine Assets and United Solutions will be interested in 4.13%, 2.74%, 2.75% and 2.75%, respectively, of the Shares in issue. Further details of our Group's shareholding structure upon Listing can be founded in the section headed "History, Development, Reorganisation and Corporate Structure" in this prospectus.

Our Controlling Shareholders have jointly and severally undertaken to our Company and the Stock Exchange that it will not dispose any of its existing shareholding in our Company within 6 months from the Listing Date and shall not at any time during the subsequent 18 months' period dispose of its shareholding which will result in it owning less than 50.1% interest in our Company. In addition, the Pre-IPO Investors have undertaken to our Company that they will not dispose of any of their respective interests in our Company within 6 months from the Listing Date.

As at the Latest Practicable Date, none of our Controlling Shareholders was interested in any business which competes or is likely to compete with our business. Our Directors consider that we are capable of carrying on our business independent of our Controlling Shareholders. Please refer to the section headed "Relationship with the Controlling Shareholders" in this prospectus.

LISTING EXPENSES

Based on the Offer Price of HK\$0.45 per Offer Share (being the mid-point of the indicative Offer Price range as stated in this prospectus), total Listing expenses in relation to the Share Offer to be borne by the Company is expected to be approximately HK\$22.3 million in aggregate. Of the total expected Listing expenses of HK\$22.3 million, HK\$4.1 million was charged to our profit and loss account in FY2016. As to the remaining HK\$18.2 million, approximately HK\$6.1 million is expected to be deducted from our equity and approximately HK\$11.6 million will be charged to our combined profit and loss account in FY2017. Our Directors expect that our financial performance for FY2017 will be materially and adversely affected by expenses incurred in connection with the Listing.

SUMMARY

OFFERING STATISTICS

Offer Price	:	HK\$0.40 to HK\$0.50
Market capitalisation ⁽¹⁾	:	HK\$240,000,000 to HK\$300,000,000
Shares to be in issue following completion of the Share Offer and Capitalisation Issue.....	:	600,000,000 Shares
Offer size	:	150,000,000 New Shares, representing 25% of enlarged share capital of our Company in aggregate
Offering structure.....	:	30% in Public Offer (subject to reallocation) and 70% in Placing (subject to reallocation)
Board lot	:	6,000 Shares

Note 1:

The calculation of market capitalisation at the Offer Price is based on 600,000,000 Shares expected to be in issue immediately following completion of the Share Offer and the Capitalisation Issue.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2016 <i>HK\$'000</i>	Estimated net proceeds from the Share Offer <i>HK\$'000</i>	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company as at 31 March 2016 <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets per Share <i>(Note)</i> <i>HK\$</i>
Based on an Offer Price of HK\$0.40 per Share	23,958	42,034	65,992	0.11
Based on an Offer Price of HK\$0.50 per Share	23,958	56,509	80,467	0.13

Notes:

The combined net tangible asset per Share is based on the combined net tangible asset attributable to equity owners of our Company, estimated net proceeds from the Share Offer after deduction of the estimated underwriting fees and other related expenses payable by our Company, and 600,000,000 Shares expected to be in issue immediately following completion of the Share Offer and the Capitalisation Issue. For more details, please refer to “Appendix II – Unaudited Pro Forma Financial Information”.

SUMMARY

REASONS FOR THE LISTING

Over the years, our business focus has been to provide car park flooring services to new construction market. Based on our business plan, in order to expand our reach in the refurbishment market, which was, according to the Industry Report, 5.3 times the size of new construction market in terms of car park flooring revenue in 2015, and to further develop the new construction market segment, we need to raise long term capital.

We also believe a listing status would enhance our corporate profile and recognition and reinforce our brand awareness and image among both our existing and potential customers. It would also generate reassurance amongst our existing customers, suppliers and strengthen our competitiveness in the market. In the context of our planned business expansion of the refurbishment market, a public listing could place more confidence amongst a wide customer base to which we aim to pursue in this segment. It would also enable us to convince new suppliers of car park flooring materials to establish business relationship with us and to grant us better terms.

Prior to the Listing, funding of our business activities was primarily from internally generated cash of our own. We had approached commercial banks in the past for credit facilities. However, most banks would require collateral, either in the form of cash or immovable assets as such property. As we do not have property assets available for collateral, it has been difficult for us to secure bank borrowings, without the support by our Controlling Shareholders and on terms which we find favourable. In order to seek funding for payment of expenses associated with the Listing exercise prior to the actual listing, the Controlling Shareholders had invited the Pre-IPO Investors to invest in a total of 16.5% interest in our Company. Pursuant to share sale and purchase agreements dated 14 August 2015, Sage City sold a total of 1,650 existing shares of Victor Ease, the intermediate holding company of KMK, to four groups of investors for an aggregate consideration of HK\$15,427,500. Of this amount, HK\$10.3 million was advanced by the Controlling Shareholders to our Group to pay for professional expenses relating to the Listing in June 2016. On 19 September 2016, in preparation for the Listing exercise, a commercial bank in Hong Kong granted us an overdraft facility of HK\$10 million. Such facility was drawn down in late September 2016 to repay the above loan advanced by our Controlling Shareholders prior to the Listing. It is currently expected that the Share Offer would broaden not only our equity financing alternatives to cover public investors but could also enable us to seek bank financing under more favourable terms to finance our future business needs.

We also consider that a Listing may offer our Company a broader shareholder base which could potentially lead to a more liquid market in the trading of the Shares. With the appointment of our independent board of non-executive Directors, we also believe our internal control and corporate governance practices will be enhanced following the Listing.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), individually or collectively, as the context may require
“Articles” or “Articles of Association”	the articles of association of our Company, conditionally adopted on 24 September 2016 and effective on the Listing Date, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the same meaning as defined in the GEM Listing Rules
“Board”	the board of Directors
“business day(s)”	any day(s) (excluding Saturday(s), Sunday(s) and public holidays) in Hong Kong on which licensed banks in Hong Kong are open for banking business through their normal business hours
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time
“Capitalisation Issue”	the issue of 449,990,000 Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “3. Written resolutions of the Shareholders passed on 24 September 2016” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

DEFINITIONS

“close associate(s)”	has the meaning as defined in the GEM Listing Rules
“Companies Law”	the Companies Law (2016 Revision) of the Cayman Islands, as amended, supplemented and/or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented and/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 and/or otherwise modified from time to time
“Company” or “our Company”	Kwong Man Kee Group Limited 鄺文記集團有限公司, a company incorporated in the Cayman Islands on 30 May 2016 as an exempted company with limited liability
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of our Company, means Mr. Kwong, the ultimate “Controlling Shareholder”, and the company through which he holds equity interest in our Company, namely Sage City, details of their shareholdings are set forth in the section headed “Substantial Shareholders” in this prospectus and the section headed “C. Further information about Substantial Shareholders, Directors and Experts – 1. Disclosure of interests” in Appendix IV to this prospectus
“Deed of Indemnity”	the deed of indemnity dated 24 September 2016 executed by the Controlling Shareholders in favour of our Company, details of which are set out in the section headed “E. Other Information — 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 24 September 2016 entered into by the Controlling Shareholders in favour of our Company and our subsidiaries as further described in the section headed “Relationship with the Controlling Shareholders” in this prospectus
“Director(s)”	the director(s) of our Company
“Frost & Sullivan”	Frost & Sullivan Limited
“FY2012”	the financial year ended 31 March 2012
“FY2013”	the financial year ended 31 March 2013
“FY2014”	the financial year ended 31 March 2014
“FY2015”	the financial year ended 31 March 2015

DEFINITIONS

“FY2016”	the financial year ended 31 March 2016
“FY2017”	the financial year ending 31 March 2017
“GDP”	gross domestic output
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“GEM website”	the internet website www.hkgem.com operated by the Stock Exchange for the purposes of GEM
“GFA”	the gross floor area
“GREEN Application Form(s)”	the application form(s) to be completed by HKeIPO White Form Service Provider
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries, or any of them or, where the context so required, in respect of the period before our Company became the holding company, the present subsidiaries of our Company or, where the context otherwise specifies or so requires in respect of financial or accounting information, our Company and its subsidiaries
“HKeIPO White Form”	the application of the Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk
“HKeIPO White Form Service Provider”	the HKeIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKFRSs”	Hong Kong Financial Reporting Standards (which include the Hong Kong Accounting Standards) issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) who are not connected persons of our Company (as defined under the GEM Listing Rules)

DEFINITIONS

“Industry Report”	a market research report commissioned by us and prepared by Frost & Sullivan on the overview of the industry in which our Group operates
“IPO”	initial public offering
“Joint Surplus”	Joint Surplus Limited, a company incorporated in Hong Kong on 26 September 2001 with limited liability, more information of which is set out in the section headed “Relationship with Joint Surplus” in this prospectus
“Joint Lead Managers” or “Joint Bookrunners”	Alliance Capital Partners Limited and Upbest Securities Company Limited
“KMK”	Kwong Man Kee Engineering Limited (鄺文記工程有限公司), a company incorporated in Hong Kong on 24 May 2002 with limited liability and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation
“Latest Practicable Date”	21 September 2016, being the Latest Practicable Date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Legal Counsel”	Queenie W. S. Ng, barrister-at-law of Hong Kong
“Listing”	the proposed listing of the Shares on GEM
“Listing Date”	the date on which dealings in the Shares first commence on GEM
“Macau”	the Macau Special Administrative Region of the PRC
“Marine Assets”	Marine Assets Holding Limited, a company incorporated in the BVI on 19 May 2015 and a Pre-IPO Investor, more information of which is set out in the section headed “History, Development, Reorganisation and Corporate Structure” in this prospectus
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company, conditionally adopted on 24 September 2016 and effective on the Listing Date, as amended, supplemented or otherwise modified from time to time, summary of which is set out in Appendix III to this prospectus
“MPF”	mandatory provident fund
“Mr. Jason Yip”	Mr. Yip Kong Lok, a member of the senior management of our Group, a substantial shareholder of our Company
“Mr. Kwong”	Mr. Kwong Chi Man, an executive Director, the chairman and chief executive officer of our Company, and one of the Controlling Shareholders
“Mr. Yip WM”	Mr. Yip Wai Man, an executive Director

DEFINITIONS

“Ms. Ke”	Ms. Ke Hongxia, an Independent Third Party, more information of Ms. Ke is set out in the section headed “History, Development, Reorganisation and Corporate Structure” in this prospectus
“New Shares”	the 150,000,000 new Shares being offered by our Company for subscription at the Offer Price under the Share Offer
“Offer Price”	the offer price for each Offer Share (exclusive of any brokerage fee, SFC transaction levy and Stock Exchange trading fee), which is currently expected to be not more than HK\$0.50 per Offer Share and not less than HK\$0.40 per Offer Share, such price to be determined on or before the Price Determination Date
“Offer Shares”	the Public Offer Shares and the Placing Shares
“Placing”	the conditional placing by the Placing Underwriters of the Placing Shares for cash at the Offer Price, as further described under the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	the 105,000,000 New Shares, being offered by the Company for subscription at the Offer Price under the Placing
“Placing Underwriters”	the group of underwriters led by the Joint Lead Managers, who are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing and expected to be entered into by, among others, our Company, the Controlling Shareholders, the executive Directors, the Sponsor, the Joint Lead Managers and the Placing Underwriters, as further described in the section headed “Underwriting — Placing” in this prospectus
“PRC”	the People’s Republic of China, save that, for the purpose of this prospectus and unless the context otherwise requires, references in this prospectus to the PRC do not include Hong Kong, Macau and Taiwan
“Pre-IPO Investor(s)”	Silver Thrive, Speedtown, Marine Assets and United Solutions
“Price Determination Date”	the date, expected to be on or about 6 October 2016, and in any event no later than 11 October 2016, on which the Offer Price is determined for the purpose of the Share Offer

DEFINITIONS

“Principal Register of Members”	The principal register of members of our Company maintained in the Cayman Islands
“Public Offer”	the offer by our Company of the Public Offer Shares for subscription to the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
“Public Offer Shares”	the 45,000,000 New Shares offered by our Company for subscription at the Offer Price pursuant to the Public Offer (as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus)
“Public Offer Underwriter(s)”	the underwriter(s) of the Public Offer named in the section headed “Underwriting — Underwriters — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement relating to the Public Offer entered into, among others, our Company, the Controlling Shareholders, the executive Directors, the Sponsor, the Joint Lead Managers and the Public Offer Underwriters, as further described in section headed “Underwriting — Public Offer underwriting arrangements and expenses” in this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation in preparation for Listing as more particularly described in the section headed “A. Further Information About Our Company — 4. Corporate Reorganisation” in Appendix IV to this prospectus
“Sage City”	Sage City Investments Limited, a company incorporated in the BVI on 10 July 2015, one of our Controlling Shareholders and is owned as to 70% by Mr. Kwong and 30% by Mr. Jason Yip
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Shares

DEFINITIONS

“Share Offer”	the Public Offer and the Placing
“Share Option Agreement”	the share option agreement dated 18 December 2003 entered into between Mr. Kwong and Mr. Jason Yip, particulars of which are set out in the section headed “History, Development, Reorganisation and Corporate Structure” in this prospectus
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 24 September 2016, the principal terms of which are set forth in the section headed “D. Share Option Scheme” in Appendix IV to this prospectus
“Silver Thrive”	Silver Thrive Investments Limited, a company incorporated in the BVI on 13 July 2015, and a Pre-IPO Investor, more information of which is set out in the section headed “History, Development, Reorganisation and Corporate Structure” in this prospectus
“Speedtown”	Speedtown Limited, a company incorporated in the BVI on 29 July 2015, and a Pre-IPO Investor, more information of which is set out in the section headed “History, Development, Reorganisation and Corporate Structure” in this prospectus
“Sponsor” or “Alliance Capital”	Alliance Capital Partners Limited, the sole sponsor for the Listing and a licensed corporation to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“Supplier A”	the Hong Kong sales office of a manufacturer headquartered in the U.K. and providing flooring and car park coating solutions across Europe, the Americas, Asia and Africa, the ultimate holding company of which is listed on the New York Stock Exchange
“Supplier B”	a UK-based manufacturer of flooring adhesives and floor preparation products for the flooring industry
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time

DEFINITIONS

“Track Record Period”	collectively, the two financial years of FY2015 and FY2016
“U.K.” or “UK”	the United Kingdom
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United Solutions”	United Solutions International Limited, a company incorporated in the BVI on 11 May 2015 and a Pre-IPO Investor, more information of which is set out in the section headed “History, Development, Reorganisation and Corporate Structure” in this prospectus
“Victor Ease”	Victor Ease Limited, a company incorporated in the BVI on 11 May 2015 and a wholly-owned subsidiary of our Company upon completion of the Reorganisation
“WHITE Application Form(s)”	the application form(s) for use by the public who require such Public Offer Shares to be issued in the applicant’s own name(s)
“YELLOW Application Form(s)”	the application form(s) for use by the public who require such Public Offer Shares to be deposited directly in CCASS
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“sq.ft.”	square feet
“sq.m.” or “m ² ”	square meter(s)
“%”	per cent

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms, definitions and abbreviations used in this prospectus in connection with our Group and the business. The terms and their meanings may not correspond to standard industry meaning or usage of those terms.

“anti-skid surfacing work”	application of proprietary floor coating products on surfaces to prevent skidding by improving the friction on those surfaces
“applicator”	installer of floor coating materials
“colour topcoat”	coloured top layer of car park flooring
“curing”	the process of maintaining satisfactory moisture content and favorable temperature in a screed layer during the period immediately following application
“epoxy”	a kind of chemical material used in a car park flooring work for surface coating
“mid to high end customers”	target customers of the mid to high end segment of the car park flooring industry, which is classified based on various criteria such as perception from customers, quality and grading of building and property involved according to the Industry Report
“mineral aggregates”	mineral particles used in car park flooring work for anti-skid purpose
“polyurethane”	a kind of chemical material used in car park flooring work for surface coating, which is more resilient than epoxy
“primer”	material used in priming a floor surface
“screeding”	pouring of a thin layer of material over a concrete base in order to form a leveled, fast-drying, and high-strength underlayment for application of car park floor coating materials or other floor finish materials
“screed additive”	used in screeding work to accelerate the drying procedure and improve the workability of the screed layer
“shot-blasting”	a procedure involved in the process of surface preparation which involves the process of cleaning and sanding surface
“upper tier subcontractor(s)”	subcontractor who has entered into a sub-subcontract with a lower tier subcontractor pursuant to which the lower tier subcontractor has agreed to provide work, materials or equipment for certain construction or refurbishment work for the upper tier subcontractor

FORWARD-LOOKING STATEMENTS

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

- the business strategies and plans of operations;
- the capital expenditure plans;
- the amount and nature of, and potential for, future development of our Group's business;
- the operations and business prospects;
- the dividend policy;
- the projects under planning;
- the regulatory environment of the relevant industry in general;
- the future development in relevant industry; and
- other factors referenced in this prospectus, including, without limitation, under the sections entitled "Risk Factors", "Industry Overview", "Business", and "Financial Information".

The words "anticipate", "believe", "could", "expect", "intend", "may", "plan", "project", "seek", "will", "would" and similar expressions, as they relate to our Group, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting our Group's current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

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

RISK FACTORS

Investors should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making any investment in the Offer Shares. If any of the possible events described below occur, the business operation, financial condition or results of operation of our Group could be materially and adversely affected and the market price of the Shares could fall significantly.

RISKS RELATING TO OUR BUSINESS

Our business heavily relies upon certain major suppliers for supplying reputable car park floor coating materials

For FY2015 and FY2016, our largest supplier, Supplier A, accounted for 77.8% and 80.1% of our total purchases, and our second largest supplier, Supplier B, accounted for 14.4% and 11.3% of our total purchases, respectively. Our five largest suppliers accounted for 97.3% and 97.2% of our total purchases for FY2015 and FY2016 respectively. For FY2015, FY2016, and the period from 1 April 2016 to the Latest Practicable Date, 79.6%, 81.8% and 74.1% of our Group's revenue, and 78.9%, 80.4% and 70.4% of our Group's gross profit were attributed to floor coating products sourced from Supplier A, respectively, while 19.7%, 15.0% and 17.5% of our Group's revenue, and 19.9%, 16.3% and 24.2% of our Group's gross profit were attributed to floor coating products sourced from Supplier B, respectively. For FY2015 and FY2016, our gross profit margin attributable to projects using Supplier A's products were 43.6% and 46.8%, and our gross profit margin attributable to projects using Supplier B's products were 44.7% and 52.0%. For information on the reasons for our reliance, please refer to the section headed "Business – Suppliers and procurement of materials – Reliance on major suppliers" in this prospectus.

We cannot assure that there will not be any dispute with our major suppliers, or that we will be able to maintain business relationships with our existing suppliers, in particular Supplier A and Supplier B. We have not entered into any long term supply agreement or distributorship agreement with our suppliers. Although Supplier A has authorised us to distribute and apply its products in Hong Kong until 2025 and granted a "preferred applicator" status to us, and Supplier B appointed us as its sole distributor in Hong Kong until 2025, there is no assurance that the said status, authorisation and/or exclusiveness would not be revoked or terminated, or discontinued in the future. There is no assurance that we are able to maintain business relationship with Supplier A and/or Supplier B, or that there will not be any unfavourable changes in our current arrangements, such as a substantial increment in price, a substantial reduction of quantities supplied to us or appointment of additional distributors in Hong Kong. If we cannot locate alternative suppliers for replacement in a timely manner and/or on comparable commercial terms, our business operation may be hindered, which would adversely affect our profitability.

The stability of operations and business strategy of our major suppliers, which are beyond our control, will also affect us. Any material disruption to their operations due to causes such as weather, riots, natural disaster, fire or other technical or mechanical problems could adversely affect our procurement process, such as causing non-delivery or delays in delivery of stocks to us. If that occurs, our results of operations could be adversely affected. Similarly, if our major suppliers change their business strategies substantially, for instance, with regards to its product portfolio and distribution channel, they could reduce their volume of supply to or cease business relationship with us, which could in turn materially affect our volume of business and performance.

RISK FACTORS

Our future growth is reliant on the continuous development of the property industry in Hong Kong

For FY2015 and FY2016, 78.9% and 83.6% of our revenue were derived from flooring services provided for new construction projects. Therefore, our results of operations are affected by the number and availability of new construction projects in both public and private sectors in Hong Kong, which in turn are affected by various factors, including but not limited to the general conditions of the property markets in Hong Kong, the general economic conditions in Hong Kong, and changes in government town planning and/or housing policies. For instance, an economic downturn in Hong Kong, an outbreak of epidemic disease, and/or introduction of adverse government policies on property markets in Hong Kong may lead to a significant decline in the property prices and the number of property construction projects, which may in turn cause budget cuts by developers on overall spending on construction costs including costs for car park flooring services.

There is no assurance that the number of private sector projects and/or public sector projects will not decrease in the future. In the event that the availability of new construction projects decreases as a result of the decrease in the number of private and/or public sector projects in Hong Kong, our businesses and results of operations may be adversely and materially affected.

Introduction and acceptance of new car park floor coating material in Hong Kong with similar characteristics may adversely affect our profit margin

We mainly source car park floor coating materials from Supplier A and Supplier B, which are major suppliers in the car park flooring industry in Hong Kong. For details, please refer to the section headed “Business – Suppliers and procurement of materials” in this prospectus.

There is no guarantee that there will not be any new car park floor coating materials in Hong Kong with similar or better quality than the existing products of Supplier A and Supplier B. There is also no guarantee that we could be able to purchase the new floor coating material at a price acceptable to our customers, and/or that we would be able to obtain exclusive distributorship of the new floor coating material. If new car park floor coating materials are offered in Hong Kong and that they have similar or better durability characteristics than the car park floor coating materials currently used by us, our competitive advantage in being an authorised distributor of Supplier A and exclusive distributor of Supplier B will be weakened or even lost, which in turn adversely affects our business and profit margin.

Any economic downturn in Hong Kong may delay refurbishment of car parks in older buildings and will exert cost pressure on tenders which will have an adverse effect on our planned business expansion in the refurbishment sector

We plan to expand our business in the refurbishment sector. For details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus. However, the operation results and profitability from the refurbishment sector are affected by various factors which are beyond our control. For example, if the economic conditions in Hong Kong suffers a downturn, main contractors or the building management authorities may reduce spending on the refurbishment of old car parks. This may result in a delay in refurbishment of car parks and exert cost pressure on tenders for our refurbishment projects.

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As our business is usually awarded through tendering process, a cut in spending on refurbishment projects and/or a delay in refurbishment of car parks will affect the number of tenders we could be awarded from the refurbishment projects, which in turn have an adverse effect on our planned business expansion and diversification in the refurbishment sector.

We have a concentration of customers during the Track Record Period

For FY2015 and FY2016, the percentage of our aggregate revenue attributable to our largest customer during the respective period was 19.0% and 17.6% for the corresponding periods, respectively, while the percentage of our total revenue attributable to our five largest customers in aggregate was 55.5% and 57.7%, respectively. For details, please refer to the section headed “Business – Customers, sales and marketing” in this prospectus.

We cannot assure that there will not be any dispute with our major customers, or that we will be able to maintain business relationships with our existing customers. As we have been relying on a small number of major customers during the Track Record Period, in the event that the existing major customers cease to include us in the tendering process or engage our service, or decrease the number of orders placed, and we are unable to find new customers with similar attributable revenue within a reasonable period of time or at all, our business and profitability may be adversely affected.

Our success significantly depends on the key management and its ability to attract and retain additional technical and management staff

Our success and growth depends on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Our Directors believe that our success, to a large extent, is attributable to the contribution of Mr. Kwong, Mr. Yip WM and Mr. Jason Yip. Details of their expertise and experience are set out under the section headed “Directors, Senior Management and Staff” in this prospectus.

Our key personnel’s efforts and expertise in the car park flooring industry are crucial to our operations and financial performance. Although we have entered into a service agreement with each of our executive Directors and members of the senior management, there could be an adverse impact on our operations should any of our executive Directors or members of the senior management terminate his service agreement with us or otherwise cease to serve us and we are unable to find suitable replacements in a timely manner. There is no assurance that we will be able to attract and retain capable staff or that they will not resign in the future. All these could cause an adverse impact on the business, results of operation and profitability of our Group.

We may face a shortage in materials and experience project delays if our suppliers fail to supply the quantity and quality of raw materials we need

Our business is highly dependent on a sufficient supply of floor coating materials that meet the quality requirements. There is no assurance that our current suppliers can always meet our quality control requirements in the future. There is also no assurance that our suppliers could always supply the required quantity of raw materials in a timely manner. If any of these events occur, we may not be able to locate alternative suppliers promptly and on comparable commercial terms, resulting in a shortage of raw

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materials and project delay. As a result, our business operation would be interrupted or discontinued and, thus, our financial performance and operation results may be adversely affected.

Previous track record of our operation and financial results may not be reliable since our projects with customers are on one-off basis and we may not be able to secure future contracts with existing customers

All our new projects are secured after going through a competitive tendering or quotation process. For FY2015 and FY2016, 60% and 83% of our revenue were derived from flooring projects obtained through tendering which were awarded based on many factors such as our fee quote, our reputation, and car park floor coating materials applied by us. There is no assurance that we are able to secure new contracts from our customers after the completion of the existing awarded contracts. In the event that we are unable to maintain business relationship with existing customers or unable to secure new contracts, our business and hence our revenue will be adversely affected.

Our business is subject to the risk of cost overrun and project delay

In pricing a tender or quotation, we are required to estimate the project time and costs based on various factors, such as (i) product specifications; and (ii) the prevailing market conditions. Any deviation between the estimated time and costs at the time we submit the tenders or quotations and the actual costs to complete the projects may affect our financial performance and profitability. For instance, if the amount we are required to pay for subcontractors exceeds what we have estimated, we may suffer losses on these contracts. In particular, for lump sum fixed price contracts, we are required to execute all the specified details and quantities of works as stated in the contract at the fixed agreed price, and no re-measurement will be allowed. For FY2015 and FY2016, HK\$37.5 million and HK\$50.9 million of our revenue were derived from provisional price contracts subject to remeasurement, representing 87.5% and 74.2% of our revenue in the respective financial year, while HK\$5.3 million and HK\$17.7 million were derived from lump sum fixed price contracts, representing 12.5% and 25.8% of our revenue in the respective financial year. For our provisional price contracts subject to remeasurement, the final contract sum is subject to final remeasurement against actual work done. Moreover, if property developers delay the launch of their property projects due to decrease in property price, our revenue and profit may be adversely affected. There is no assurance that the actual amount of time and costs would not exceed our estimation during the performance of the car park flooring coating works. As a result, any material inaccurate estimation in the time and costs involved in a job may adversely affect our profit margin and results of operations.

Further, the implementation of the project may be hindered by various factors, such as shortage of labour, delay in procurement of raw materials, dispute with subcontractors, accidents, and unforeseen problems and circumstances. Any of these could give rise to project delay beyond the contractual completion date. If the reasons for delay are not found eligible and accepted by our customers, we may be liable for liquidated damages calculated at a fixed amount per day pursuant to the contract. Any liquidated damages to be paid by us will materially adversely affect our financial results. Our reputation would also be damaged, which in turn causes an adverse effect to our business operation and profitability.

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We may face bad debts which will adversely affect our financial performance

We determine the provision of impairment of trade receivables on a case-by-case basis. We determine specific allowance for doubtful debts on a case-by-case basis having regard to a number of factors, including length of business relationship, the ageing of the receivable balances, results of the follow-up procedures, customers' reputation, and their financial strength and repayment history as well.

There is no guarantee that we will be remunerated for our work done. If any of our progress payment or final payment is not settled by our customers, bad debt would incur. We recorded an impairment of HK\$0.2 million made for FY2015. During the Track Record Period and up to the Latest Practicable Date, we did not experience any default of payment by our customers which would have had a material impact on our business, financial condition or results of operations. However, we cannot assure you that there will not be any bad debt in our future business operation. If the progress payments, final payment or any retention money are not remitted by our customers to us as agreed, our financial condition or results of operations may be adversely affected.

Any material delay in payment or release of retention monies from our customers may adversely affect our cash position and results

We normally receive progress payment from our customers on a monthly basis with reference to the value of works done. A portion of such progress payment is usually withheld by our customers as retention money. Once we have completed the entire project to the satisfaction of our customer, final settlement will be paid by our customers after we reach agreement on the final account. Our customers will pay progress payments after our works commence and our payment applications will be certified by our customers. For details, please refer to the sections headed "Business – Progress payment" and "Business – Final settlement and retention money" in this prospectus.

Although the credit period granted by us to our customers is normally 30 days, it is not representative of the time required by our customers to settle payments due to us. In some cases, our customers may require a longer period of up to 12 months or more to certify our payment applications. As at 31 March 2015 and 31 March 2016, approximately 71% of our trade receivables were past due. Please refer to the section headed "Financial Information – Description of selected items of consolidated balance sheets – Trade and other receivables – Trade receivables" in this prospectus for further details. We undertake a number of projects at any given period, and the cash outflow of a particular project could be compensated by the cash inflows of other projects. If we fail to properly assess the creditability of customers which result in a material delay in payment or release of retention monies from our customers, our cash position may be adversely affected as substantial purchasing costs have been made without cash inflow from other projects at a particular point of time.

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

We require our subcontractors and employees to adhere to and implement all safety measures and procedures in accordance with our safety policies. Although we require our subcontractors and employees to implement the safety measures and procedures during execution of works, we cannot guarantee that

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there will not be any violations of rules, laws or regulations by the subcontractors or our employees. In the event that our subcontractors or employees fail to implement safety measures on our work sites, there may be higher number of occurrence of personal injuries or property damage, which may adversely affect our operations and financial position to the extent not covered by our insurance policies.

We are exposed to construction dispute or litigation and we cannot assure you that such legal proceedings will not have a material adverse impact on our business

We act as either a main contractor or subcontractor when carrying out car park flooring and ancillary works, and we may receive claims in respect of various matters from customers, subcontractors, workers and other parties concerned with the projects from time to time. Such claims include claims for compensation for late completion of works and delivery of substandard works, and claims in respect of personal injuries and labour compensation in relation to works.

As at the Latest Practicable Date, there were no pending civil proceedings that were brought against us. However, we cannot assure you that we will not be exposed to any other dispute, litigation, civil or criminal proceedings in the future. There is also no assurance that the insurance company will not counterclaim us for breach of the terms and conditions of the relevant policy. In either event, we need to divert management resources and incur extra costs to handle these claims, which could affect our corporate image and reputation in the car park flooring industry if they were published by the press. If the aforesaid claims were successfully made against us, it would result in the incurring of legal costs, which in turn could adversely affect our revenue, results of operations and financial position.

Our insurance claim may be declined by the insurance company or fall outside the scope and/or limit of our insurance coverage which may adversely affect our financials and performance

We maintain third party liability insurance to cover, among others, the liability of our subcontractors and us in respect of bodily injuries and property damages, and we maintain insurance coverage against third party liability in relation to use of our vehicles. Please refer to the section headed “Business – Insurance” in this prospectus for further details.

Certain types of risks, such as the risk in relation to product liability, collectability of our trade and retention receivables and liabilities arising from events such as natural disasters are generally not covered by insurance because they are either uninsurable or it is not justifiable to insure against such risks in light of the cost. If an uninsured liability arises, we may suffer losses which may adversely affect our financial position. There can be no assurance that all potential losses and claims, regardless of the cause, would be sufficiently covered and/or recoverable from the insurers as any insurance claim may be declined by our insurance company or fall outside the scope and/or limit of our insurance coverage. This may adversely affect our financials and performance.

Our business plans and strategies may not be successful or be achieved within the expected time frame or within the estimated budget

We intend to further enhance our machineries, equipments, and manpower for the purpose of increasing our marketing effort in order to cope with the expected increase in demand for our services. We also intend to expand our business into the refurbishment sector. However, our plans and strategies

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may be hindered by risks including but not limited to those mentioned elsewhere in this section. For example, we may not be able to attract skilled project managers and technical staff to expand our presence in the refurbishment sector. In addition, we may not be able to attract customers in the refurbishment sector to engage us for the provision of car park flooring work. Accordingly, we cannot guarantee that our future plan to expand our business into the refurbishment sector would be successful.

There is no assurance that we will be able to successfully maintain or increase our market share or achieve growth in our business successfully after deploying our management and financial resources. Any failure in maintaining our current market position or implementing our plans could materially and adversely affect our business, financial condition and results of operations.

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

Our Hong Kong-incorporated subsidiary has on various occasions not fully complied with certain statutory requirements, including non-compliance with the Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong) in relation to storage and transport of dangerous goods without licence. For details, please refer to the section headed “Business – Non-compliance matters of our Group during the Track Record Period and as at the Latest Practicable Date” in this prospectus.

There is no assurance that the relevant authorities would not take any enforcement action against us and our Directors in relation to the non-compliance, including but not limited to imposing fines or other penalties. In the event that such enforcement action is taken, our reputation, cash flow and results of operations may be adversely affected.

RISKS RELATING TO THE INDUSTRY WE OPERATE

Any change in Hong Kong Government’s policy with the effect of reducing the number of car parking spaces in Hong Kong will have a material adverse effect on our business.

Our results of operations are affected by the number and availability of new construction projects in both public and private sectors in Hong Kong, which depends much on the Hong Kong Government’s policy. Any change in the policy of the Hong Kong Government in the future with the effect of reducing the number of car park spaces will have a direct adverse impact on our operation results and profitability.

The construction industry, including the car park flooring industry, in Hong Kong has been facing the issue of labour shortage and rising labour costs

According to the Industry Report and as our Directors confirmed, the construction industry, including the car park flooring industry, in Hong Kong has been facing the issue of labour shortage due to insufficient number of workers entering the industry. The average daily wages for Hong Kong car park flooring workers had witnessed a growing trend from HK\$572 in 2010 to HK\$829 in 2015 at a CAGR of 7.7%. Inflation, substantial demand for workers in construction industry due to increasing number of property development projects, announcement of development goal by government (e.g. 10-year housing supply target) and shortage of labour served as key drivers for the daily wages in the car park flooring industry over the period.

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We employ our own site workers and engage subcontractors to conduct car park flooring works. Our direct labour costs as a percentage of our total costs of sales, amounted to 8.9% for FY2015 and 7.0% for FY2016. Similarly, subcontracting costs paid by us, as a percentage of our total costs of sales, increased from 26.8% in FY2015 to 36.2% in FY2016. If we fail to effectively manage our direct labour cost and/or subcontracting costs as a result of shortage of local labour supply, our business operations and financial performance may be materially and adversely affected.

Changes in existing laws, regulations and government policies, including but not limited to the introduction of more stringent laws and regulations on environmental protection and labour safety may cause us to incur additional costs

We are required to comply with the laws, regulations and requirements in Hong Kong, including but not limited to environmental protections and labour safety issues. In the event that our operations fail to meet the relevant laws, regulations and requirements, we may be subject to fines or required to make remedies which may in turn have an adverse effect on our operations and financial condition. In addition, there is no assurance that the existing laws, regulations and requirements will not be changed in the future. Should there be more stringent laws, regulations and requirements applicable to the construction industry and the car park flooring business, we may incur additional cost in complying with the new law(s), regulation(s) and requirement(s), which in turn may adversely affect our profitability.

RISKS RELATING TO THE SHARE OFFER

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 do not guarantee the development of an active public market or the sustainability thereof following completion of the Share Offer. Factors such as variations in our revenues, earnings and cash flows, strategic alliances or acquisitions made by us or our competitors, industrial or environmental accidents suffered by us, loss of key personnel, litigation or fluctuations in the market prices for our products, the liquidity of the market for the Shares, the general market sentiment regarding the flooring industry could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our control and unrelated to the performance of our business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the Offer Price.

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

We may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage of ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share. In addition, we 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 of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

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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. We cannot predict the effect, if any, of any future sales of the Shares by any of the 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 the Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

Historical dividends are not indicative of our future dividends

We had declared dividends of HK\$6.5 million and HK\$10.0 million in respect of FY2015 and FY2016, respectively. The value of dividends declared and paid in previous years should not be relied on by potential investors as a guide to our future dividend policy or as a reference or basis to determine the amount of dividends payable in the future. There is no assurance that dividends will be declared or paid in the future, at a similar level or at all. The amount of any dividends to be declared in the future will be subject to, among other factors, our Directors' discretion, having taken into account our substantial capital requirements in the foreseeable future, the availability of distributable profits, our earnings, working capital, financial position, capital and funding requirements, the applicable laws and other relevant factors.

In any event, there is no assurance that our Company will receive sufficient distribution from its subsidiaries to support any future profit distribution to the Shareholders, or that the amounts of any dividends declared by our Company in the future, if any, will be of a level comparable to dividends declared and paid by us in the past, or by other listed companies in the same industry as us.

Investors may experience difficulties in enforcing their shareholders' rights as the laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Memorandum, the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minorities is set out in the paragraphs headed "Shareholders' Suits" and "Protection of Minorities" in Appendix III to this prospectus.

RISK FACTORS

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” and elsewhere in this prospectus relating to the market of the industry have been derived, in part, from various publications and industry-related sources prepared by government officials or Independent Third Parties. Our Company believes that the sources of the information are appropriate sources for such information, and the Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, our Company 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 our Group, our Directors, the Sponsor, nor any parties involved in the Share Offer has independently verified, or make any representation as to, the accuracy of such information and statistics. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

Our 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. Our 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” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

INFORMATION ABOUT THE SHARE OFFER

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

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

SHARES ARE FULLY UNDERWRITTEN

This prospectus is published in connection with the Share Offer for which Alliance Capital Partners Limited is the Sponsor. The Offer Shares are fully underwritten by the Underwriters pursuant to the Underwriting Agreements. Information relating to the underwriting arrangement is set out in the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company at or before 5:00 p.m. on Thursday, 6 October 2016, and in any event no later than 5:00 p.m. on Tuesday, 11 October 2016. The Offer Price is currently expected to be not more than HK\$0.50 per Offer Share and not less than HK\$0.40 per Offer Share. The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of the reduction of the indicative Offer Price range will be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.kwongmankee.com.hk not later than the morning of the day which is the last day for lodging applications under the Public Offer.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

If the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price at or before 5:00 p.m. on Thursday, 6 October 2016, or such later date or time as may be agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters), the Share Offer will not become unconditional and will lapse.

RESTRICTIONS ON SALE OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required to confirm that he/she is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus and/or related Application Forms in any jurisdiction other than Hong Kong. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it circulated to invite or solicit offers in any jurisdiction other than Hong Kong or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. Persons who possess this prospectus are deemed to have confirmed with our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters that such restrictions have been observed.

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

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

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Further details of the structure and conditions of the Share Offer are set out under the section headed “Structure and Conditions of the Share Offer” in this prospectus.

APPLICATION FOR LISTING ON GEM

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue (including Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme).

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

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on GEM is refused before the expiration of three weeks from the date of the closing of the Share Offer, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange, then any allotment made on 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, our Company must maintain the minimum prescribed percentage of at least 25% of the issued share capital of our Company in the hands of the public.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence on or about Thursday, 13 October 2016. Shares will be traded in board lots of 6,000 Shares each.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on GEM or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

All necessary arrangements have been made for the Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice from your stockbrokers or other professional advisers.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to the Shares, you should consult your professional adviser. It is emphasised that none of our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to the Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

REGISTER OF MEMBERS AND STAMP DUTY

The Shares may be registered on the principal register of members in the Cayman Islands or on the branch register of members of our Company in Hong Kong. Only Shares registered on the branch register of members maintained in Hong Kong may be traded on GEM, unless the Stock Exchange otherwise agrees.

Dealings in the Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Unless our Company determines otherwise, dividends payable in HK dollars in respect of the Shares will be paid at the Shareholder's risk to the registered address of each Shareholder or, in the case of joint holders, the first-named holder.

ROUNDING

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

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Name	Address	Nationality
<i>Executive Directors</i>		
Kwong Chi Man (鄺志文)	Flat F, 5/F., Block 2 Woodview Court 75 Kung Lok Road Kwun Tong Kowloon Hong Kong	Chinese
Yip Wai Man (葉偉文)	7/F, No. 99 Kweilin Street Sham Shui Po Kowloon Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Yu Wan Wah Amparo (余韻華)	Room 1102, Kent Mansion 95 Tin Hau Temple Road Hong Kong	Chinese
Law Pui Cheung (羅沛昌)	Flat A, 1st Floor, House 6 9 Cheung Kwai Road Scenic Garden Cheung Chau New Territories Hong Kong	Chinese
Wat Danny Hiu Yan (屈曉昕)	Flat B, 39th Floor, Block 1 Grand Promenade 38 Tai Hong Street Shau Kei Wan Hong Kong	Canadian

Please refer to the section headed “Directors, Senior Management and Staff” in this prospectus for further information of the Directors.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Sponsor	Alliance Capital Partners Limited Unit 318, 3/F, Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
Joint Bookrunners and Joint Lead Managers	Alliance Capital Partners Limited Upbest Securities Company Limited
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Legal advisers to the Sponsor and Underwriters	<i>as to Hong Kong law</i> Fairbairn Catley Low & Kong 23/F, Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
Reporting accountant	PricewaterhouseCoopers <i>Certified Public Accountants</i> 22/F, Prince's Building Central Hong Kong
Receiving bank	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong

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(Note: information on this website does not form part of this prospectus)

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Audit Committee Law Pui Cheung (*Chairman*)
Yu Wan Wah Amparo
Wat Danny Hiu Yan

CORPORATE INFORMATION

Remuneration Committee	Wat Danny Hiu Yan (<i>Chairman</i>) Kwong Chi Man Yu Wan Wah Amparo
Nomination Committee	Kwong Chi Man (<i>Chairman</i>) Wat Danny Hiu Yan Yu Wan Wah Amparo
Legal Compliance Committee	Yu Wan Wah Amparo (<i>Chairman</i>) Law Pui Cheung Wat Danny Hiu Yan
Principal share registrar and transfer office	Maples Fund Services (Cayman) Limited PO Box 1093, Boundry Hall Cricket Square Grand Cayman, KY1-1102 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal banker	OCBC Wing Hang Bank Limited 161 Queen's Road Central Hong Kong

INDUSTRY OVERVIEW

This section contains certain information which is derived from official government publications and industry sources as well as a commissioned report from Frost & Sullivan. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information derived from the above sources has not been independently verified by us, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their affiliates or advisers, nor any other party involved in the Share Offer and no representation is given as to its accuracy. Please refer to the section headed “Risk Factors – Risks relating to this prospectus – Statistics and industry information contained in this prospectus may not be accurate and should not be unduly relied upon” in this prospectus for further information. We believe, after taking reasonable care, that there have been no material adverse changes in the market information since the date of issue of the Industry Report which may qualify, contradict or have an impact on the information in this section.

SOURCES OF INFORMATION

We commissioned Frost & Sullivan, an independent market research consulting firm, to conduct an analysis on the car park flooring market in Hong Kong and to report on the industry, development trends and competitive landscape of the market. The market research covers the historical years of 2010 to 2014 and the base year of 2015. The forecast years are 2016 to 2020. A total fee of HK\$380,000 was paid to Frost & Sullivan for the preparation of the market research report, and our Directors consider that such fee reflects market rates. The payment was not conditional upon the results of the Industry Report or the successful listing of our Group. The report was prepared independently from our influence.

The information and statistics on the car park flooring industry in Hong Kong contained in this section are extracted from the Industry Report. The Industry Report derived its data from interviews with industry experts and competitors, official statistical sources, and market indicators for modeling.

Frost & Sullivan is a global consulting company founded in 1961 in New York and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. Frost & Sullivan’s services include technology research, independent market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy. Frost & Sullivan has been covering the Chinese market since the 1990s. Frost & Sullivan has four offices in China and direct access to the knowledgeable experts and market participants in the car park flooring industry and its industry consultants, who have more than three years of experience on average.

All statistics are based on information available as at the date of the Industry Report. The study took 2015 as the base year and 2016-2020 as the forecast period. However, since the study was conducted in 2016, some of the 2016 figures were not available from public statistical sources at the time of the study. Under such circumstances, Frost & Sullivan would use the latest information available (e.g. 2015) or make projections based on historical trends.

The analysis in the Industry Report may derive information from sources such as government agencies, trade associations and marketplace participants.

INDUSTRY OVERVIEW

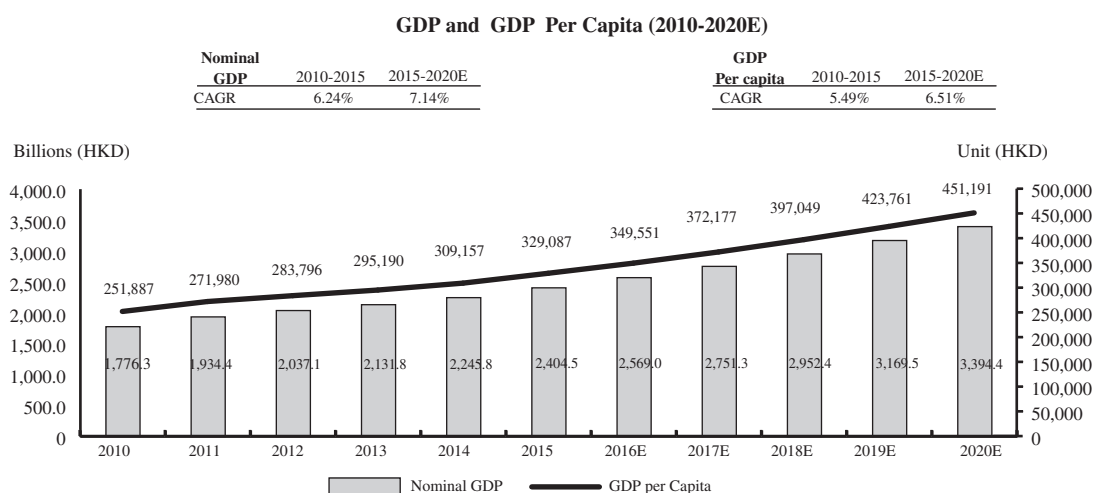
Frost & Sullivan developed estimates and forecasts on the following assumptions: (i) the global economy is assumed to maintain a steady growth across the forecast period; and (ii) it is assumed that there is no external shock such as financial crisis or the wide outbreak of diseases to affect the demand and supply of construction and refurbishment services, including car park flooring services, in Hong Kong during the forecast period.

MARKET OVERVIEW OF THE MACRO-ENVIRONMENT IN HONG KONG

(a) Nominal GDP and GDP Per Capita

Nominal GDP has seen stable growth since 2010 and growth will remain steady throughout 2015-2020.

Over the past five years, Hong Kong has experienced a steady growth in its economy. Nominal GDP increased from HK\$1,776.3 billion in 2010 to HK\$2,404.5 billion in 2015, growing at a CAGR¹ of 6.24%. It is expected that it will reach HK\$3,394.4 billion by the end of 2020, moving up at a faster CAGR of 7.14% during 2015-2020. GDP per capita has increased steadily during 2010-2015, at a CAGR of 5.49%, from HK\$251,887 to HK\$329,087. By the end of 2020, it is estimated that growth will accelerate at a CAGR of 6.51%, reaching HK\$451,191 per head.

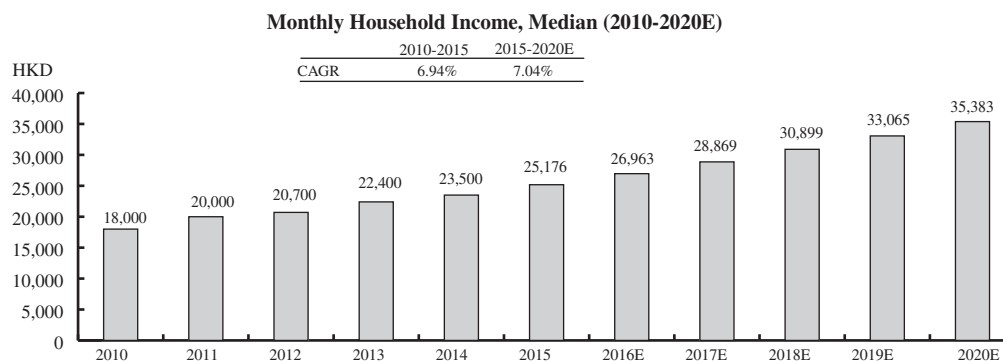


¹ CAGR represents the compound annual growth rate which is the mean annual growth rate of an investment over a specified period of time longer than one year.

INDUSTRY OVERVIEW

(b) Monthly Household Income

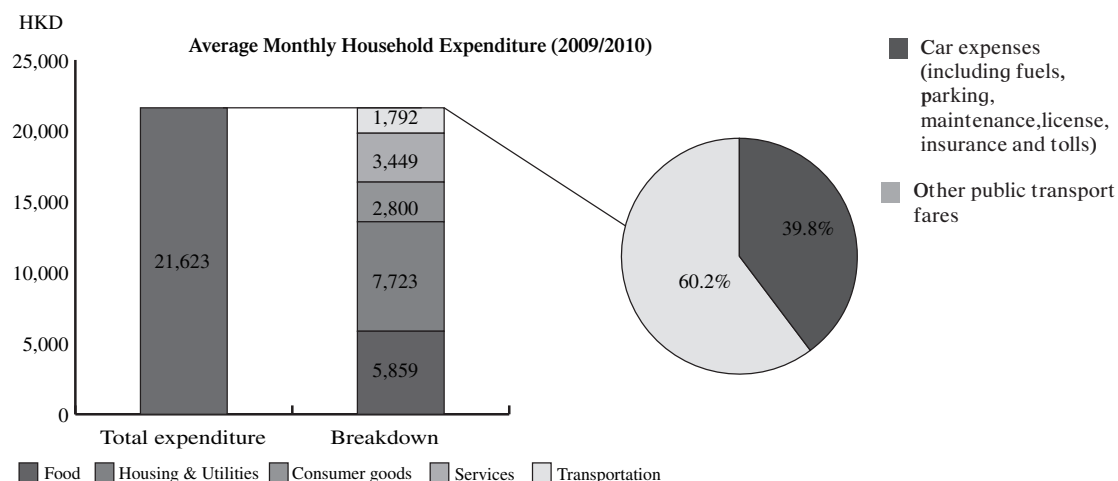
The monthly household income in Hong Kong is expected to continue to grow in the next five years. During 2010-2015, average monthly household income in Hong Kong grew at a CAGR of 6.94% from HK\$18,000 to HK\$25,176. In the next five years, monthly household income is expected to grow at a CAGR of 7.04%, reaching HK\$35,382 by the end of 2020. The accelerating growth in household income is expected to bring higher demand for private cars. As a result, this would also increase the demand for car parks, which would bring potential growth to the car park flooring industry in Hong Kong.



Source: HKSAR Census and Statistics Department, Frost & Sullivan
Notes: Average household size=2.9 from 2009-2014

(c) Monthly Household Expenditure

Car expenses accounted for 40% of the total transport expenses in 2010. In 2010, average monthly household expenditure was HK\$21,623, in which food as well as housing and utilities accounted for over 60% of the total expenditure. Other expenses such as transportation, consumer goods and services such as medical services, school fees and entertainment expenses, according to the HKSAR Census and Statistics Department, amounted to HK\$1,792, HK\$2,800 and HK\$3,449 respectively. More importantly, car expenses took up 40% of the total transportation expenses whereas other public transport fares such as bus, tram, subway, taxi and ferry fares added up to roughly 60%.



Source: HKSAR Census and Statistics Department, Frost & Sullivan
Note 1: Household Expenditure Survey is conducted once every five years
Note 2: Latest survey recorded as 2010

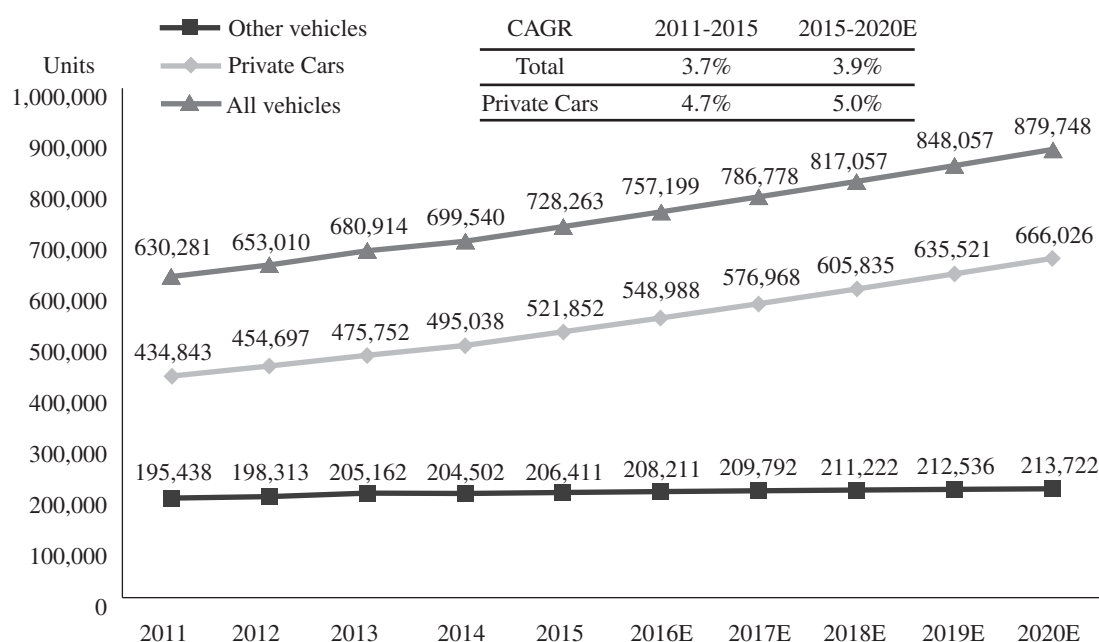
INDUSTRY OVERVIEW

(d) Total Vehicle Population

Hong Kong has seen a rise in the total number of licensed vehicles since 2011. During 2011-2015, total vehicle population grew at a CAGR of 3.7% from 630,281 to 728,263, in which the year-on-year growth of private cars was 4.7%. In 2015, private cars accounted for almost 70% of the total vehicle population in Hong Kong, becoming the main driver for the demand for car parks and parking lots.

It is estimated that total vehicle population in Hong Kong would continue to grow at a CAGR of 3.9% during 2015-2020, when private cars will present a CAGR of 5.0%. By 2020, the number of private cars would amount to 75.7% of the total vehicle population, which implies a market need of expanding the total area of car parks, creating more growth opportunities for the car park flooring market.

Total Licensed Vehicle Population, by types (2011-2020E)



Source: HKSAR Transport Department, Frost & Sullivan

Note 1: Oldest data recorded as 2011

Note 2: Other vehicles included public and private buses, minibuses, taxis, motor cycles, goods vehicles, special purpose vehicles & government vehicles

INDUSTRY OVERVIEW

(e) Total Car Parking Area

The car parking area in Hong Kong is expected to keep growing gradually in the future. Total car parking area in Hong Kong rose from 1,085,034.2 m² in 2010 to 1,172,290 m² in 2015, demonstrating a CAGR of 1.6%. Fluctuations in car parking area increased during the past five years, and they were mainly attributed to the ups-and-downs in gross floor area of newly completed building projects. Driven by the growing population of total vehicles in Hong Kong, especially private cars, it is estimated that the total car parking area in Hong Kong would continue to grow at a CAGR of 2.7% during 2015-2020 in order to meet the future car parking area demand. To a certain extent, the increase in car park areas reflects the Hong Kong Government's increasing push of residential units supply in the medium term.

Table below sets out the historical and forecasted supply of both private and public car parking areas:

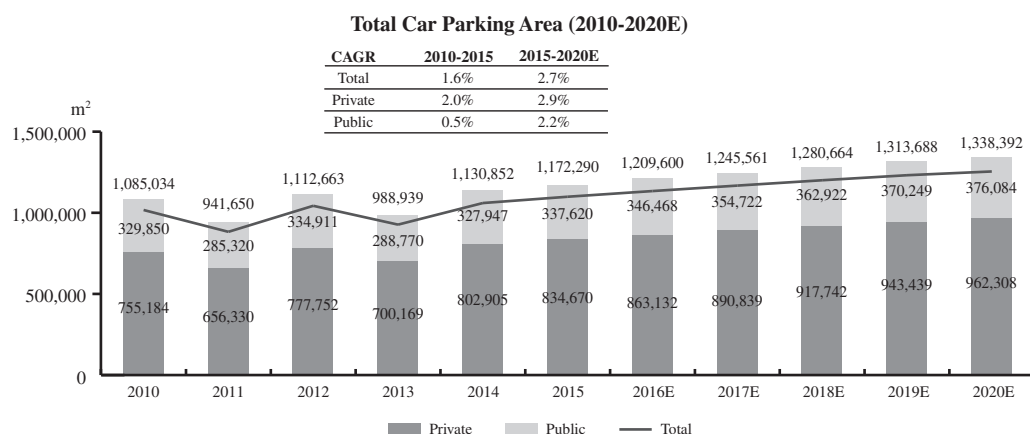


Table above shows total private carparking spaces – target market of the Group's current business – is expected to increase by 2.9% per annum from 2015 to 2020, compared to an increase of 2.0% per annum for the period from 2010 to 2015. This increase is due primarily to expected increase in the number of vehicles coupled with increased supply of private residential units.

GOVERNMENT POLICIES IN RELATION TO CAR PARKING AREA

The Hong Kong Government's plan of increasing housing supply and the standards of car parking spaces in property developments governed by the Planning Department are the major key drivers to the supply of car parking area in Hong Kong. Details of these government policies are set out in the paragraphs below.

(a) Hong Kong Housing Market

In December 2015, Hong Kong Government published the Long Term Housing Strategy Annual Progress Report 2015. In that report, it was mentioned that the Hong Kong Government has adopted a total housing supply target of 460,000 units for the ten-year period starting from 2016-2017. Of the above 460,000 units, supply target for public housing (including public rental housing and subsidized sales flats) is 280,000 units whereas private housing supply target is 180,000 units.

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With the continuous supply of housing land by the Hong Kong Government, medium-term supply of private housing units has significantly increased. As at the end of March 2016, the Hong Kong Government announced that projected supply from new private residential property market for the coming 3 to 4 years was approximately 92,000 units, a record high since the first release of the quarterly statistics on supply in September 2004. This was compared to completion of 68,200 private residential units during the period from 2010 to 2015.

During the fiscal year ended 31 March 2016, the Hong Kong Government sold a total of 14 residential sites under its Land Sale Programme with a capacity to produce about 8,940 private residential flats. Together with other sources of private housing land supply (including railway property development projects, projects of Urban Renewal Authority (URA) and private redevelopment/development projects), the aggregate land supply had an estimated capacity to produce about 19,870 private residential flats, exceeding the land supply target of 19,000 private residential flats set for that year. This was the second highest outturn since the Hong Kong Government introduced a private housing land supply target in 2010.

(b) Hong Kong Standards Relating To Car Parking Spaces In Property Developments

The Planning Department of Hong Kong Government sets out standards of car parking spaces for different types of developments. Under the guidelines of the Planning Department, the overall intention of the standards is to ensure that subject to road capacity considerations, all residential developments should have sufficient parking provision to match car ownership of residents; whereas commercial developments should have sufficient on-site parking to match manifest operational requirements.

The Transport Department commissioned a consultant for the “Review of Parking Standards for Private Housing Developments in Hong Kong Planning Standards and Guidelines” between 2009 and 2012. The review results showed that the overall utilization of private car parking spaces in private residential housing was about 70%. Although the supply was generally satisfactory, it was found that the utilization rate of small and medium-sized units of private residential housing (i.e. flats of area smaller than 100 sq.m.) was relatively low, while the supply of private car parking spaces for large units of private residential housing (i.e. flats of area not smaller than 100 sq.m.) was inadequate.

In February 2014, in order to better utilize the newly developed lands for private residential housing and to reduce the overall vacancy rate of private car parking spaces, the Hong Kong Government revised the standards and guidelines concerning the provision of private car parking spaces in private residential housing. The revisions were mainly to revise the parking facilities standards to cater for the latest situation, taking into account factors such as the various flat sizes of private residential housing, distances between the residential developments and railway stations, and the development densities, etc.

Currently, the number of car parking spaces in residential developments under planning standards and guidelines for new developments depend on (1) whether the development is public or private – fewer car parking spaces will be allocated to public housing compared to private developments; (2) density (or plot ratio) of a private residential development – more car parking spaces will be needed for a denser development; (3) flat size of private development – more car parking spaces will be allocated to larger units compared to smaller ones; (4) proximity of the development to Mass Transit Railway or rail stations – less car parking spaces will be needed for those development within 500 meters of such station.

INDUSTRY OVERVIEW

Table summarizing parking standards for both residential developments and commercial developments are set out below:

Parking Standards for residential developments

Type of Development	Parking Requirements			Remarks
	Standards			
1. Public Housing –	– Private Car:			See Notes (1) – (3).
	Global Parking Standard (GPS)		1 car space per 6-9 flats	
	Demand Adjustment Ratio (R1)	All Public Housing	0.23	
	Accessibility Adjustment Ratio (R2)	Within a 500 meters- radius of rail station ^(Note 2)	0.85	
		Outside a 500 meters- radius of rail station ^(Note 2)	1	
	Parking Requirement = GPS x R1 x R2			
	– Light Goods Vehicle (LGV): 1 LGV space per 200-600 flats			
	– Medium Goods Vehicle: No fixed standard. To utilize estate commercial centre loading/unloading bays for overnight parking in estates.			

INDUSTRY OVERVIEW

Type of Development	Parking Requirements				Remarks
	Standards				
2. Private Housing –	– Private Car:				See Notes (1) & (4) – (6).
	Global Parking Standard (GPS)			1 car space per 6-9 flats	
	Demand Adjustment Ratio (R1)	Flat Size (FS) (m²) (GFA)	Flat Size (FS) ≤40	0.4	
			40<FS≤70	0.7	
			70<FS≤100	2.1	
			100<FS≤130	5.5	
			130<FS≤160	7.5	
			FS>160	9.5	
	Accessibility Adjustment Ratio (R2)	Within a 500 meters radius of rail station ^(Note 4)		0.75	
		Outside a 500 meters-radius of rail station ^(Note 4)		1.00	
	Development Intensity Adjustment Ratio (R3)	Domestic Plot Ratio (PR)	0.00<PR≤1.00	1.30	
			1.00<PR≤2.00	1.10	
			2.00<PR≤5.00	1.00	
			5.00<PR≤8.00	0.90	
			PR>8.00	0.75	
	Parking Requirement = GPS x R1 x R2 x R3				

Notes:

All Residential Developments

- (1) Within the limits of the Global Parking Standards, Transport Department establishes district-based parking standards for each district according to the prevailing demand/supply conditions in respective districts. The district-based parking standards are subject to periodical review.

Public Housing

- (2) A 15% discount should be applied to the provision of residential car parking spaces where over 50% of the site area of the development fall within a 500 meters radius of rail stations. The 500 meters-radius catchment area of a rail station should be drawn from the centre of the station irrespective of the configuration and layout of the station.
- (3) “One person/two persons” flats shall be excluded from the calculation of the overall parking provision of both car parking spaces and light goods vehicle spaces.

INDUSTRY OVERVIEW

Private Housing

- (4) A 25% discount should be applied to the provision of residential car parking spaces where over 50% of the site area of the development fall within a 500 meters radius of rail stations. The 500 meters-radius catchment area of a rail station should be drawn from the centre of the station irrespective of the configuration and layout of the station.
- (5) The standard for the developments of flat size greater than 160 sq.m. is a minimum requirement. Request for provision beyond the standard will be considered by Transport Department on a case-by-case basis.
- (6) Visitor car parking for private residential developments with more than 75 units per block should include 1-5 visitor spaces per block in addition to the recommendations, or as determined by the Government. For other private residential developments, the visitor car parking provision will be advised by Transport Department on a case-by-case basis.

Parking Standards for Commercial Facilities

Type of Development	Parking Requirements	
	Standards	Remarks
1. Retail	<ul style="list-style-type: none"> – For the first 200-300 m² GFA: 1 car space per 200-300 m² GFA. – For the first 2,000 m² GFA: 1 car space per 40-50 m² GFA. – Above 2,000 m² GFA: 1 car space per 150-200 m² GFA. 	<ul style="list-style-type: none"> – Generally nil provision is permitted for small road-side retail shops which are mainly serving local residents. – Retail is taken to include restaurants and related services commonly found in shopping complexes, but not retail markets apart from those integrated in location and design with the centre. – For retail centres within public housing developments, the requirement should be related to the findings of the pertinent Housing Department retail viability study.
2. Office	<ul style="list-style-type: none"> – For the first 15,000 m² GFA: 1 car space per 150-200 m² GFA. – Above 15,000 m² GFA: 1 car space per 200-300 m² GFA. 	<ul style="list-style-type: none"> – For office blocks with car lifts, adequate queuing spaces should be provided to avoid tailing back onto public roads. – Flexibility should be applied to permit a reduction of standards or nil provision for office blocks located very close to high capacity public transport systems, or for cases with severe site constraints.

INDUSTRY OVERVIEW

In summary, it is expected that increasing housing supply will lead to a corresponding increase of car parking areas; while the standards of car parking spaces as set out by the Planning Department (the “PD Standards”) aims to provide a better match in terms of demand and supply of car parking spaces in different developments taking into consideration the type of developments, density and flat size of private residential development, and proximity to Mass Transit Railway or rail stations.

Despite the Planning Department’s intention of reducing the overall vacancy rate of private car parking space, the effect of Hong Kong Government’s current policy in increasing housing supply, both in the private and public sectors, will outweigh the effect of the PD Standards and is expected to be the main driver in increased supply of car parking spaces which contribute to the forecasted growth of car parking area of 2.7% per annum from 2015 to 2020.

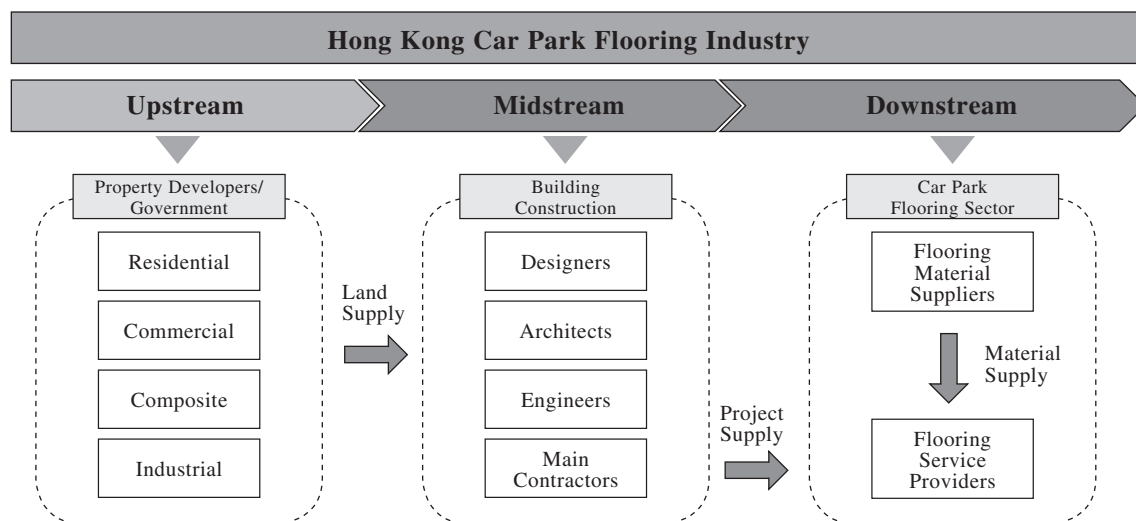
MARKET OVERVIEW OF THE CAR PARK FLOORING INDUSTRY IN HONG KONG

(a) Value Chain Analysis and Business Model

Value Chain Analysis

When property developers or the government has land that they want to develop, they are providing opportunities and projects for the construction industry. Some of these projects require car park flooring services – and this is where the car park flooring industry comes in.

The car park flooring service providers procure their materials from flooring material suppliers, and utilise the materials to produce their outputs.

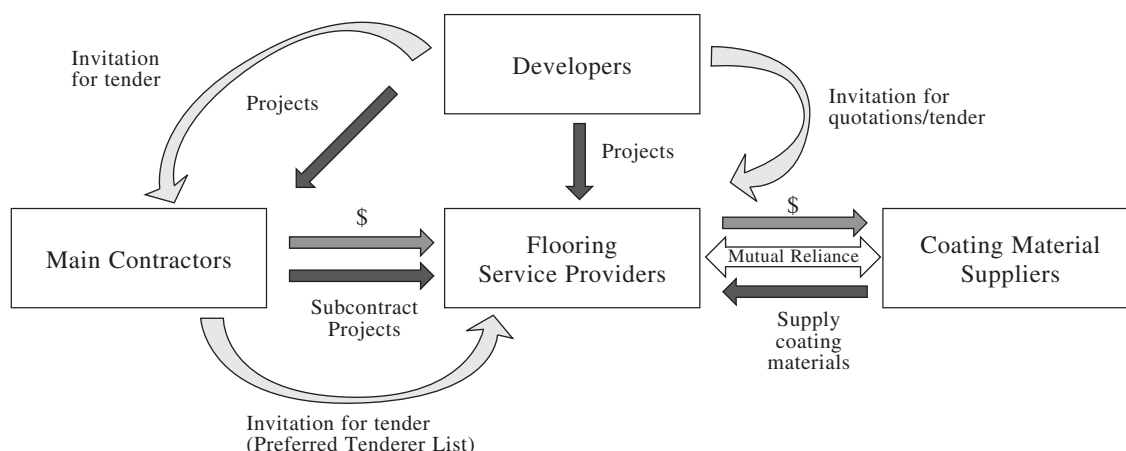


INDUSTRY OVERVIEW

Typical Business Model

In the car park floor coating industry of Hong Kong, there are two main sources where flooring service providers get their project deals from: (1) property developers send out invitations for tender to main contractors, main contractors will then engage subcontractors appearing on their preferred tenderer lists to work on their development projects; (2) In some instances, subcontractors such as flooring service companies would also get direct invitations of quotations from property developers.

The flooring service companies mentioned above then produce tender prices based on the material and labour costs and period and project spans after considering competition, site conditions and the types of customers – e.g. the Hong Kong Government, property developers or construction companies. Flooring service companies pay their suppliers for the materials, and they receive payment from the main contractors by way of progress payments and final settlements.



Source : Frost & Sullivan

Mutual reliance between flooring service providers and coating material suppliers is regarded as an industry norm within the car park flooring industry in Hong Kong. This is due to the fact that coating material suppliers intend to find good applicators of their coating materials securing sales channels through establishing long-term relationship with flooring service providers; while flooring service providers also prefer using high quality coating materials with their services to ensure that the best service is delivered to their end customers.

Sourcing from a small number of floor coating material suppliers is regarded as a norm for car park flooring industry in Hong Kong as flooring service providers tend to minimise the number of suppliers to one or two suppliers in order to increase their bargaining power and reduce purchasing costs when it comes to bulk buying. Maintaining a sustainable business relationship with floor coating material suppliers is effective in raising bargaining power of floor coating service providers in the long term, as flooring service providers can take advantage of their position as a significant buyer to exert pressure on floor coating materials suppliers to negotiate for better terms, such as lower prices of floor coating materials, as well as more technical and marketing support.

INDUSTRY OVERVIEW

Car park flooring industry is not capital intensive due to the nature and procedures of car park flooring work that only a few types of small-scale machineries such as shot-blasting machines and screeding machines are required. Comparatively, more emphasis is placed on the expertise and experience of the car park flooring service providers. It is a common understanding that the correct handling of proprietary floor coating products is crucial to producing high quality car park flooring work; failing which, the duration, performance and long term condition of the car park floor would be adversely affected and therefore it is important that the car park flooring service provider has the requisite skills and experience to perform the flooring work. Given that we are (i) one of the approved applicators or the sole distributor of the proprietary car park floor coating materials, which are well recognised by our customers, and (ii) one of the leaders in the car park flooring industry in Hong Kong, we had been in a better position to negotiate or to win tenders at a favorable price, which might lead to a higher gross profit margin for our Group as compared with the industry average of the construction industry as a whole. The profit margin of our Group is in line with the industry norm.

It is an industry norm for car park flooring service providers to have higher gross profit margin compared to other construction companies as (i) in most cases, users of car park flooring service prefer specific brands of flooring materials which are exclusively applied by approved applicators. These flooring materials, which are usually made overseas, are proprietary branded products that last up to 10 years. In addition, car park flooring materials are required to be applied by specialised car park flooring applicators. Hence, high-quality applicators have an advantage of higher profit margin, compared to profit margins of local construction firms that undertake normal building construction work; and (ii) car park flooring works require knowledge and experience as well as expertise, as specialized application work is involved. Hence, users of car park flooring services often need specialised flooring service contractors such as the Group (not just an ordinary house building contractor) to apply such products. Due to higher requirement and complexity of such work, gross profit margin for such work is usually higher compared to that of normal builders.

(b) Key Suppliers and Customer Segments

The identified key suppliers of car park floor coating materials in Hong Kong are Supplier A, Supplier B, Supplier X, Supplier Y and Supplier Z, in no particular order. They mainly supply car park coating materials such as epoxy, polyurethane as well as methyl methacrylate to flooring services companies in Hong Kong.

Main customers of car park flooring companies are segmented into five groups: the Hong Kong Government, property developers, construction companies, as well as property owners and property management companies acting on behalf of incorporated owners of existing buildings seeking renovations. They are the sources of demand for car park flooring services including new and renovation projects.

Unlike new construction market whose customers are property developers and professional property construction companies, customers in refurbishment market are mainly property management companies, main contractors focusing on buildings refurbishment works as well as incorporated owners of existing buildings seeking car park flooring services.

INDUSTRY OVERVIEW

Unlike customers of new developments (such as property developers and construction companies) where architects and developers have pre-determined or preferred products in their main contract tenders, materials are usually proposed by car park flooring service providers and chosen by customers of refurbishment markets at the start of the renovation projects.

It is common to see that car parks in new or renovated buildings in Hong Kong using car park coating materials that provide a colourful, slip-resistance, hard wearing surface that is resistant against water and petrochemicals.

Review of Major Suppliers

The market of suppliers for car park flooring coating materials is estimated to be highly concentrated in Hong Kong with top five floor coating materials providers accounted for 58.6% in 2015 in terms of product usage. Supplier Z was estimated to be the largest floor coating material provider in Hong Kong with a market share of 19.0% in the same year. A comparison of the background and features among major suppliers in the Hong Kong car park flooring industry are listed below.

		Supplier A	Supplier B	Supplier X	Supplier Y	Supplier Z
Year of Establishment		1982	1928	1988	1972	1910
Headquarters		United Kingdom	United Kingdom	Hong Kong	United Kingdom	Switzerland
Key Manufacturing Location for Flooring Products (For Asia Market)		Malaysia	United Kingdom	Hong Kong	China	China
Approved applicators in Hong Kong (Note)		Our Group, Competitor C	Our Group	Competitor A	Open to the market with no specific approved applicator	Competitor D, Competitor E, and other small players
Geographic Coverage		32 countries	25 countries	1 country	20 countries	93 countries
Green Assessment Highlighted in relation to Flooring Product Application	Leadership in Energy and Environmental Design (LEED) Building Research Establishment Environmental Assessment Methodology (BREEAM) Building Environmental Assessment Method (BEAM)	✓	✓	N/A	N/A	N/A
		✓	✓	N/A	N/A	N/A
		✓	N/A	N/A	N/A	N/A

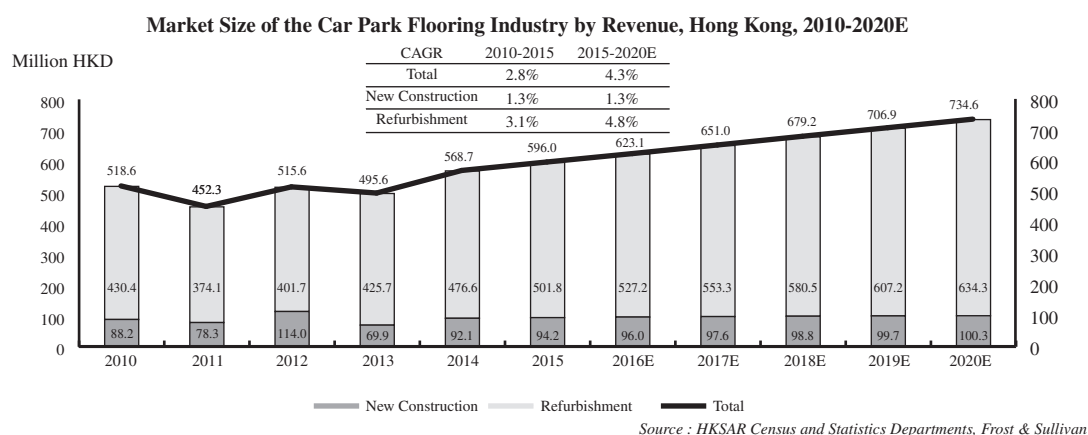
Note: Please refer to the paragraph headed “Ranking” in this section for details of our competitors.

INDUSTRY OVERVIEW

(c) Market Size of the Car Park Flooring Industry

The market size of the car park flooring industry in Hong Kong will likely maintain steady growth in the future. The total market size of car park flooring industry in terms of revenue in Hong Kong rose from approximately HK\$518.6 million in 2010 to approximately HK\$596.0 million in 2015, representing a CAGR of 2.8% during 2010-2015. The number of private cars in Hong Kong is estimated to have a CAGR of 5.0% during 2015-2020, so more demand for car parking lot will be generated. However, the shortage of land supply in Hong Kong tends to limit the new construction. Therefore, it is estimated that the total market size would grow at a CAGR of 4.3% from 2015 to 2020, driven by the increasing demand for car park refurbishment.

The market size of car park flooring refurbishment works has been larger and achieving higher CAGR than that of car park new construction because of the limited land supply in Hong Kong. The general situation of large car park flooring refurbishment market with higher CAGR will likely to remain in the next five years. In 2015, the market size of car park flooring refurbishment was five times as large as that of new constructions, as car park flooring refurbishment took up 84.2% in the whole market size.

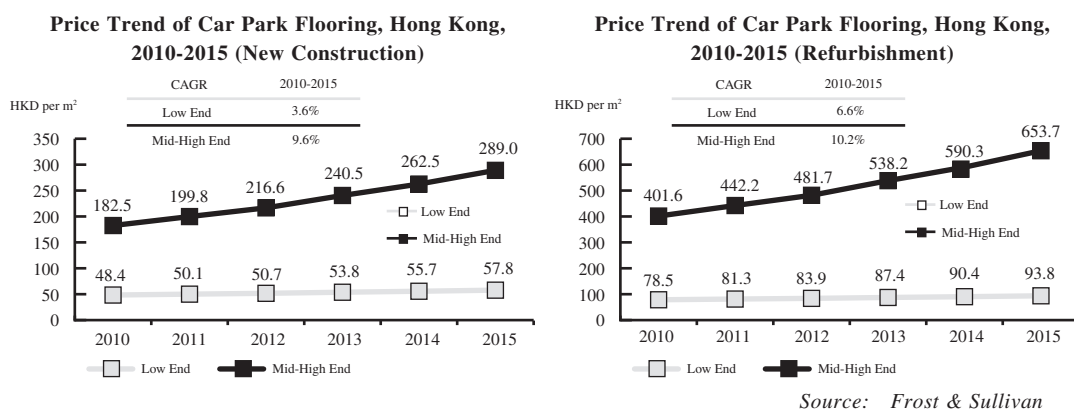


(d) Analysis of Historical Price Trend of Car Park Flooring

Car park flooring services in Hong Kong had recorded a growing trend in terms of price over the historical period. Due to additional procedures in flooring work (e.g. removal of old coating material and screeding), average price of car park flooring for refurbishment was higher than that of new construction projects.

In general, car park flooring service could be segmented into mid to high end and low end based on various criteria such as perception from customers, pricing, quality and grading of building, and property involved. The growing price trend for car park flooring service providers was attributed to escalating operation cost including coating materials (e.g. epoxy, cement) and labour cost. On the other hand, mid to high end players showed a higher CAGR than low end players due to the application of high quality materials, while the low end players maintained their competitiveness through lower project pricing.

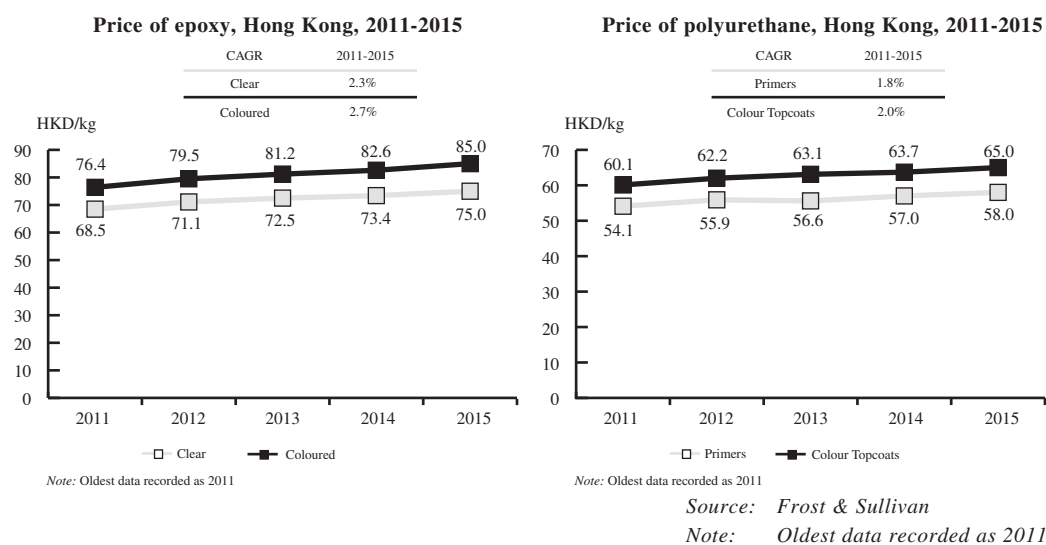
INDUSTRY OVERVIEW



(e) Analysis of Historical Average Price Trend for Key Raw Materials

The period of 2011-2015 saw a rise in the prices of coating materials in Hong Kong. Epoxy and polyurethane are the two mostly used paints in car park floor coating which are made from oil and resins while methyl methacrylate is also an option with faster installation. Polyurethane can be divided into primers and colour topcoats in which colour topcoat is generally slightly more expensive than primers, whilst coloured epoxy is also more expensive than the clear ones. Polyurethane and epoxy are used in different contexts for different purposes, while polyurethane is more preferred for anti-skid purposes, and epoxy is used in heavy-duty surfaces.

Due to increasing health concerns and government restrictions on volatile organic compounds levels in painting materials, the demand and prices for epoxy, which has a lower volatile organic compounds level, climbed faster than that of polyurethane. Meanwhile, coloured coating are growing in popularity due to a rise in the demand for better looking car parks.



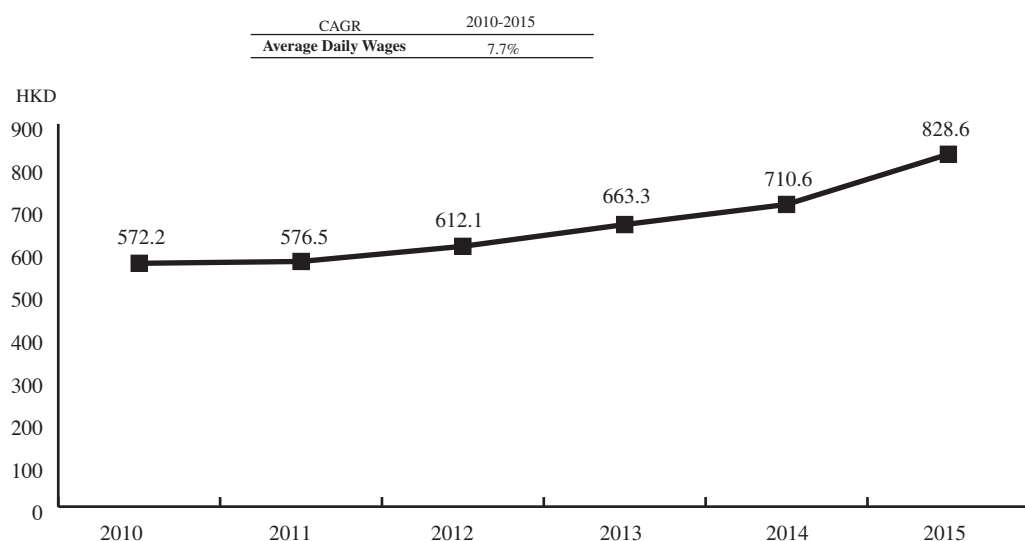
INDUSTRY OVERVIEW

(f) Historical Average Salaries of Workers in Car Park Flooring Services

The average daily wage of car park flooring workers had increased over the past five years, mainly driven by inflation and the substantial demand for labour. The average daily wages for Hong Kong car park flooring workers had witnessed a growing trend from HK\$572.2 in 2010 to HK\$828.6 in 2015 at a CAGR of 7.7%.

Inflation, substantial demand for workers in construction industry due to increasing number of property development projects, announcement of development goal by the government (e.g. 10-year housing supply target) and shortage of labour served as key drivers for the increase in daily wages in the car park flooring industry over the historical period.

Average Daily Wages of Car Park Flooring Workers, Hong Kong, 2010-2015



Soucre: Frost & Sullivan








COMPETITIVE LANDSCAPE OF THE CAR PARK FLOORING INDUSTRY IN HONG KONG


The Hong Kong car park flooring industry can be separated into two segments, the new construction market and the refurbishment market. However, there is no difference in the competitive landscape between new construction and refurbishment markets in Hong Kong as all players in the industry can become eligible candidates for tender submission in any new construction and refurbishment projects.

The new construction market is relatively concentrated compared to the refurbishment market. This is because customers of the new construction market such as property developers and construction companies usually have pre-determined or preferred products in their main contract tenders. This resulted in a market that is dominated by a few approved floor coating applicators. Comparatively, the refurbishment market is fragmented as customers in this market can choose from many flooring service providers.

INDUSTRY OVERVIEW

(a) Customer Behavior and Choosing Criteria on Service Provider

Criteria	Power of Influence	Customer Behaviour
Quality		Quality of coating materials and coating work is the most important criteria that customers would consider when it comes to choose a service provider for car park flooring.
Experience and Job References		The more experiences service provider has the higher the chance it get picked as this would mean the service provider has got involved in a lot of relevant projects which helps to provide more comprehensive solutions for its customers.
Price		Better quality materials and works often cost more and last longer. However, customers are more willing to pay higher price for better quality flooring work.
Brand and Reputation		Word of mouth has become increasingly important when it comes to choose the right service provider to perform the task as poor coating work would impose extensive monetary losses and time cost to the customers.
After-Sales Service		Providing warranty is the industry common practice. Therefore, customers expect after-sales-service when things went wrong. The longer the warranty is, the higher the consumer confidence in choosing that particular service provider as this would mean longer durability of the products.
Service Scope		The wider range of services a company can provide, the more likely the customers would choose a particular company as they tend to have different requirements and various kinds of works to be completed in a project e.g. waterproofing with floor coating and anti-skid surface systems.
Eco-friendliness of materials		With the increasing awareness of environmental protection, eco-friendly coating materials are increasingly preferred by customers.

Notes: From low to high 

Source: Frost & Sullivan

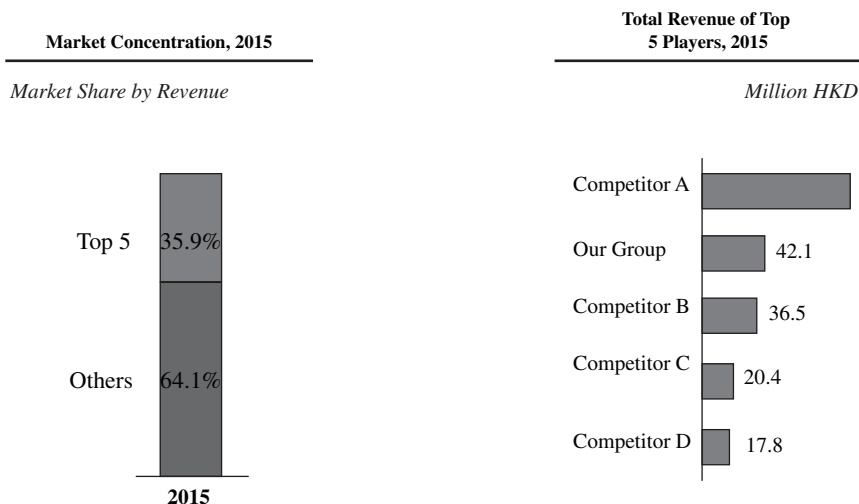
(b) Market Concentration

In the year of 2015, top five companies took up an aggregate market share of 36% in the car park flooring market of Hong Kong.

Our Group is leading the new construction market of car park flooring in Hong Kong, as we occupied 33.7% in the new construction segment in the year of 2015. We have contributed approximately HK\$42.1 million dollars in the new construction market and the refurbishment market, representing 19.7% of the aggregate market share of the top five players.

INDUSTRY OVERVIEW

Competitor A ranked first among other players, contributing an estimated revenue of HK\$97.2 million and 16.3% of market share in the car park flooring market of Hong Kong in 2015, because the focus of Competitor A is on refurbishment business.



2015 market size : HK\$596.0 Million

Top 5 Subtotal: HK\$214.0 Million

(c) Ranking

Ranking by Revenue and Market Share

In terms of the revenue from car park flooring services, the top five players in Hong Kong in 2015 were Competitor A, our Group, Competitor B, Competitor C and Competitor D. The following table shows the revenue and market shares of the top five players:

Ranking	Company	Revenue from Car Park Flooring in Hong Kong in 2015 (HK\$ million)	Market Share of Hong Kong Car Park Flooring in 2015
1	Competitor A	97.2	16.3%
2	Our Group	42.1	7.1%
3	Competitor B	36.5	6.1%
4	Competitor C	20.4	3.4%
5	Competitor D	17.8	3.0%
	Top 5 Total	214.0	35.9%

Source: Frost & Sullivan

INDUSTRY OVERVIEW

Profiles of Competitors

Company	Year of Establishment	Description
Competitor A	1988	Competitor A was established as an electronics chemicals supplier in Hong Kong. Over the years, the company has grown and diversified to become a leading manufacturer, equipment and materials supplier, and specialist applicator of epoxy, polyurethane, polyurea and other high performance materials for building construction and industrial applications. In the car park flooring sector, the company has been focusing on the refurbishment projects.
Competitor B	2002	Competitor B is an engineering company undertaking contracting works with imported Taiwanese branded floating products. Competitor B started its business as wall painter and slowly shifted to the part of flooring and has successfully grasped some market share in the car park flooring market of Hong Kong.
Our Group	2002	We are an established contractor in Hong Kong in the car park flooring industry.
Competitor C	1981	Competitor C is mainly involved in the service of waterproofing, flooring, external refurbishment and additional services or material supplies. Competitor C has a stronger presence in Macau than in Hong Kong as it has concentrated on works involving casinos in Macau. As for car park flooring, Competitor C has been focusing on the new construction market.
Competitor D	1991	Competitor D is a contractor for epoxy floor coating, anti-skid coating for car park, floor hardener and joint sealant installation. In the past few years, the company has successfully completed many projects, especially renovated car park flooring projects.

It is observed that all of the competitors above are either having office displaying car park flooring coating samples or owning showrooms for products demonstration in Hong Kong.

Source: Frost & Sullivan

(d) Market Entry Barriers

New players in the Hong Kong car park flooring market may encounter the following entry barriers:

Relationships between Main Contractors and Existing Market Players

Main contractors play a key role in construction part of development projects in Hong Kong and they may have their own tender lists with preferred subcontractors for coating and decoration works, which include flooring in car parks. Hence a greater effort would be required for a new entrant without a track record to the car park flooring market to be included in the tender lists and acquire projects.

Limited Pool of Experienced Labour and Soaring Labour Costs in the Market

In the car park flooring industry, there are limited number of specialised and experienced workers serving existing flooring service providers. Meanwhile, the overall shortage of labour in the construction industry may further narrow down the manpower available for car park flooring. In addition, escalating costs for labour may also lead to an issue for new service providers to initiate and sustain their businesses in the market.

(e) Market Drivers and Opportunities

Vehicles and Parking Lots

According to the Transport Department, there were 731,073 licensed vehicles in 2015, while the total number of parking lots was 695,000 (exclude off-street parking). In view of the substantial number of vehicles, there will be a strong demand for parking lots, especially in urban areas and housing estates. The demand is also driven by speculation and escalating prices of parking lots in housing estates during the recent years. As a result, a potential growth in car parking lots is expected in the future to meet the increase in demand, which will bring more car park flooring businesses.

Housing and Development

According to the Housing Authority, the number of general applicants for public housing has increased from 77,800 in 2010 to 121,900 in 2014, which indicate a growing demand for parking lots in public housing estates. To address the increasing demand for housing, the Government had proposed the target of housing supply in its Policy Address since 2011. As estimated in the 2014 Policy Address, there will be 470,000 housing units in total in the next ten years, which will bring more car park construction needs in residential buildings and thus related car park flooring projects.

INDUSTRY OVERVIEW

Renovation Projects

With rising living standard and quality, property developers and management companies have increased their efforts on renovation of facilities. As estimated by Planning Department, there are 12,220 buildings aged above 40 years in Hong Kong in 2016, while there were 4,340 buildings aged between 30 to 39 years. The Mandatory Building Inspection Scheme (“**MBIS**”) has come into full implementation in 2012, which highlights the inspection and related repair works to be conducted for buildings aged 30 years and above. Apart from Mandatory Building Inspection Scheme, the Government has taken initiatives to boost their renovation projects. For instance, the Urban Renewal Authority has contributed HK\$150 million to repair and maintenance work. Hence, it is expected that more renovation work would be carried out on the aged buildings and related facilities including car parks, thus increasing the demand for car park flooring works.

Rising Quantity and Quality of Parking Lots

In view of the trend of escalating number of automobile possession in Hong Kong along with the speculation of parking lots, supply of car parking lots in the forms of underground and multi-storey car parks will likely be increased to meet the growing demand.

Meanwhile, it is expected that more old car parks will be refurbished and upgraded together with other common areas in the building under the MBIS. Meanwhile, higher living standards will increase the demand for modern designed car parks with better protection to vehicles, and car owners are more willing to store their vehicles in car parks rather than outside for security reason. Hence more flooring projects in car parks can be anticipated in the future.

(f) Threats

Advancement in Floor Coating Materials and Technology

Epoxy and polyurethane resin are the commonly used coating materials in car park flooring. With technological developments and thus the emergence of new materials, efficiency and quality of flooring work will likely be enhanced in the future.

For example, methyl methacrylate becomes one of the options for refurbishment projects due to its fast-curing installation time and high resistance to ultraviolet, which minimises the disruption to regular operation of the car park. However, cost of methyl methacrylate is currently approximately twice that of existing flooring products on the market. In addition, it has the disadvantage of emitting odour upon application, resulting in the limitation of application in outdoor spaces only. On the other hand, new systems with less consumption of materials, aggregates, higher durability, resistance to extreme conditions, and lower staff assignment are likely to appear in the future.

REGULATORY OVERVIEW

THE LAWS AND REGULATIONS OF HONG KONG

This section summarises the principal laws and regulations of Hong Kong which are relevant to our business. As this is a summary, it does not contain detailed analysis of all the laws of Hong Kong which may be relevant to our business. As at the Latest Practicable Date, apart from the licensing requirement under the Dangerous Goods Ordinance, we were not subject to any requirement to obtain any particular approval or permit for carrying out our business in Hong Kong.

Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)

According to section 32 of the Construction Industry Council Ordinance, a levy known as the “Construction Industry Levy” is to be assessed and paid by a contractor of any construction operations which are subject to the payment of a levy under this ordinance. Construction operations which do not have a total contract value in relation to construction operations of HK\$1,000,000 each are not liable to the levy. A levy at the rate of 0.5% of the value of the construction operations concerned is to be imposed in respect of construction operations carried out in Hong Kong. The levy is payable by a contractor of any construction operations.

According to section 35, within 14 days after any construction operations have commenced, the contractor and the authorised person in respect of the construction operations shall each inform the Council, by a notice, that he is such contractor or authorised person. A notice shall be in a form specified by the Council and shall state the estimated total value of the construction operations.

A notice is required to be given under this section only if:

- a) the construction operations are carried out under a term contract; or
- b) it is reasonably estimated that the total value of the construction operations exceeds HK\$1,000,000.

A person who, without reasonable excuse, fails to give a notice as required by this ordinance commits an offence and is liable on conviction to a fine at level 1.

According to section 46 of this ordinance, a contractor who is given a notice of assessment or a notice of surcharge shall pay to the Council the amount of the levy or surcharge specified in the notice given to him, within 28 days. If the amount of the levy or surcharge is not fully paid within 28 days, the contractor is liable to pay a penalty of 5% of the unpaid amount. If the amount of the levy or surcharge, including any penalty imposed, is not fully paid within 3 months after the expiry of 28 days, the contractor is liable to pay a further penalty of 5% of the unpaid amount. A penalty or further penalty is payable in addition to the levy or surcharge for the non-payment of which is imposed.

Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong)

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

REGULATORY OVERVIEW

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

According to section 58(7)(a) of the Construction Workers Registration Ordinance, a principal contractor/controller of a construction site is required to establish and maintain a site daily record in the specified form that contains information on registered construction workers employed by him or, if he is the principal contractor, his subcontractor.

According to section 58(7)(b) of the Construction Workers Registration Ordinance, a principal contractor/controller of a construction site is required to furnish the Registrar of Construction Workers in such manner as directed by the Registrar of Construction Workers with a copy of the report for the period of seven days after any construction work begins on the site and for each successive period of seven days, within two business days following the last day of the period concerned.

Pneumoconiosis and Mesothelioma (Compensation) Ordinance (Chapter 360 of the Laws of Hong Kong)

The Pneumoconiosis and Mesothelioma (Compensation) Ordinance establishes a scheme for compensating persons or their family members in respect of incapacity or death resulting from pneumoconiosis or mesothelioma (or both).

According to the section 4 of the Pneumoconiosis and Mesothelioma (Compensation) Ordinance, compensation shall be payable to:

- a) any person suffering from pneumoconiosis or mesothelioma (or both), in respect of any incapacity resulting from the above disease or diseases and any pain, suffering and loss of amenities arising from the above disease or disease;
- b) for a person suffering from pneumoconiosis (whether or not he is also suffering from mesothelioma), compensation in respect of his pneumoconiosis shall be payable only where the date of diagnosis of his pneumoconiosis occurs on or after 1 January 1981;
- c) for a person suffering from mesothelioma (whether or not he is also suffering from pneumoconiosis), compensation in respect of his mesothelioma shall be payable only where the date of diagnosis of his mesothelioma occurs on or after 18 April 2008; and
- d) a person resident in Hong Kong for 5 years or more at the date of the notification of the claim, or resident in Hong Kong for less than 5 years at such date if he contracted pneumoconiosis or mesothelioma (or both) in Hong Kong.

For construction operations the total contract value each of which exceeds the amount of HK\$1,000,000, such operations are liable to pay a levy under the Pneumoconiosis and Mesothelioma (Compensation) Ordinance. A levy of 0.15% of the value of the construction operations concerned is to be imposed in respect of construction operations carried out in Hong Kong.

REGULATORY OVERVIEW

If the amount of the levy or surcharge is not fully paid within such time as may be prescribed, the contractor shall be liable to pay, in addition, a penalty of 5 per cent of the amount unpaid. If the amount of the levy or surcharge including any penalty payable is not fully paid within 3 months after the expiry of such period, the contractor shall be liable to pay, in addition, a further penalty of \$1,000 or 5% of the amount unpaid, whichever is the greater.

Any person who is knowingly concerned in, or in the taking of steps with a view to, the fraudulent evasion of the payment of a levy, whether due from him or from any other person, commits an offence and is liable to a fine of \$10,000 or 20 times the amount of levy that was or was intended to be evaded by his conduct, whichever is the greater.

Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong)

The Dangerous Goods Ordinance controls the usage, storage, manufacturing and conveyance of the dangerous goods under the ordinance and sets out the relevant licensing requirements in relation to these activities.

According to section 3 of the Dangerous Goods Ordinance, dangerous goods include all explosives, compressed gases, petroleum and other substance giving off inflammable vapours, substances giving off poisonous gas or vapour, corrosive substances, substances which become dangerous by interactions with water or air, substances liable to spontaneous combustion or of a readily combustible nature.

According to Section 6 of the Dangerous Goods Ordinance, no person shall store any dangerous goods in excess of exempted quantity in any premises or places without a licence issued by the director of the Fire Services Department.

According to section 14 of the Dangerous Goods Ordinance, any person who contravenes section 6 of the Dangerous Goods Ordinance shall be guilty of an offence and shall be liable to a fine of HK\$25,000 and to an imprisonment of 6 months.

The Dangerous Goods (General) Regulations (Chapter 295B of the Laws of Hong Kong) provides the exempted categories and quantity of the dangerous goods for which a licence is not required for the transport, storage and usage of the dangerous goods.

HISTORY, DEVELOPMENT, REORGANISATION AND CORPORATE STRUCTURE

OVERVIEW

Our history can be traced back to 2002 when Kwong Man Kee Engineering Limited (“**KMK**”), previously known as Profit Well (Asia) Limited (“**Profit Well**”) was incorporated. The founder of Profit Well was Ms. Ke, an Independent Third Party. Ms. Ke is a high net worth individual and an acquaintance of Mr. Kwong. Based on representations made by Ms. Ke, she invested and ran food and beverage businesses from 2002 to 2004; thereafter, began to invest in properties in Hong Kong and the PRC. In 2008, she obtained a license from Hong Kong Estate Agents Authority. She is an active investor in properties and currently owns and runs two licensed guesthouses in Hong Kong. Ms. Ke has not held any directorship in any listed company in the past three years. Ms. Ke has been the sole shareholder and sole director of Joint Surplus, which was one of our top five customers in FY2015, since 26 July 2015. For details of our relationship with Joint Surplus, please refer to the section headed “Relationship with Joint Surplus” in this prospectus.

In August 2003, Mr. Kwong joined KMK responsible for the business development of car park flooring contracting works in Hong Kong. On 2 April 2008, Mr. Kwong acquired 68 shares, and 2 shares in KMK at par from Ms. Ke and another Independent Third Party respectively constituting 70% of the total issued shares and became a director of KMK. On 5 February 2013, Mr. Kwong acquired 30 shares, the remaining 30% interest in KMK at par from Ms. Ke. As a result, Mr. Kwong completed the full acquisition of KMK and became the sole shareholder and the sole director of KMK. At all times during 5 February 2013 up to the Reorganisation, Mr. Kwong directly held 100% of KMK. For further information on the background and experience of Mr. Kwong, please refer to the section headed “Directors, Senior Management and Staff” in this prospectus.

Our Company was incorporated in the Cayman Islands under the Cayman Companies Laws as an exempted company with limited liability on 30 May 2016 in anticipation of the Share Offer on the GEM Board of the Stock Exchange.

We operate our business through KMK, an indirect wholly-owned subsidiary of our Company. Under the management of Mr. Kwong, KMK has become a successful specialist supplier and engineering contractor in the provision of car park flooring works and related ancillary services such as concrete repairing and wall painting work in Hong Kong.

DEVELOPMENT

Major Business Development and Milestones

The key events of the business development and milestones of us since our establishment are summarised as below:

Month/Year	Event
May 2002	Profit Well (Asia) Limited was incorporated.
August 2003	Mr. Kwong joined Profit Well as the company’s general manager responsible for the development of car park flooring contracting works in Hong Kong.

HISTORY, DEVELOPMENT, REORGANISATION AND CORPORATE STRUCTURE

Month/Year	Event
August 2003	The business name of Profit Well was changed to “Kwong Man Kee Engineering Limited”.
December 2004	We became the Hong Kong sole distributor of Supplier B.
September 2005	Our first major project using Supplier B’s materials for flooring works with floor area over 35,000 sq.m. in a residential development in Cyber Port, Hong Kong.
December 2005	We became the sole agent in Hong Kong, Macau and the PRC of an overseas supplier (the “ Overseas Supplier ”), which was subsequently acquired by Supplier A’s group of its proprietary anti-skid surfacing materials.
April 2007	Our first project with a major property developer for a commercial building on Kwun Tong Road, Kowloon East.
July 2007	Our first project using both Supplier B’s materials and the Overseas Supplier materials for flooring works in a luxury residential development on Tung Lo Wan Hill Road, Tai Wai, New Territories, Hong Kong.
August 2007	Our first project in relation to station works for a major railway company in Hong Kong above a subway station.
October 2008	Our first project for a major property developer in respect of flooring works in a commercial office building on Wang Chiu Road, Kowloon Bay.
April 2009	Our first project for flooring works in a private hospital located on Junction Road, Kowloon Tong.
August 2010	Flooring works for Hong Kong’s tallest building at the time, a commercial building with 118 stories on Austin Road West, Kowloon.
June 2011	Our first refurbishment project with contract value of over HK\$2 million in a private residential development on Cloud View Road, North Point.
October 2011	We became the authorised applicator of Supplier A for the distribution and application of Supplier A’s range of materials in Hong Kong.
January 2012	Our first project for a university student hostel located at Lung Wah Street, Kennedy Town.
April 2012	Our first project with another major property developer for flooring works in an office development on Hoi Shing Road, Tsuen Wan.
February 2013	Flooring works for a residential/commercial development with contract sum of HK\$6 million (our largest contract sum secured at the time) in West Rail Line Tuen Mun Station.

HISTORY, DEVELOPMENT, REORGANISATION AND CORPORATE STRUCTURE

Month/Year	Event
September 2013	Our first project as main contractor to provide flooring works for an office building located at Chai Wan Kok Street, Tsuen Wan.
August 2013	Our first project with another major developer for the flooring work in a residential building on Dunbar Road, Ho Man Tin, Kowloon.
May 2015	We also received Supplier A's "Asia No. 1 Customer" award in 2015.
December 2015	We renewed the agreement with Supplier B to act as Supplier B's sole distributor for Hong Kong, Macau and the PRC till 31 December 2020.
March 2016	We renewed the agreement with Supplier B to act as Supplier B's sole distributor for Hong Kong, Macau and the PRC till 31 December 2025.
March 2016	We renewed the agreements with Supplier A to act as Supplier A's authorised applicator for Hong Kong, Macau and the PRC till 1 June 2025 and exclusive supply of anti-skid materials from Supplier A for Hong Kong and Macau till 1 June 2025.
May 2016	Our Company was incorporated in the Cayman Islands as part of Reorganisation for the purpose of the Listing.

HISTORY, DEVELOPMENT, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE DEVELOPMENT

Our Company

Our Company is a limited liability company incorporated under the laws of Cayman Islands on 30 May 2016 and currently has an authorised share capital of HK\$20,000,000 divided into 2,000,000,000 ordinary Shares with a par value of HK\$0.01 per share.

On 16 June 2016, as part of the Reorganisation, our Company (as purchaser) entered into a share swap agreement with Sage City (as vendor and warrantor), Silver Thrive (as vendor and warrantor), Speedtown (as vendor and warrantor), Marine Assets (as vendor and warrantor), United Solutions (as vendor and warrantor) and Victor Ease, pursuant to which our Company acquired 8,350, 550, 366, 367 and 367 shares in Victor Ease which represent, in aggregate, its then entire issued share capital from Sage City, Silver Thrive, Speedtown, Marine Assets and United Solutions respectively, and as consideration for which 8,349, 550, 366, 367 and 367 Shares of our Company were allotted and issued to Sage City, Silver Thrive, Speedtown, Marine Assets and United Solutions respectively, all credited as fully paid, representing 83.50%, 5.50%, 3.66%, 3.67% and 3.67% of the then issued share capital of our Company respectively. As a result, Victor Ease and KMK became directly and indirectly our wholly owned subsidiaries.

As at the Latest Practicable Date, our Company is basically owned by as to 83.50% by Sage City (being the controlling shareholder), 5.50% by Silver Thrive, 3.66% by Speedtown, 3.67% by Marine Assets and 3.67% by United Solutions.

Our intermediate holding company

Victor Ease is a limited liability company incorporated under the laws of BVI on 10 July 2015. On 14 August 2015, Mr. Kwong acquired the subscriber's share in Victor Ease with a view to using the company as an intermediate holding vehicle in the Reorganisation.

Our operating subsidiary

KMK

KMK is our operating subsidiary which commenced business as an engineering contractor in the construction industry in 2003. KMK, then known as Profit Well was incorporated on 24 May 2002 in Hong Kong.

On 2 April 2008, Mr. Kwong acquired approximately 70% interest at par in KMK from Ms. Ke.

On 5 February 2013, Mr. Kwong acquired the remaining 30% interest at par in KMK from Ms. Ke. As a result, Mr. Kwong completed the full acquisition of KMK and became the sole shareholder and the sole director of KMK.

For the abovementioned acquisitions, all the other parties, save as being the former shareholders and directors of KMK, were independent third parties.

HISTORY, DEVELOPMENT, REORGANISATION AND CORPORATE STRUCTURE

In anticipation of the Listing and by way of Reorganisation, on 14 August 2015, Victor Ease acquired 100 shares in KMK, the then total number of issued shares, from Mr. Kwong, and as consideration for which 9,999 shares of Victor Ease were allotted and issued to Mr. Kwong, all credited as fully paid. As a result, KMK become the wholly owned subsidiary of Victor Ease.

Pre-IPO Investments

We have introduced a number of Pre-IPO Investors as part of our Reorganisation in 2015. Pursuant to four share sales and purchase agreements dated 14 August 2015, Sage City sold a total of 1,650 shares of Victor Ease, the intermediate holding company of KMK to four groups of investors for an aggregate consideration of HK\$15,427,500. Upon completion of the sale, Sage City was held as to 16.5% (in aggregate) by the Pre-IPO Investors and 83.5% by Mr. Kwong. The above Pre-IPO Investors' aggregate interests are expected to be diluted to 12.37% following the Listing. In relation to the Pre-IPO investment agreements between Sage City and the Pre-IPO investors (except for Silver Thrive), it has been agreed that Sage City should apply the proceeds as funding for the payment of Listing expenses. As we started planning for the Listing in August 2015, we believe it would be in our Group's best interest to seek external financing to fund the Listing exercise, without affecting our Group's operational cash flow. In addition, the introduction of corporate investors such as UBA Investments Limited and DT Capital Limited, both of which are listed companies on the Stock Exchange, would improve our Group's corporate governance prior to the Listing.

Set out below is the summary of the pre-IPO investments:

<u>Name of Pre-IPO Investors</u>	<u>Silver Thrive</u>	<u>Speedtown</u>	<u>Marine Assets</u>	<u>United Solutions</u>
Beneficial Owner	1) Leung Nim Hing (35.5%) 2) Kong Po Yee (25.5%) 3) Tang Ho Yan Teresa (30%) 4) Shek Lai Ying (9%)	1) Tse Chun Yiu (65%) 2) Leung Nim Hing (35%)	1) UBA Investments Limited (100%)	1) DT Capital Limited (100%)
Date of Sale and Purchase of Shares in Victor Ease	14 August 2015	14 August 2015	14 August 2015	14 August 2015
Amount of consideration paid	HK\$5,142,500.00	HK\$3,422,100.00 (Note 1)	HK\$3,431,450.00 (Note 1)	HK\$3,431,450.00 (Note 1)
Settlement Date	10 May 2016	26 August 2015	26 August 2015	26 August 2015
Consideration per Share (Note 2)	HK\$0.208	HK\$0.208	HK\$0.208	HK\$0.208

HISTORY, DEVELOPMENT, REORGANISATION AND CORPORATE STRUCTURE

<u>Name of Pre-IPO</u>				
<u>Investors</u>	<u>Silver Thrive</u>	<u>Speedtown</u>	<u>Marine Assets</u>	<u>United Solutions</u>
Basis for determining the consideration	The consideration was determined based on arm's length negotiation between Sage City and the Pre-IPO Investors after taking into consideration market value as determined by using a price to earning ratio of 5.5 times and KMK's forecasted profit before tax of HK\$17 million for FY2016. For FY2016, our audited profit before tax was approximately HK\$20.9 million.			
Use of proceeds	No specific requirement on the consideration received by the Controlling Shareholder from the sale of existing shares	Provide funding for the payment of Listing expenses	Provide funding for the payment of Listing expenses	Provide funding for the payment of Listing expenses
Special rights of the Pre-IPO Investor	None	In the event there was no Listing within 18 months from date of agreement, the Pre-IPO Investor would have the right to put its investment back to the shareholders of Sage City and the shareholders would repurchase all its shareholding at its original investment cost.	In the event there was no Listing within 18 months from date of agreement, the Pre-IPO Investor would have the right to put its investment back to the shareholders of Sage City and the shareholders would repurchase all its shareholding at its original investment cost.	In the event there was no Listing within 18 months from date of agreement, the Pre-IPO Investor would have the right to put its investment back to the shareholders of Sage City and the shareholders would repurchase all its shareholding at its original investment cost.
		The above put option will be terminated upon Listing	The above put option will be terminated upon Listing	The above put option will be terminated upon Listing
Shareholding in our Company before Listing	5.5%	3.66%	3.67%	3.67%
Shareholding in our Company after Listing	4.13%	2.74%	2.75%	2.75%
Lock-up after Listing	6 months	6 months	6 months	6 months

HISTORY, DEVELOPMENT, REORGANISATION AND CORPORATE STRUCTURE

<u>Name of Pre-IPO</u>				
<u>Investors</u>	<u>Silver Thrive</u>	<u>Speedtown</u>	<u>Marine Assets</u>	<u>United Solutions</u>
Strategic benefits that the Pre-IPO Investors brought/ will bring to our Group	We believe Silver Thrive's investment would strengthen and diversify the shareholders' portfolio of our Company, serve as an endorsement of our operation, performance and prospects	We believe Speedtown's investment would strengthen and diversify the shareholders' portfolio of our Company, serve as an endorsement of our operation, performance and prospects	We believe Marine Assets, investment would strengthen and diversify the shareholders' portfolio of our Company, serve as an endorsement of our operation, performance and prospects. Also, Marine Assets' ultimate beneficial owner is a listed company in Hong Kong which would improve our Group's corporate governance such as providing guidance to Directors on improvement on the internal control procedures and compliance with relevant rules and regulations and introduction of an independent non-executive Director, namely Mr. Law Pui Cheung, who is a certified public accountant, to our Group	We believe United Solutions, investment would strengthen and diversify the shareholders' portfolio of our Company, serve as an endorsement of our operation, performance and prospects. Also, United Solutions' ultimate beneficial owner is a listed company in Hong Kong which would improve our Group's corporate governance such as providing guidance to Directors on improvement on the internal control procedures and compliance with relevant rules and regulations

Notes:

1. As per agreement with Speedtown, Marine Assets, and United Solutions, total amount of consideration received by Sage City was approximately HK\$10.3 million. This entire amount was advanced to our Group as a bridging loan to pay for Listing expenses. As at 7 July 2016, of the above mentioned HK\$10.3 million, HK\$4.9 million had been utilized.
2. Calculated based on amount of consideration paid and 600 million Shares expected to be in issue upon the Listing. The consideration per Share paid represents a discount of approximately 48% and 58% to the expected Offer Price range of between HK\$0.40 and HK\$0.50 per Offer Share.

HISTORY, DEVELOPMENT, REORGANISATION AND CORPORATE STRUCTURE

The proceeds of the pre-IPO investment was planned to be applied as loan in funding the Listing expenses prior to the Listing. In this connection, Sage City had lent in aggregate HK\$8 million to KMK for payment of Listing expenses during the period from 6 October 2015 to 29 March 2016 without collateral security and interest free. The above amount was repaid in full by KMK from internally generated cash flow on 29 March 2016. On 10 June 2016, Sage City advanced HK\$10.3 million without collateral security and interest free to KMK for payment of Listing expenses prior to the Listing. Such amount will be fully settled before Listing by an overdraft facility from a commercial bank and internal resources.

Background of Pre-IPO Investors

Silver Thrive and Speedtown were introduced by the ex-auditor (O.S.R. CPA Limited) of KMK when our Group intended to raise funds for expansion and planned for listing in November 2014. Having considered the size of investment, Silver Thrive and Speedtown then introduced Marine Assets and United Solutions (both of them are professional investors) to our Group. As co-investors, Silver Thrive and Speedtown could leverage on the expertise and resources of Marine Assets and United Solutions to assess the investment opportunity. These four Pre-IPO Investors decided to invest in our Group after detailed internal assessment of our Group's performance in respect of (i) financial position, (ii) business nature and operations (iii) experience in car park flooring market in Hong Kong and (iv) business expansion plan.

Silver Thrive is an investment holding company incorporated for the purpose of the pre-IPO investments and the investors of Silver Thrive are independent third parties not engaged in any business in competition with KMK.

Speedtown is an investment holding company incorporated for the purpose of the pre-IPO investments and the investors of Speedtown are independent third parties primarily engaged in general merchandise trading business and not engaged in any business in competition with KMK.

To the best of our Directors' knowledge, investors of Silver Thrive and Speedtown had not participated in other IPOs as pre-IPO investors. Unlike Marine Assets and United Solutions that have investment experiences as mentioned below, our Directors are of the view that Silver Thrive and Speedtown were able to provide indirect financing to fund the Listing exercise; as such, their introduction to the Company as Pre-IPO Investors were beneficial to our Group.

Marine Assets is an investment holding company and its ultimate holding company is UBA Investments Limited which is listed on the Main Board of the Stock Exchange (stock code: 768) as an investment company as defined in Chapter 21 the Main Board Listing Rules. Its investment portfolio is diversified and comprises of different sectors of businesses which include telecommunication services, retailing, properties and banking. As at 31 March 2016, audited net assets of UBA Investments Limited were approximately HK\$161.2 million.

HISTORY, DEVELOPMENT, REORGANISATION AND CORPORATE STRUCTURE

United Solutions is an investment holding company and its ultimate beneficial owner is DT Capital Ltd which is listed on the Main Board of the Stock Exchange (stock code: 356) as an investment company as defined in Chapter 21 the Main Board Listing Rules. DT Capital Ltd. invests in listed securities, fixed income instruments and has private equity type investments in corporate debentures and convertible bonds. As at 30 June 2016, unaudited net assets of the above investment company were approximately HK\$154.3 million.

Based on representations made by UBA Investments Limited and DT Capital Ltd., apart from their investments in our Group, they had also involved in pre-IPO investments in two other companies that have submitted applications for listing on the Stock Exchange. One company is involved in plastic manufacturing business and the other company is involved in coachwork manufacturing.

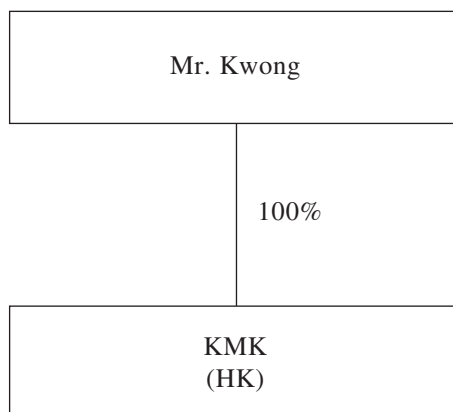
Confirmation from the Sponsor

The Sponsor has confirmed that the investments by the Pre-IPO Investors are in compliance with the Interim Guidance on Pre-IPO Investments issued on 13 October 2010 by the Stock Exchange, the Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 by the Stock Exchange and the Guidance Letter HKEx-GL44-12 issued in October 2012 by the Stock Exchange.

REORGANISATION

Set out below is the corporate and shareholding structure of our Group immediately prior to the Reorganisation.

Mr. Kwong was the sole beneficial owner of all the 100 issued shares of KMK.



Our Company underwent Reorganisation in the following manner in preparation for the Listing:

1. Incorporation of the Victor Ease, the intermediate holding company, in BVI

On 10 July 2015, Victor Ease was incorporated in BVI with a maximum of 50,000 authorised shares of US\$1.00 each. On 14 August 2015, 1 share was allotted and issued to Mr. Kwong for a consideration of US\$1.00.

HISTORY, DEVELOPMENT, REORGANISATION AND CORPORATE STRUCTURE

2. Incorporation of Sage City

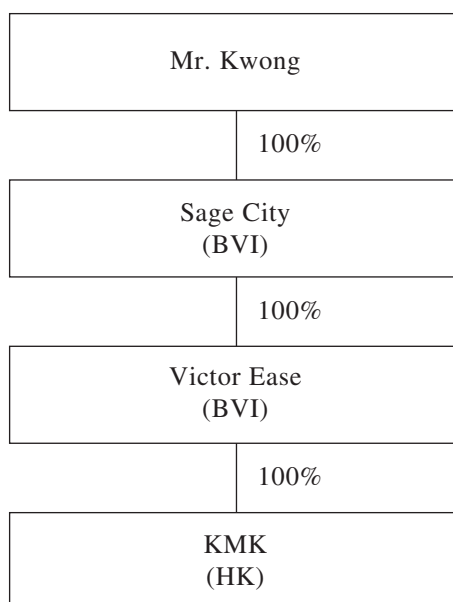
On 10 July 2015, Sage City was incorporated in BVI as a limited liability company with a maximum of 50,000 authorised shares of US\$1.00 each. On 14 August 2015, 1 share was allotted and issued to Mr. Kwong for a consideration of US\$1.00.

3. Transfer of ownership in KMK to Victor Ease by share swap

On 14 August 2015, Mr. Kwong transferred his entire interest in KMK to Victor Ease and Victor Ease allotted and issued 9,999 fully paid shares to Mr. Kwong as consideration. As a result, KMK become the wholly owned subsidiary of Victor Ease.

4. Transfer of ownership in Victor Ease to Sage City by shares swap

On 14 August 2015, Mr. Kwong transferred his 10,000 shares in Victor Ease to Sage City and Sage City allotted and issued 9,999 fully paid shares to Mr. Kwong as consideration. As a result, Victor Ease become the wholly owned subsidiary of Sage City.



5. Transfer of 550 shares in Victor Ease to Silver Thrive (Pre-IPO Investor)

Pursuant to a sale and purchase agreement dated 14 August 2015 made between Silver Thrive (as purchaser) and Sage City (as vendor) for the sale and purchase of 550 shares in Victor Ease, on the same day, Sage City transferred 550 shares of Victor Ease to Silver Thrive at a consideration of HK\$5,142,500.00.

6. Transfer of 30% interests in Sage City to Mr. Jason Yip

In consideration of Mr. Jason Yip's services in assisting KMK in the sourcing of appropriate car park flooring products for the Hong Kong market and for promoting the use of such materials within the construction industry, Mr. Jason Yip was granted share option of 30% of shareholding in KMK under the Share Option Agreement, which may be exercised once KMK's annual profit reaches HK\$5 million. On or about 8 November 2012, pursuant to the audit report for the financial year ended 31 March 2012, KMK's annual profit exceeded HK\$5 million and Mr. Jason Yip's right to exercise entitlement to 30% of shareholding in KMK became unconditional. As at the time, there was no planning of the listing of KMK and that Mr. Jason Yip was operating Joint Surplus to develop his own business, he had not exercised the rights under the Share Option Agreement. In about late 2013, Mr. Jason Yip decided to dedicate more time and effort to our Group. He subsequently disposed of his interests in Joint Surplus by transferring 80% and 20% of the entire issued share capital of Joint Surplus to Ms. Ke on 17 December 2013 and 26 July 2015 respectively. For further information on the background and experience of Mr. Jason Yip, please refer to the section headed "Directors, Senior Management and Staff" in this prospectus.

On 14 August 2015, after Sage City transferred 550 shares in Victor Ease to Silver Thrive, Sage City's shareholding in Victor Ease was reduced to 9,450 shares (i.e. 94.5%). On the same day, Mr. Kwong transferred 3,000 shares in Sage City, representing 30% interest in Sage City, to Mr. Jason Yip at a nominal consideration of US\$3,000. Upon completion of the Share Offer, Sage City will own 375,750,000 Shares, representing 62.63% interest in our Company. Consequently, Mr. Jason Yip, through his 30% interest in Sage City, will indirectly own 112,725,000 Shares. Based on the nominal consideration of US\$3,000 (HK\$23,400) he paid for the exercise of his share option under the Share Option Agreement, the amount of consideration Mr. Jason Yip paid for his indirect stake in our Company was HK\$0.0002 per Share.

7. Transfer of 1,100 shares in Victor Ease to other Pre-IPO Investors

Pursuant to a sale and purchase agreement dated 14 August 2015 made between Speedtown (as purchaser) and Sage City (as vendor) for the sale and purchase of 366 shares in Victor Ease, Sage City transferred 366 shares of Victor Ease to Speedtown Limited at a consideration of HK\$3,422,100.00 on 26 August 2015.

Pursuant to a sale and purchase agreement dated 14 August 2015 made between Marine Assets (as purchaser) and Sage City (as vendor) for the sale and purchase of 367 shares in Victor Ease, Sage City transferred 367 shares of Victor Ease to Marine Assets at a consideration of HK\$3,431,450.00 on 26 August 2015.

Pursuant to a sale and purchase agreement dated 14 August 2015 made between United Solutions (as purchaser) and Sage City (as vendor) for the sale and purchase of 367 shares in Victor Ease, Sage City transferred 367 shares of Victor Ease to United Solutions at a consideration of HK\$3,431,450.00 on 26 August 2015.

8. Incorporation of our Company

Our Company is an exempted company with limited liability incorporated under the laws of Cayman Islands on 30 May 2016 with an authorised share capital of HK\$5,000,000 divided into 500,000,000 ordinary Shares with a par value of HK\$0.01 per share. One (1) Share was allotted and issued as fully paid share to the subscriber, an independent third party, which was later transferred to Sage City at nil consideration on the same day. On 13 June 2016, the above authorised share capital was increased to HK\$20,000,000, divided into 2,000,000,000 ordinary shares with a par value of HK\$0.01 each.

9. Acquisition of the entire issued share capital of Victor Ease by our Company by shares swap

On 16 June 2016, Sage City transferred their entire interest, namely 8,350 shares in Victor Ease to our Company and our Company allotted and issued 8,349 fully paid Shares to Sage City as consideration.

On 16 June 2016, Silver Thrive transferred their entire interest, namely 550 shares in Victor Ease to our Company and our Company allotted and issued 550 fully paid Shares to Silver Thrive as consideration.

On 16 June 2016, Speedtown transferred their entire interest, namely 366 shares in Victor Ease to our Company and our Company allotted and issued 366 fully paid Shares to Speedtown Limited as consideration.

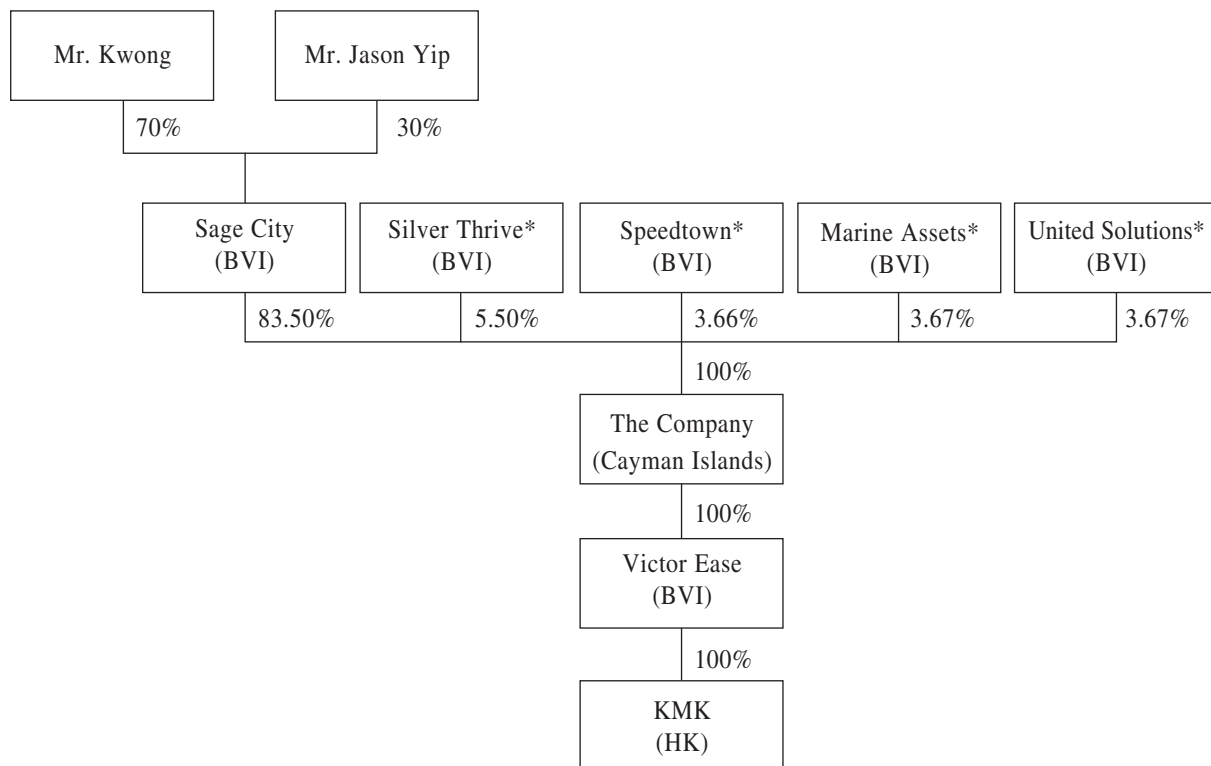
On 16 June 2016, Marine Assets transferred their entire interest, namely 367 shares in Victor Ease to our Company and our Company allotted and issued 367 fully paid Shares to Marine Assets as consideration.

On 16 June 2016, United Solutions transferred their entire interest, namely 367 shares in Victor Ease to our Company and our Company allotted and issued 367 fully paid Shares to United Solutions as consideration.

After the aforesaid share transfers, our Company held an aggregate of 10,000 shares, being the entire issued share capital of Victor Ease. As a result, Victor Ease and KMK became our direct and indirect wholly-owned subsidiaries.

HISTORY, DEVELOPMENT, REORGANISATION AND CORPORATE STRUCTURE

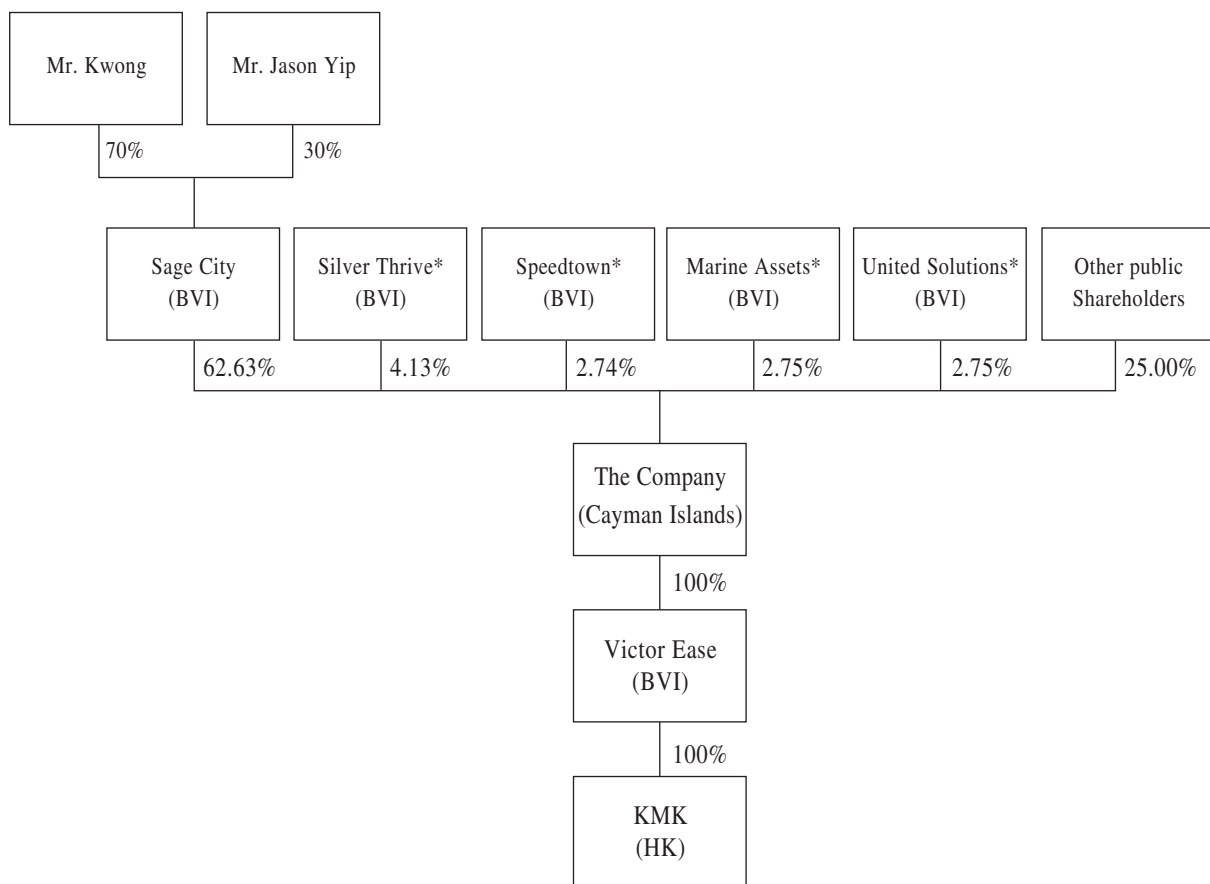
Our Group structure immediately after the Reorganisation is set out below:



* Pre-IPO Investors are regarded as public shareholders upon Listing under the GEM Listing Rules.

HISTORY, DEVELOPMENT, REORGANISATION AND CORPORATE STRUCTURE

Our Group structure immediately after completion of the Share Offer and the Capitalisation Issue is set out below:



* Pre-IPO Investors are regarded as public shareholders upon Listing under the GEM Listing Rules

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BUSINESS OVERVIEW

We commenced our business in the construction sector in 2003 and are an established contractor in the Hong Kong car park flooring industry. According to the Industry Report, for FY2015, we ranked second in the overall car park flooring industry in Hong Kong with a 7.0% market share, and ranked first in the new construction market of car park flooring industry in Hong Kong with a 33.7% market share. Our history can be traced back to 2002. We provide (i) flooring services, which involve the application of proprietary floor coating products for the purpose of providing a colourful, slip-resistance, hard wearing surface that is resistant against water and petrochemicals; and (ii) ancillary services, which include concrete repairing and wall painting work in Hong Kong. Our target segment is the mid to high end customers in the car park flooring market.

During the Track Record Period, we provided car park flooring to new car parks in construction projects as well as refurbished flooring of old car parks in existing buildings in refurbishment projects. We act as either a main contractor or subcontractor when carrying out car park flooring and ancillary works. For our role as a main contractor and subcontractor, please refer to the paragraph headed “Our business operations” in this section.

During the Track Record Period, we outsourced part of our works, such as application of proprietary floor coating products, screeding, and painting of line markings and signage, to subcontractors for the purposes of better allocating our resources, whether or not we acted as a main contractor or a subcontractor.

We provide services to both the private sector and public sector. We classify public sector contracts as contracts in which the ultimate customer is a government department, statutory body or related organisation, or institutional body. Private sector contracts refer to contracts in which the ultimate customer is in the private sector, such as property developers and incorporated owners. For FY2015 and FY2016, our direct customers included main contractors, property developers, property management companies and upper tier subcontractors. The table below sets out our revenue by customer type during the Track Record Period:

	FY2015		FY2016	
	(HK\$'000)	%	(HK\$'000)	%
Main contractors	25,559	59.7	57,903	84.5
Property developers	11,187	26.1	4,125	6.0
Property management companies	278	0.7	1,309	1.9
Upper tier subcontractors	5,784	13.5	5,238	7.6
Total	42,808	100.0	68,575	100.0

The car park flooring projects carried out by us cover car parks located in a vast range of property types. We classify the type of a property by the principal use of the property.

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The following table sets forth a breakdown of our revenue by the amount of contract sums during the Track Record Period.

	FY2015		FY2016	
	<i>Number of contracts (Note)</i>	<i>Revenue recognised (HK\$'000)</i>	<i>Number of contracts (Note)</i>	<i>Revenue recognised (HK\$'000)</i>
Above HK\$5 million	3	2,910	6	25,034
Above HK\$2 million to HK\$5 million	12	16,373	17	22,529
Above HK\$1 million to HK\$2 million	14	12,777	15	10,981
Above HK\$0.5 million to HK\$1 million	10	4,942	9	3,030
HK\$0.5 million or below	56	5,806	54	7,001
Total	95	42,808	101	68,575

Note: The number of contracts refers to the number of projects which generated revenue recognised by our Group during the financial year.

The table below sets out most of our car park flooring projects each with a contract sum of over HK\$2 million and completed prior to the Track Record Period:

Project location	Group's capacity	Property type	Contract sum (HK\$'000)⁽¹⁾	Commencement month/year	Completion month/year
Residential Development at Cyberport	Subcontractor	Residential	2,970	September 2005	July 2006
Technology centres in Pak Shek Kok, Tai Po	Subcontractor	Commercial	2,300	December 2006	March 2008
Residential Development at Cyberport	Subcontractor	Residential	2,665	July 2008	April 2009
Office development at How Ming Street, Kwun Tong	Subcontractor	Commercial	3,680	June 2008	March 2010
Residential development at Kwu Tung Road, Sheung Shui	Subcontractor	Residential	3,321	December 2009	October 2011
Landmark commercial building at Austin Road West, Kowloon	Subcontractor	Commercial	2,392	August 2010	December 2010
Shopping mall located at Prince Edward Road East, Kowloon	Subcontractor	Residential/ Commercial	3,011	November 2010	May 2012

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Project location	Group's capacity	Property type	Contract sum (HK\$'000) ⁽¹⁾	Commencement month/year	Completion month/year
Residential estate at Cloud View Road, North Point* (Note 2)	Subcontractor	Residential	2,310	June 2011	November 2013
Residential development located at Ap Lei Chau Praya Road, Ap Lei Chau	Subcontractor	Residential	2,516	April 2011	June 2011
Residential development located at So Kwun Wat	Subcontractor	Residential	2,208	August 2011	March 2012
Residential development located at Hoi Fai Road, Olympic	Subcontractor	Residential	3,732	March 2012	March 2013
Residential development near Tolo Harbour at Pak Shek Kok	Subcontractor	Residential	4,058	November 2012	August 2013
Office building located at Hoi Shing Road, Tsuen Wan	Main contractor	Commercial	2,200	September 2013	October 2013
Residential development at Ying Ho Road, Kam Tin	Subcontractor	Residential	4,033	July 2013	March 2014

Notes:

1. The contract sum refers to the contract amount stated in the original contract, and does not reflect any adjustments made due to variation orders (if any).
2. “*” refers to the projects which are refurbishment projects. All other projects in the table above are new construction projects.

As at the Latest Practicable Date, we had 32 contracts on hand with a total outstanding contract value of HK\$49.5 million, among which 11 were in progress with total outstanding contract value of HK\$8.6 million, and 22 had yet to commence work with total contract sum of HK\$40.9 million. Out of the 32 contracts on hand, four of them were sizeable contracts with contract sum of over HK\$5 million each. These four contracts involve provision of car park flooring works for a new construction project in a residential development on Clear Water Bay Road, Sai Kung, a new construction project in a residential and commercial development in Tseung Kwan O, a new construction project in a residential and commercial development in Tsuen Wan, and a new construction residential development project in Yuen Long. Please refer to the paragraph headed “Projects in progress or not yet commenced” in this section.

PRINCIPAL COMPETITIVE STRENGTHS

Our Directors believe the following competitive strengths enable us to compete effectively in the car park flooring industry in Hong Kong:

We are an established car park flooring contractor in Hong Kong

According to the Industry Report, for FY2015, we ranked second in the overall car park flooring industry in Hong Kong with a 7.0% market share, and ranked first in the new construction market of car park flooring industry in Hong Kong with a 33.7% market share. During our operating history, we completed projects for various types of customers, including main contractors, property developers, property management companies and upper tier subcontractors. We accumulated extensive experience in car park flooring work through the projects undertaken over the years. Our Directors believe that we are reputable within the car park flooring industry and has established long-standing business relationship with a number of main contractors, upper tier subcontractors and property developers in Hong Kong.

We are an approved applicator of the car park floor coating materials preferred by property developers and main contractors in Hong Kong

Our business relies on the application of reliable proprietary floor coating products. We are able to acquire such products from reputable suppliers due to our long work history with them.

According to the Industry Report, Supplier A and Supplier B are two of the top five major suppliers in the car park flooring industry in Hong Kong. Our Directors believe that Supplier A's floor coating products are preferred by many end customers in the private and public sector in Hong Kong. During the Track Record Period, we had been invited to tender for 95 projects. Out of these invitations, 35 of them (representing 37%) specified Supplier A's proprietary floor coating products as the approved materials (including six tender invitations which specified Supplier A's anti-skid floor coating products as an approved material, representing 6% of the total number of invitations), and 15 of them (representing 16%) specified Supplier B's proprietary floor coating products as the approved materials. As for the three other top five major suppliers in the car park flooring industry (Supplier X, Supplier Y, and Supplier Z), two of the said tender invitations (representing about 2%) specified Supplier X's floor coating products, two of them (representing about 2%) specified Supplier Y's floor coating products, and one of them specified Supplier Z's floor coating products (representing about 1%) as approved materials.

In 2005, we were appointed by an overseas supplier, which was subsequently acquired by Supplier A's group, as its sole distributor in Hong Kong, PRC and Macau for its anti-skid epoxy coating products designed for anti-skid surfaces, such as highways, roads and ramp. In 2011, we were appointed by Supplier A as its approved applicator authorised to distribute and apply its full range of products in Hong Kong and such authorisation has been extended to June 2025. In 2015, Supplier A further appointed us as its "preferred applicator" in Hong Kong and extended the authorised territory to Macau and the PRC. Our Directors believe that the award of "preferred applicator" status to us demonstrates Supplier A's recognition of our marketing of its products in the authorised territory and our work standard in the application of its products. Given that the "preferred applicator" status is exclusive to us in Hong Kong, we consider that this status benefits us by differentiating us from the other authorised applicator of

BUSINESS

Supplier A and thus giving us a competitive advantage in tendering for projects involving Supplier A's floor coating products. It also shows Supplier A's willingness to maintain and promote our business relationship. Despite the fact that we currently do not have any business in the PRC and Macau, we believe that Supplier A has extended our authorised territory so that we may assist them in expanding their business in those territories in the future. We also received Supplier A's "Asia No. 1 Customer" award in 2015 and "No. 1 Applicator across Asia Pacific" award in 2016.

We have been appointed as Supplier B's sole distributor in Hong Kong, Macau, and the PRC for the sales, marketing and application of its proprietary floor coating products designed for car park decks since 2004 and such authorisation has been extended to December 2025.

Our executive Directors and supporting staff have substantial experience in the car park flooring industry

We are led by our executive Directors who have extensive industry knowledge, project management experience and expertise in car park flooring projects. Mr. Kwong, our chairman, has over 30 years experience in the construction industry, and Mr. Yip WM, our executive Director has about 10 years of industry experience. Our site foremen have thorough understanding and knowledge of the car park flooring work.

With the in-depth knowledge of the management team and its experience in the industry, our Directors consider that we have achieved notable success and developed a professional reputation in the car park flooring industry. Our Directors believe that our skilled employees are valuable assets to us. Please refer to the section headed "Directors, Senior Management and Staff" in this prospectus for further details of the background and experience of our Directors and senior management team.

We have stable relationships with our key customers and suppliers

We have established stable business relationships with our key customers and suppliers. Our business relationship with our top five customers for each of FY2015 and FY2016 ranges from one year to 12 years. Our business relationships with most of our top five customers have lasted for more than five years. Likewise, our business relationship with our top five suppliers for each of FY2015 and FY2016 ranges from one year to 10 years. As at the Latest Practicable Date, our average years of business relationship with our top five customers for each of FY2015 and FY2016 were 5 years and 7 years, and our average years of business relationship with our top five suppliers for each of FY2015 and FY2016 were 8 years and 7 years. Our Directors are of the view that our operating history, together with our stable relationships with our customers, and suppliers will increase our recognition and visibility in the market and enable us to attract potential business opportunities.

BUSINESS STRATEGIES

Our principal business objective is to become the largest and the most acclaimed car park flooring contractor in Hong Kong. We intend to achieve our business objective by pursuing the following key strategies:

1. Expanding our presence in the refurbishment market and provision of ancillary services

In the past, our business focus has been on the new construction market instead of the refurbishment market. During the Track Record Period, revenue derived from services for new construction projects accounted for 78.9% and 83.6% respectively with the remainder derived from services provided for refurbishment projects. Given limited manpower and resources in the sales and marketing department in the past, we believed it would be a more efficient and effective business strategy to focus on the new construction market, in which the customers were mainly property developers and professional property construction companies who had knowledge and understanding of advanced car park floor coating materials, such as the proprietary anti-skid flooring materials applied by us. It is common to see that car parks in new construction projects would generally use car park coating materials that provide a colourful, slip-resistance, hard wearing surface that is resistant against water and petrochemicals. Our historical financial performance is a testimonial that our business strategy had made us become one of the market leaders in Hong Kong car park flooring industry. In 2012, the Hong Kong Government legislated the need for inspection and related repair works to be carried out for 30 years old buildings and above under the Mandatory Building Inspection Scheme (“MBIS”). Consequently, it was expected that more renovation work would be carried out in older buildings and their related facilities including car parks, thus increasing the demand for car park flooring works. As such, we become more aware of the business opportunities and gradually took part in more projects in the refurbishment market. During FY2015, among the total 66 projects completed, we completed 17 refurbishment projects; during FY2016, we completed 19 refurbishment projects out of 71 completed projects in total. After the Track Record Period and as at the Latest Practicable Date, we had nine refurbishment projects in progress or not yet commenced. Having considered (i) there are presently 12,220 buildings aged above 40 years in Hong Kong, while there are 4,340 buildings aged between 30 and 39 years; and (ii) based on the Industry Report, the market size of the refurbishment market, in terms of revenue, was approximately 5.3 times that of the new construction market in 2015, we plan to deploy more resources to expand our presence in the refurbishment sector given the vast business opportunities. Based on our past involvement in the refurbishment market during the Track Record Period, we believe our Group can achieve a greater success in this market by leveraging on our reputation in the car park flooring industry and the additional financial resources to be obtained as a result of the Listing.

Based on our understanding and experience, unlike new construction market segment whose customers are property developers, property construction companies and architects who rely primarily on their experiences on projects previously handled by us as well as word-of-mouth for tender invitations, customers in refurbishment market are mostly property management companies, main contractors focusing on buildings refurbishment works and incorporated owners of existing buildings seeking car park flooring services. As customers in this segment are situated throughout Hong Kong and a lot more diversified, a more proactive marketing approach will be needed. In particular, we will place advertisements in property and renovation magazines for consumer market. We will organise seminars for target customers of our refurbishment projects, such as landlords, incorporated owners and property management companies. As at the Latest Practicable Date, the Group had two staff (including Mr. Jason Yip as the manager) in the marketing team. Given the intended proactive marketing approach, the Group would need more manpower to maintain the relationship with the existing customers, approach potential

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new customers, prepare the marketing materials and advertisements, and participate in marketing activities such as exhibitions, seminars and presentations. We therefore plan to spend HK\$2.25 million (or HK\$0.9 million per annum) to hire additional three sales and marketing staff.

We plan to acquire an office property with a GFA of about 1,600-1,700 sq.ft. in Kowloon West to provide a venue for conducting such seminars and feature a showroom to show our potential customers samples of materials used and effects of car park floors after work is done. This will assist us in the marketing of our services to both existing and new customers and in raising our profile amongst customers. Our Directors consider that the new office will also (i) cater for our expanding staff; (ii) mitigate the risk of possible substantial increases in rental expenses; (iii) mitigate the risk of early termination or non-renewal of our lease by the relevant landlord; (iv) ensure the continuity of the operation of our business; and (v) reduce transaction with our connected persons.

For the years ended 31 March 2015 and 31 March 2016, we paid approximately HK\$0.2 million and HK\$0.3 million respectively to connected persons for renting our office which serves as our headquarters. In order to cater for business expansion, there is a need to find new office with GFA of about 1,600-1,700 sq. ft. at more commutable location in Kowloon. Currently, offices with similar size in Kowloon West commands rental of between HK\$0.5 million and HK\$1 million per year. Purchasing our own office would save us rental expenses of HK\$0.5 million to HK\$1 million per year and allow us to renovate the office at a permanent location for enhancing our corporate image. Our Directors are of the view that such saving of rental expenses would be beneficial to our profitability going forward. It is expected that there will be depreciation charges of approximately HK\$0.35 million to HK\$0.4 million per year for the office premises (including the land and building portion), calculated by the expected capital expenditure divided by remaining useful life of land lease on which the building is situated. As depreciation expense is non-cash in nature, it has no negative impact to our working capital in daily business operation. More importantly, our Directors believe that having a self-owned office would mitigate the risk of possible substantial future increase in rental expenses and the risk of early termination or non-renewal of the lease agreement, which are the common risks faced by business owners, especially small and medium-sized enterprises, in Hong Kong, which might cause material disturbance to our business operation. Thus, in the opinion of our Directors, our Group's interest would be better served in the long term by having our self-owned office.

2. Strengthening our Group's leading position in the new construction market

According to the Industry Report, for FY2015, we were leading the new construction market of car park flooring industry in Hong Kong. We will target those residential/commercial projects of larger scale which are likely to offer higher contract sum and enhance our job portfolio. We also plan to expand our customer base by expanding our ancillary services such as wall painting services in car parks. In order to increase our market share and strengthen our competitive position in the new construction market, we intend to:

- Strengthen our sales and marketing efforts and accordingly our Group's brand awareness within the industry.

We consider that a stronger public awareness would enable our Group's future development. The car park flooring projects are largely awarded through competitive tender process. Customers would compare price, job reference, financial resources and also the reputation of the bidding

contractors. Therefore, on one hand, we will continue to focus on the quality of works and services rendered to the customers. On the other hand, we intend to take a more pro-active approach in sales and marketing.

In particular, we plan to enhance our sales and marketing efforts such as placing advertisements in construction and engineering magazines, project leads magazines for architects and professional readers. We will also organise and attend more social and industry functions, seminars, luncheon presentations and exhibitions and invite architects and consultancy firms, main contractors and property developers to attend. Our Directors consider them as key market players with market intelligence on the potential projects. Furthermore, we intend to set up an additional sales and marketing team with industry knowledge to explore, pursue and follow up with new business leads, bid for tenders and secure new projects.

- Broaden our product portfolio

Currently we provide car park flooring materials which are mostly sourced from Supplier A. As disclosed in the paragraph headed “Reliance on major suppliers” in this section, we plan to expand our supplier base with a view to sustaining long term growth. We intend to continue to approach more suppliers and expand our supplier base. We will work with the new suppliers to arrange product training for our staff. Our Directors consider that we could therefore effectively reduce our reliance on the major suppliers, and also be able to expand our product portfolio to cater for different preferences and requirements of the potential customers.

- Improving our overall capacity and project management efficiency

- (i) Strengthening of our manpower and capacity

We believe that our Group’s future success depends largely on the quality and capability of our project team. In view of the promising prospect of the industry and to cope with our expansion plans, we intend to strengthen our overall capability by hiring two more project managers with minimum of five years’ experience in the construction industry to monitor the overall site operation and quality, one assistant quantity surveyor and two site foremen with relevant qualification and experience and a number of supporting staff.

- (ii) Acquisition of additional machineries

To cope with our business development plans to undertake more projects, we will purchase additional machineries and equipment such as shot-blasting machines, screeding machines, and light weight goods and passenger vehicles. These aforesaid equipment and motor vehicles will amount to approximately HK\$6 million and will be financed by the proceeds from the Share Offer. We believe the acquisition of additional machineries, together with recruitment of additional workers, will allow us to (i) enhance quality control by performing the works with our own employees; (ii) enhance our overall efficiency of workflow; and (iii) improve our overall capacity to take on more projects.

BUSINESS

- (iii) Enhancement of our project management efficiency

Our Group will also invest in project management tools for improvement of management efficiency. We intend to invest in enhancement of our accounting system and operation system for more efficient project monitoring, cost estimation and cost control, to achieve cost savings by streamlining our operation processes.

OUR BUSINESS OPERATIONS

We provide (i) flooring services; and (ii) ancillary services, including concrete repairing and wall painting work in Hong Kong. Our target segment is the mid to high end customers in the car park flooring market.

Flooring services

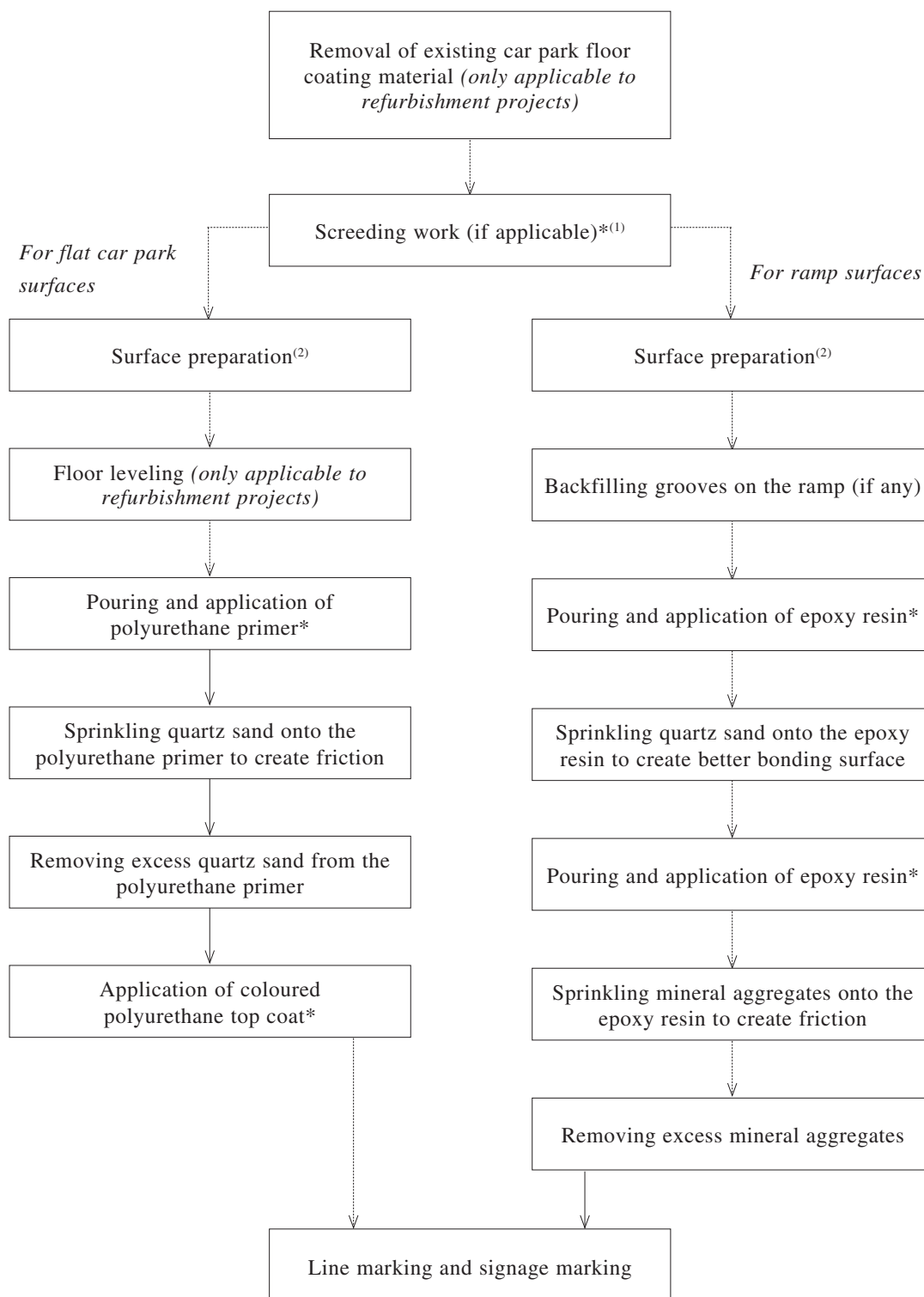
We provide car park flooring work to new car parks in a construction project, and refurbish flooring of the old car parks in an existing building in a refurbishment project. From our experience, refurbishment projects usually take longer time to complete than new construction projects as refurbishment work is usually conducted on a phased basis and additional procedures like removal of existing floor coating material and floor leveling are involved, and very often special-purpose machines, such as scarifying machines and large grinding machines are required. For FY2015 and FY2016, 98.3% and 96.8% of our total revenue were respectively generated from flooring services which are mostly provided for car parks in residential properties, commercial properties, hospitals and hotels. We also provide flooring services, to a much lesser extent, for highways and industrial properties.

The following table sets out a breakdown of our revenue during the Track Record Period attributable to new construction projects and refurbishment projects:

	FY2015		FY2016	
	HK\$'000	%	HK\$'000	%
New construction projects	33,767	78.9	57,322	83.6
Refurbishment projects	9,041	21.1	11,233	16.4
Total	42,808	100.0	68,575	100.0

BUSINESS

For illustration purpose, a simplified flow diagram of the key work procedures involved in a typical car park flooring project is outlined as below:



Notes: 1. "*" refers to the processes in which we use flooring materials supplied by Supplier A or Supplier B.

2. Surface preparation works will only be conducted by our own employees and will not be subcontracted out; whereas, all other key work procedures in the flow diagram above are usually conducted by our subcontractors.

BUSINESS

Our car park flooring services involve the application of proprietary car park floor coating products for the purpose of providing a colourful, slip-resistance, hard wearing car park decking surface that is resistant against water and petrochemicals like petrol, diesel, and brake fluids.

Prior to the application of proprietary car park floor coating products, surface preparation has to be conducted in order to satisfy the relevant surface requirements for applying the coating products. Surface requirements generally include that the surface should be free of cracks and voids, has a smooth finish, and meet certain dryness level.

Photos of the key work procedures involved in the application of proprietary floor coating products on flat car park surfaces

- (i) Screeding – Application of the screed layer with automated screeding machine



- (ii) Surface preparation – shot-blasting treatment



(iii) Surface preparation – repairing surface cracks



(iv) Surface preparation – substrate defects remedial work



- (v) Application of primer



- (vi) Sprinkling quartz sand onto the primer to create friction



(vii) Removing excess quartz sand from the primer



(viii) Application of coloured top coat

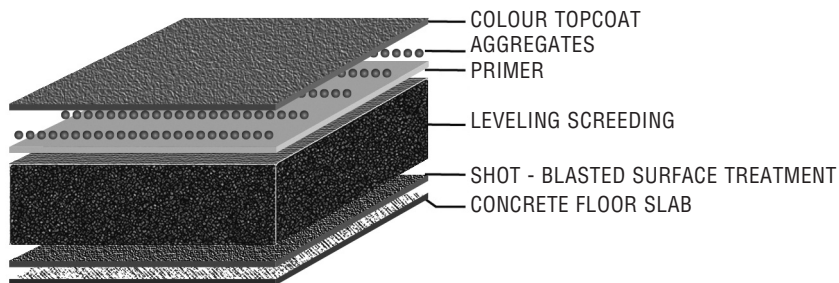


(ix) Line marking and signage painting



Depending on specific characteristics of the site and our customers' demands, we may be required to conduct screeding work and anti-skid surfacing work (for ramp surfaces) as part of our car park flooring procedures.

Screeding involves the pouring of a thin layer of material over a suitably prepared and adequately strong concrete base in order to form a leveled, fast-drying, and high-strength underlayment for application of car park floor coating materials. The leveling screed provides early high strength and resistance to traffic.



A typical screed layer comprises cement, sand, screed additive and water. The screed additive is added to accelerate the drying procedure and improve the workability of the screed layer. The key procedures of screeding generally include (i) preparation of the concrete sub-floor to meet specific requirements and to ensure that it is structurally sound, clean, and free from dirt and oil which might impair adhesion of the screed; (ii) application of primer on the prepared concrete surface to ensure smoothness; (iii) mixing of cement, sand, screed additive and water in a mixer to form the screed layer; (iv) application of the screed layer at the required thickness using a screeding machine; and (v) full curing to enable vehicle flow, which takes about five to 10 days.

BUSINESS

Anti-skid surfacing work involves the application of proprietary floor coating products on car park ramp surfaces to provide an anti-skid and wearing surface resistance by improving the friction on those surfaces. When applied with coloured aggregates, it can also be used as part of beautification works. As part of our flooring services, we also provide anti-skid surfacing work for roads to enhance the braking performance.

Ancillary services

During the Track Record Period, other than flooring services, we also provided ancillary services comprising (i) concrete repairing work; and (ii) wall painting work, which are usually associated with our car park flooring projects. For each of FY2015 and FY2016, revenue attributable to ancillary services amounted to approximately HK\$0.7 million and HK\$2.2 million respectively, representing 1.7% and 3.2% of our total revenue, respectively.

The following table sets out a breakdown of our revenue by work type during the Track Record Period:

	FY2015 <i>HK\$'000</i>	FY2016 <i>HK\$'000</i>
Flooring services	42,062	66,367
Ancillary services	746	2,208
Total	<u>42,808</u>	<u>68,575</u>

(i) *Concrete repairing work*

Concrete repairing work involves the injection of pressurised chemicals such as epoxies and polyurethanes to repair concrete structural cracks and prevent water leakage through such cracks. We provide concrete repairing services to both car parks and non-car parks, such as public roads, tunnels and building structures. During the Track Record Period, our concrete repairing contracts were primarily awarded by the same group of customers who engaged us for car park flooring services.

(ii) *Wall painting work*

We may be engaged to undertake wall painting work associated with our car park flooring projects.

Our work as subcontractor or main contractor

We act as either a main contractor or subcontractor when carrying out car park flooring works and ancillary works. During FY2015 and FY2016, we acted as main contractor in 24 and 20 projects and we acted as subcontractor in 71 and 81 projects, respectively.

BUSINESS

When we are engaged as a main contractor, we are fully responsible for the overall management and implementation of the flooring project. We are required to adhere to the contract obligations, including ensuring that the flooring project is completed on time and within budget. We maintain third party liability insurance to cover, among others, the liability of our subcontractors and us. Please refer to the paragraph headed “Insurance” in this section for further details. As a main contractor, we are required to furnish the Registrar of Construction Workers with reports relating to registered construction workers employed by us or our subcontractors. Further, if the project sum is over HK\$1 million, we are required to pay a levy to the Pneumoconiosis Compensation Fund Board and the Construction Industry Council. Please refer to the section headed “Regulatory Overview” in this prospectus for further details of the regulatory requirements.

When we are engaged as a subcontractors to provide subcontracting services for a main contractor, the scope of our services is expected to provide will be detailed in the subcontracting agreement between the main contractor and us. Please refer to the paragraph headed “Principal terms of our contracts” in this section.

During the Track Record Period, we outsourced part of our works, such as application of proprietary floor coating products, screeding, and painting of line markings, to our lower tier subcontractors for the purposes of better allocating our resources, whether or not we acted as a main contractor or a subcontractor. This enables us to obviate the need for keeping a large workforce under permanent employment, thereby giving us the flexibility to deploy our resources in a more cost effective way.

We only engage subcontractors to conduct works that are relatively simple, such as screeding work, line marking work and application of proprietary floor coating products. We provide our subcontractors with screeding machines, screed mixers and grinding machine, to assist them in the relevant work process. In order to control the quality of our car park flooring services, flooring surface preparation works are only conducted by our employees, as they are more complex and are crucial to the smooth application of proprietary floor coating products.

PROJECTS UNDERTAKEN BY OUR GROUP

Projects awarded to us typically represent part of a new construction or refurbishment project. Such projects can be generally categorised into public sector projects or private sector projects. We classify public sector contracts as contracts in which the ultimate customer is a government department, statutory body or related organisation, or institutional body. Private sector contracts refer to contracts in which the ultimate customer is in the private sector, such as property developers and incorporated owners. Within the category of public/private sector, our projects can be further categorised by property type, as the car park flooring projects carried out by us cover car parks located in various types of properties. We classify property type by the nature of the principal use of the property. For FY2015 and FY2016, our direct customers included main contractors, property developers, property management companies or offices, and upper tier subcontractors. During the Track Record Period, most of our contracts were awarded by main contractors.

BUSINESS

The table below sets out our revenue by type of property during the Track Record Period:

	FY2015		FY2016	
	<i>(HK\$'000)</i>	<i>%</i>	<i>(HK\$'000)</i>	<i>%</i>
Private⁽¹⁾				
Residential ⁽²⁾	19,213	44.9	41,266	60.2
Residential/commercial ⁽²⁾	5,813	13.6	1,633	2.4
Commercial ⁽²⁾	12,040	28.1	20,118	29.3
Others ⁽³⁾	1,375	3.2	1,068	1.6
<i>Sub-total</i>	<u>38,441</u>	<u>89.8</u>	<u>64,085</u>	<u>93.5</u>
Public⁽¹⁾				
Residential ⁽²⁾	248	0.6	–	–
Residential/commercial ⁽²⁾	–	–	1,203	1.8
Commercial ⁽²⁾	3,023	7.1	1,000	1.5
Others ⁽⁴⁾	1,096	2.5	2,287	3.2
<i>Sub-total</i>	<u>4,367</u>	<u>10.2</u>	<u>4,490</u>	<u>6.5</u>
Total	<u><u>42,808</u></u>	<u><u>100.0</u></u>	<u><u>68,575</u></u>	<u><u>100.0</u></u>

Notes:

1. We classify public sector contracts as contracts in which the ultimate customer is a government department, statutory body or related organisation, or institutional body. Private sector contracts refer to contracts in which the ultimate customer is in the private sector, such as property developers and incorporated owners.
2. The type of a property is categorised by the nature of the principal use of the property.
3. Other private contracts include those related to hotels and industrial properties.
4. Other public contracts include those related to hospitals and highways.

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

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The table below sets out details of the movements in our number and contract sum of on-going and completed projects during the Track Record Period and up to the Latest Practicable Date:

	Number of projects	Contract sum <i>HK\$'million</i>	Outstanding contract value <i>HK\$'million</i>
On-going projects as at 1 April 2014	15	37.0	
New projects commenced during the FY2015	63	31.4	
Projects completed during the FY2015	(66)	(48.7)	
	<hr/>	<hr/>	
On-going projects as at 31 March 2015	12	19.7	10.2
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
On-going projects as at 1 April 2015	12	19.7	
New projects commenced during the FY2016	68	66.5	
Projects completed during the FY2016	(71)	(67.4)	
	<hr/>	<hr/>	
On-going projects as at 31 March 2016	9	18.8	8.9
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
On-going projects as at 1 April 2016	9	18.8	
New projects commenced during the period up to Latest Practicable Date	14	25.9	
Projects completed during the period up to Latest Practicable Date	(12)	(20.1)	
	<hr/>	<hr/>	
On-going projects as at the Latest Practicable Date	11	24.6	8.6
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

BUSINESS

Projects completed during the Track Record Period

The following table sets forth the flooring projects with a contract sum of over HK\$2 million that were completed by us during the Track Record Period:

Project location	Group's capacity	Property type	Type of pricing ⁽³⁾	Contract sum (HK\$'000) ⁽¹⁾	Commencement month/year	Completion month/year	Amount of revenue recognised during the Track Record Period	
							FY2015 (HK\$'000)	FY2016 (HK\$'000)
Commercial development at Chong Yip Street, Kwun Tong	Main contractor	Commercial	Provisional price	2,512	February 2015	April 2015	1,721	791
Commercial development at a shopping mall in Tsuen Wan ⁽²⁾	Subcontractor	Commercial	Fixed price	9,611	May 2015	February 2016	Nil	8,698
Commercial and residential development at lot 177 at Sheung Shui	Subcontractor	Residential/ Commercial	Provisional price	2,080	July 2014	April 2015	1,750	12
Technology centres in Pak Shek Kok	Subcontractor	Commercial	Provisional price	6,178	November 2013	April 2015	1,784	792
Commercial development at Hung Luen Road, Hung Hom	Subcontractor	Commercial	Provisional price	3,112	November 2015	March 2016	Nil	4,110
Residential development at Hung Hom Bay	Subcontractor	Residential	Provisional price	2,292	November 2015	March 2016	Nil	2,049
Residential development at Pak Shek Kok, Tai Po	Subcontractor	Residential	Provisional price	9,976	June 2015	December 2015	Nil	11,972
Commercial development on Shing Yip Street, Kwun Tong	Main contractor	Commercial	Provisional price	2,293	November 2014	April 2015	2,179	115

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Project location	Group's capacity	Property type	Type of pricing ⁽³⁾	Contract sum (HK\$'000) ⁽¹⁾	Commencement month/year	Completion month/year	Amount of revenue recognised during the Track Record Period	
							FY2015 (HK\$'000)	FY2016 (HK\$'000)
Retirement Housing development on Tanner Road, North Point	Subcontractor	Residential	Provisional price	3,340	May 2013	October 2015	Nil	3,520
Residential development at Tseung Kwan O*	Subcontractor	Residential	Provisional price	4,884	March 2014	February 2015	4,391	Nil
Residential development on Tsing Luk Street, Tsing Yi	Subcontractor	Residential	Provisional price	2,506	December 2014	May 2015	Nil	2,510
West rail Tsuen Wan West station property development	Subcontractor	Residential	Provisional price	3,000	December 2012	June 2014	1,853	85
Commercial development on Tsun Yip Street, Kwun Tong	Main contractor	Commercial	Provisional price	3,097	January 2015	March 2015	2,942	155
Residential and commercial development on Tuen Mun Heung Sze Wui Road, Tuen Mun	Subcontractor	Residential/Commercial	Provisional price	6,557	March 2013	June 2014	617	680
Residential development at Tung Chung Town Lot No. 37	Subcontractor	Residential	Fixed price	4,414	December 2014	November 2015	Nil	5,020
Commercial development on Ko Chiu Road, Tong Yuen Street, Yau Tong	Subcontractor	Commercial	Provisional price	2,855	August 2012	October 2014	199	Nil

BUSINESS

Notes:

1. The contract sum refers to the contract amount stated in the original contract, and does not reflect any adjustments made due to variation orders (if any).
2. “*” refers to the projects which are refurbishment projects. All other projects in the table above are new construction projects.
3. The contract sums of our flooring projects are either lump sum fixed price or provisional price subject to re-measurement. Under the lump sum fixed price contract, we are required to execute all the specified details and quantities of works as stated in the contract at the fixed agreed price. With regard to provisional price contract, the customers usually supply us a reference schedule showing the items, brief description and quantities of works to be performed by us. Based on the specifications, quantities and agreed unit rates, we are able to estimate the provisional contract sum.

Projects completed after the Track Record Period up to the Latest Practicable Date

The following table sets forth the flooring projects that were completed after the Track Record Period up to the Latest Practicable Date:

Project location	Group's capacity	Property type	Type of pricing ⁽³⁾	Contract sum (HK\$'000) ⁽¹⁾	Commencement month/year	Completion month/year	Amount of revenue recognised during the Track Record Period (HK\$'000)		Amount of revenue to be recognized as estimated by management (HK\$'000)
							FY2015	FY2016	FY2017
Commercial and residential development at Tai Po	Subcontractor	Residential/commercial	Provisional price	1,846	November 2015	July 2016	Nil	1,203	761
Commercial development on On Kwan Street, Shek Mun	Main contractor	Commercial	Provisional price	1,580	December 2015	May 2016	Nil	860	863
Residential development on Ko Shan Road, Hung Hum	Subcontractor	Residential	Fixed price	2,036	December 2015	August 2016	Nil	1,692	474
Residential development on Argyle Street, Kowloon	Subcontractor	Residential	Provisional price	2,197	December 2015	June 2016	Nil	1,386	953
Residential development at Ap Lei Chau	Subcontractor	Residential	Provisional price	1,730	January 2016	September 2016	Nil	452	1,343
Hotel development on Tin Sau Road, Tin Shui Wai	Main contractor	Hotel	Provisional price	2,360	February 2016	June 2016	Nil	834	1,526
Residential and commercial development in Tseung Kwan O	Subcontractor	Residential/commercial	Provisional price	1,755	May 2016	September 2016	Nil	Nil	1,755
Residential development in Tseung Kwan O	Subcontractor	Residential	Provisional price	1,672	June 2016	August 2016	Nil	Nil	1,672
Residential development at Pak Shek Wo, Sai Kung	Subcontractor	Residential	Provisional price	456	June 2016	July 2016	Nil	Nil	456
Proposed office development on Tai Yau Street, San Po Kong	Main contractor	Commercial	Provisional price	2,300	June 2016	September 2016	Nil	Nil	2,300

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Project location	Group's capacity	Property type	Type of pricing ⁽³⁾	Contract sum (HK\$'000) ⁽¹⁾	Commencement month/year	Completion month/year	Amount of revenue recognised during the Track Record Period		Amount of revenue to be recognised as estimated by management
							(HK\$'000)		(HK\$'000)
							FY2015	FY2016	FY2017
Residential and commercial development Tseung Kwan O	Subcontractor	Residential/commercial	Provisional price	1,330	July 2016	August 2016	Nil	Nil	1,330
Residential development on Inverness Road, Kowloon Tong	Subcontractor	Residential	Provisional price	248	May 2016	June 2016	Nil	Nil	248

Notes:

1. The contract sum refers to the contract sum stated in the original contract, and does not reflect any adjustments made due to variation orders (if any).
2. All projects in the table above are new construction projects.
3. The contract sums of our flooring projects are either lump sum fixed price or provisional price subject to remeasurement. Under the lump sum fixed price contract, we are required to execute all the specified details and quantities of works as stated in the contract at the fixed agreed price. With regard to provisional price contract, the customers usually supply us a reference schedule showing the items, brief description and quantities of works to be performed by us. Based on the specifications, quantities and agreed unit rates, we are able to estimate the provisional contract sum.

Projects in progress or not yet commenced

The following table sets forth the flooring projects that were in progress or not yet commenced as at the Latest Practicable Date.

Project location	Group's capacity	Property type	Type of pricing ⁽³⁾	Contract sum (HK\$'000) ⁽¹⁾	Commencement month/year/ Expected commencement month/year	Expected completion month/year	Amount of revenue recognised during the Track Record Period		Amount of revenue to be recognised as estimated by management
							(HK\$'000)		(HK\$'000)
							FY2015	FY2016	FY2017
Sha Po North residential development	Subcontractor	Residential	Provisional price	5,044	Commenced in June 2015	December 2016	Nil	2,701	2,343
Commercial development in Tsim Sha Tsui ⁽²⁾	Subcontractor	Commercial	Provisional price	845	Commenced in October 2015	December 2016	Nil	234	611
Office building on Heung Yip Road, Wong Chuk Hang	Main contractor	Commercial	Provisional price	863	Commenced in February 2016	October 2016	Nil	390	473
Office building on On Kwan Street, Shek Mun	Main contractor	Commercial	Provisional price	1,500	Commenced in May 2016	November 2016	Nil	Nil	1,500

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Project location	Group's capacity	Property type	Type of pricing ⁽³⁾	Contract sum (HK\$'000) ⁽¹⁾	Commencement month/year/ Expected commencement month/year	Expected completion month/year	Amount of revenue recognised during the Track Record Period (HK\$'000)		Amount of revenue to be recognised as estimated by management (HK\$'000)
							FY2015	FY2016	FY2017
Residential development in Ho Man Tin	Subcontractor	Residential	Fixed price	4,956	Commenced in July 2016	October 2016	Nil	Nil	4,956
Residential development in Tseung Kwan O	Subcontractor	Residential	Fixed price	3,387	Commenced in September 2016	November 2016	Nil	Nil	3,387
Residential development in Tseung Kwan O	Subcontractor	Residential	Fixed price	1,011	Commenced in June 2016	October 2016	Nil	Nil	1,011
Residential development on Clear Water Bay Road, Sai Kung	Subcontractor	Residential	Fixed price	5,429	Commenced in July 2016	November 2016	Nil	Nil	5,429
Hotel development on Wang Kwong Road, Kowloon	Subcontractor	Hotel	Provisional price	635	Commenced in September 2016	October 2016	Nil	Nil	635
Commercial development on Tsing Yi Road, Tsing Yi ⁽²⁾	Subcontractor	Commercial	Fixed price	516	Commenced in July 2016	October 2016	Nil	Nil	516
Residential development on Argyle Street, Ho Man Tin ⁽²⁾	Subcontractor	Residential	Provisional price	715	Commenced in August 2016	October 2016	Nil	Nil	715
Residential and commercial development on Tung Yuen Street, Yau Tong	Subcontractor	Residential/commercial	Provisional price	996	Expected to commence in October 2016	November 2016	Nil	Nil	996
Residential development on High Street, in Sai Ying Pun	Subcontractor	Residential	Provisional price	473	Expected to commence in November 2016	December 2016	Nil	Nil	473
Residential development on Jones Street, Tai Hang	Subcontractor	Residential	Fixed price	1,209	Expected to commence in October 2016	December 2016	Nil	Nil	1,209
Hotel development in Hung Hom	Subcontractor	Hotel	Provisional price	1,548	Expected to commence in November 2016	January 2017	Nil	Nil	1,548
Residential and commercial development in Tseung Kwan O	Subcontractor	Residential/commercial	Provisional price	1,936	Expected to commence in May 2017	September 2017	Nil	Nil	Nil
Hotel building in Mong Kok ⁽²⁾	Subcontractor	Hotel	Provisional price	210	Expected to commence in October 2016	November 2016	Nil	Nil	210

BUSINESS

Project location	Group's capacity	Property type	Type of pricing ⁽³⁾	Contract sum (HK\$'000) ⁽¹⁾	Commencement month/year/ Expected commencement month/year	Expected completion month/year	Amount of revenue recognised during the Track Record Period (HK\$'000)		Amount of revenue to be recognised as estimated by management (HK\$'000)
							FY2015	FY2016	
Residential development in Yuen Long	Subcontractor	Residential	Provisional price	1,616	Expected to commence in October 2016	November 2016	Nil	Nil	1,616
Office building in Kwun Tong ⁽²⁾	Subcontractor	Commercial	Provisional price	1,804	Expected to commence in November 2016	February 2017	Nil	Nil	1,804
Residential development at Kau To, Sha Tin	Subcontractor	Residential	Provisional price	915	Expected to commence in July 2017	September 2017	Nil	Nil	Nil
Residential and commercial development in Tseung Kwan O	Subcontractor	Residential/ commercial	Provisional price	6,599	Expected to commence in June 2017	August 2017	Nil	Nil	Nil
Office building on Sheung Yuet Road, Kowloon Bay ⁽²⁾	Subcontractor	Commercial	Fixed price	1,398	Expected to commence in October 2016	December 2016	Nil	Nil	1,398
Hospital on Pok Fu Lam Road, Pok Fu Lam ⁽²⁾	Subcontractor	Hospital	Provisional price	279	Expected to commence in November 2016	February 2017	Nil	Nil	279
Residential development at the junction of Fat Kwong Road and Sheung Foo Street	Subcontractor	Residential	Provisional price	1,080	Expected to commence in April 2017	October 2017	Nil	Nil	Nil
Residential and commercial development in Tsuen Wan West	Subcontractor	Residential/ commercial	Provisional price	2,126	Expected to commence in June 2017	September 2017	Nil	Nil	Nil
Commercial development on Po Tai Street, Ma On Shan	Subcontractor	Commercial	Provisional price	1,495	Expected to commence in July 2017	September 2017	Nil	Nil	Nil
Residential and commercial development in Tsuen Wan West	Subcontractor	Residential/ commercial	Provisional price	6,312	Expected to commence in July 2017	October 2017	Nil	Nil	Nil

BUSINESS

Project location	Group's capacity	Property type	Type of pricing ⁽³⁾	Contract sum (HK\$'000) ⁽¹⁾	Commencement month/year/ Expected commencement month/year	Expected completion month/year	Amount of revenue recognised during the Track Record Period (HK\$'000)		Amount of revenue to be recognised as estimated by management (HK\$'000)
							FY2015	FY2016	FY2017
Commercial development on Hysan Avenue, East Point	Subcontractor	Commercial	Provisional price	2,960	Expected to commence in September 2017	January 2018	Nil	Nil	Nil
Residential development on Chi Shin Street, Tseung Kwan O	Subcontractor	Residential	Provisional price	3,240	Expected to commence in December 2016	April 2017	Nil	Nil	3,240
Residential and commercial development in Luen Wo Hui, Fanling	Subcontractor	Residential/ commercial/car park	Provisional price	2,495	Expected to commence in December 2017	March 2018	Nil	Nil	Nil
Residential development in Pak Shek Kok, Tai Po ⁽²⁾	Subcontractor	Residential	Provisional price	120	Expected to commence in October 2016	November 2016	Nil	Nil	120
Residential development and shopping mall located on Yuen Lung Street, Yuen Long ⁽²⁾	Subcontractor	Residential/ commercial	Fixed price	2,115	Expected to commence in October 2016	December 2016	Nil	Nil	2,115

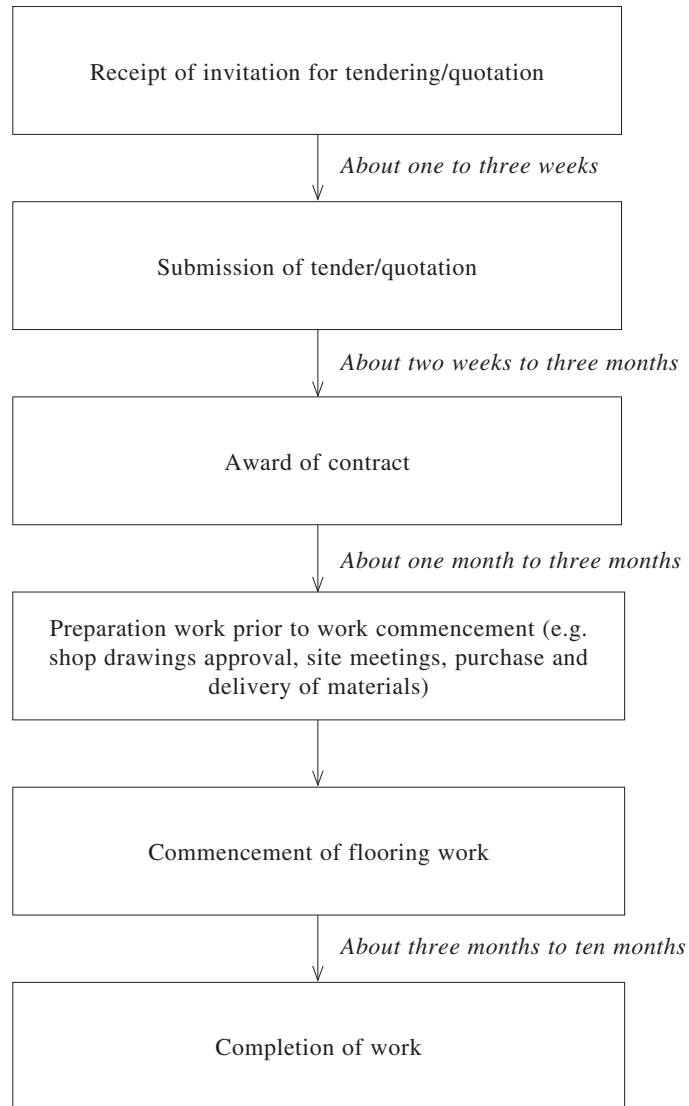
Notes:

1. The contract sum refers to the contract sum stated in the original contract, and does not reflect any adjustments made due to variation orders (if any).
2. “*” refers to the projects which are refurbishment projects. All other projects in the table above are new construction project.
3. The contract sums of our flooring projects are either lump sum fixed price or provisional price subject to re-measurement. Under the lump sum fixed price contract, we are required to execute all the specified details and quantities of works as stated in the contract at the fixed agreed price. With regard to provisional price contract, the customers usually supply us a reference schedule showing the items, brief description and quantities of works to be performed by us. Based on the specifications, quantities and agreed unit rates, we are able to estimate the provisional contract sum.

As at the Latest Practicable Date, we had 32 contracts on hand, among which 11 were in progress with total outstanding contract value of HK\$8.6 million, and 21 had yet to commence work with total contract sum of HK\$40.9 million. Out of the 32 contracts on hand, four of them were sizeable contracts with contract sum of over HK\$5 million each. These four contracts involve provision of car park flooring works for a new construction project in a residential development on Clear Water Bay Road, Sai Kung, a new construction project in a residential and commercial development in Tseung Kwan O, a new construction project in a residential and commercial development in Tsuen Wan, and a new construction residential development project in Yuen Long.

OPERATING PROCEDURES

Our operational procedures for flooring services, whether for new constructions or refurbishment, generally involve identifying potential projects, tendering, project implementation, payment, defects liability period and warranty period. The following diagram illustrates the general operational procedures and approximate time required for each major step involved in our typical flooring project:



Identifying potential projects

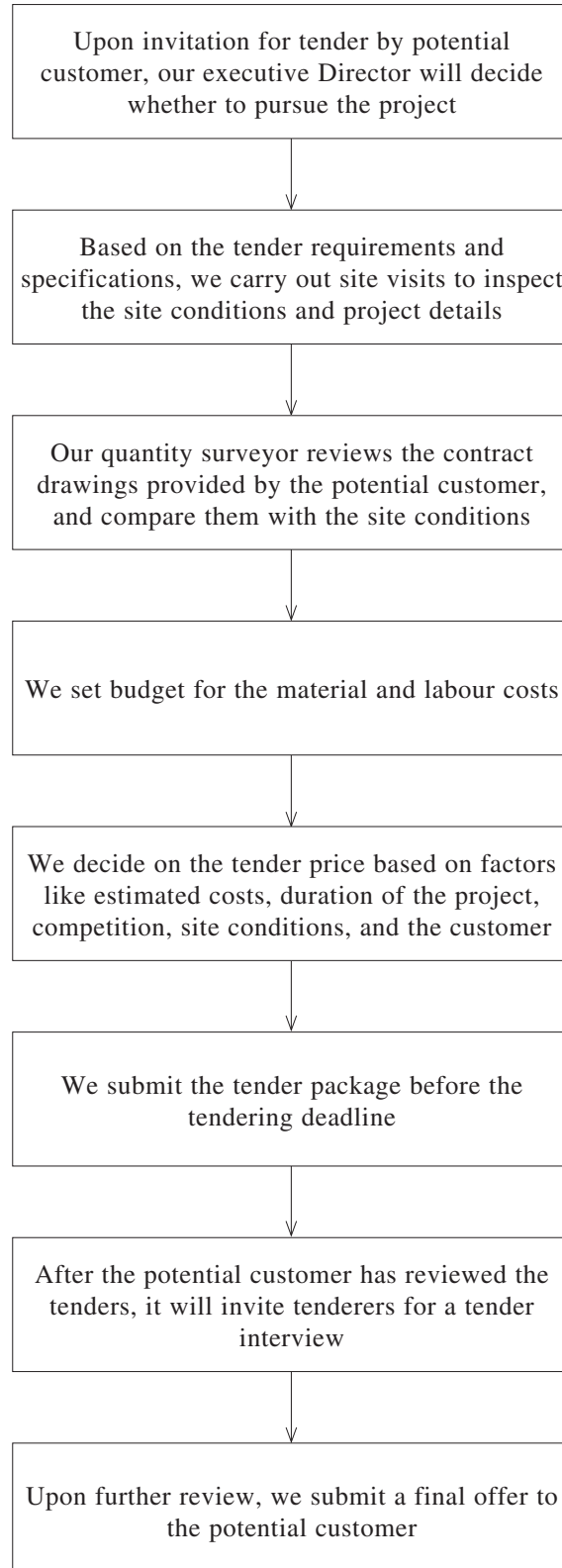
We actively explore new business opportunities by keeping track of any new construction projects in Hong Kong through our existing business network, and sending our marketing materials to the architect who is responsible for the products and services specifications of the new construction project. If the relevant architect and developer accept our proposal, our proposed products and services specifications will form part of the developer's tender package for the main contractor, and subsequently part of the main contractor's tender package for the car park flooring subcontractor, giving us a competitive advantage in bidding the relevant tender. For details on our marketing activities, please refer to the paragraph headed "Sales and marketing" in this section.

As a result of our sales and marketing activities, our projects are mainly obtained through (i) invitation to tender by main contractors and developers; and (ii) invitation for quotation by property developers, upper tier subcontractors, and property management companies. For FY2015 and FY2016, 60% and 83% of our revenue were derived from flooring projects obtained through tendering. Our direct customers are primarily the main contractors of new construction or refurbishment projects. We act as a subcontractor for these projects and work under the supervision of the main contractor. Our Group was not required by our customers to make pre-qualification submission during the Track Record Period, which was because we had been one of our customers' approved tenderers.

Our executive Director, Mr. Kwong, reviews the tenders, taking into consideration, among others, the project requirements, feasibility of the project, timetable of the project, and our financial and human resources, and makes the final decision of whether to pursue a project, and if so, tender price to be submitted.

Tendering process

The following diagram illustrates the major steps involved in our general tendering process:



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Our executive Director, Mr. Kwong, carries out the tender procedure, which involves issuing tender queries, pricing the tender and submitting tender documents. The tender submission process may take anywhere between one to three weeks. Upon receipt of the tender documents, we will conduct a more in-depth review into the feasibility of the proposed project and will arrange for site visits to inspect the site conditions and further understand the project details.

Prior to deciding the tender price, our quantity surveyor reviews the contract drawings provided by the potential customer against the actual site conditions, especially for lump sum fixed price contracts, under which we are required to execute all the specified details and quantities of works as stated in the contract at the fixed agreed price. The details checked by our quantity surveyor include the area of the site, surface area of ramps, and site constraints. For FY2015 and FY2016, HK\$37.5 million and HK\$50.9 million of our revenue were derived from provisional price contracts subject to remeasurement, representing 87.5% and 74.2% of our revenue in the respective financial year, while HK\$5.3 million and HK\$17.7 million were derived from lump sum fixed price contracts, representing 12.5% and 25.8% of our revenue in the respective financial year. For our provisional price contracts subject to remeasurement, the final contract sum is subject to final remeasurement against actual work done. For details on our contracts, please refer to the paragraph headed “Principal terms of our contracts” in this section.

In pricing a tender, we will make reference to, among others, tender specifications, relationship with the potential customer, competition, market conditions, estimated costs, and duration of project. In particular, tender specifications are a major factor influencing our pricing. Customers normally specify a few brands of floor coating materials which are approved for the flooring work, but the tenderers may also propose to use equivalent products in their tender proposals.

Potential customers are not bound to accept the lowest or any tender bids offered. According to the Industry Report, in choosing which car park flooring service provider to engage, the quality of coating materials and flooring work is the most important criteria that potential customers would consider when it comes to choosing a service provider for car park flooring. A service provider’s experience and job references, and its brand and reputation are the second most important factors. For details, please refer to the section headed “Industry Overview” in this prospectus. Based on our experience, our Directors believe that potential customers usually prefer tender proposals based on floor coating products that are specified in the tenders.

For tenders that specify Supplier A’s or Supplier B’s proprietary floor coating products as the approved materials, we have a competitive advantage as we are Supplier B’s sole distributor in Hong Kong for its proprietary car park floor coating product, and Supplier A’s “preferred applicator” in Hong Kong. Please refer to the paragraph headed “Principal competitive strengths” in this section. Alternatively, if the tender specifications favour floor coating products that are generally or exclusively distributed by our competitors, we will be inclined to set a lower price in order to compete for the tender. We also tend to set a more competitive price if (i) we have long and harmonious work relationship with the customer; (ii) the project is not expected to have undue delays; or (iii) the prevailing market conditions are unfavorable.

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During the Track Record Period, 37% of the total number of tenders for which we had been invited to submit specified Supplier A's proprietary car park floor coating products as an approved material (including tender invitations which specified Supplier A's anti-skid floor coating products as approved material, representing 6% of the total number of tender invitations), 16% tender specifications received by us specified Supplier B's proprietary car park floor coating products as an approved material, with the balance being tenders specifications that were in favour of other car park floor coating products or did not specify any particular coating material as approved material. We believe the reason Supplier A's products are more popular amongst our clients is due to the fact that Supplier A has an office in Hong Kong since early 1990s and a longer operating history, compared to Supplier B which is based overseas. In addition, the fact that more building projects in Hong Kong have used Supplier A's products serves to present a good track record for new customers.

After the tender is submitted, we may be invited for tender interview to meet with the potential customer, during which the parties will negotiate for a final price. We may negotiate with the relevant supplier for a best offer before we submit a final offer to the potential customer.

If the tender is awarded to us, a formal contract will be executed between the customer and us. The time from when a tender has been submitted to when a tender is awarded can vary from two weeks to three months.

Tenders submitted during the Track Record Period

During the Track Record Period, most of our projects were obtained through a process of competitive bidding in which we believe our customers will also obtain tenders from other subcontractors. To the best of our belief, in a typical tendering process, at least five companies drawn from our customer's approved subcontractors list will be invited to submit a tender. The following table sets out the number of tenders submitted, number of successful tenders and our success rate during the Track Record Period:

	Year ended 31 March	
	2015	2016
Number of tenders submitted	51	44
Number of successful tenders	37	33
Success rate (%)	73%	75%

Commencement of project

Once our engagement is confirmed, we commence the implementation of the project by: (i) forming a project team; (ii) planning and arranging the required machinery to be delivered to the work site; (iii) procuring and arranging with suppliers for the required materials for the project; and (iv) negotiating and finalising on the subcontracting arrangement.

Forming a project team

Depending on the scale and complexity of the project, our project team generally comprises the following key personnel: project director, quantity surveyor, foreman, and general labourers engaged for surface preparation work. The project director is responsible for the overall operation of the project, including reviewing customer requirements, allocating resources, and handling variation orders documents for any critical changes. We will closely monitor the progress of the project on a continuous basis and will ensure statutory requirements are complied with. Our project team will oversee the project on site and report to our executive Directors on the project status and identify any problems that need to be resolved from time-to-time. Set out below are some general duties performed by the major roles of the project team:

(i) Quantity surveyor

Our quantity surveyor is responsible for preparing shop drawing submissions immediately before work commencement, inspecting the work progress on site to prepare payment applications to customers, and verifying progress payment and final account certifications from customers. The quantity surveyor's duties also include measuring the work done by our subcontractors and assessing their interim payment requests.

(ii) Foreman

Our foreman is responsible for coordinating, providing guidance and supervising our workers and subcontractors on site, including briefing them on the handling and application of floor coating or other materials. The quantities of materials on site are also regularly checked by our foreman to minimise wastage of materials. Our foreman's duties also include conducting regular inspections on the work progress and making good any defects before handing the site over to our customer.

Planning and arranging machinery

We possess shot-blasting machines, screed mixer, screeding machines, and grinding machine to perform our floor coating projects. Shot-blasting machine is used for surface preparation. Screed mixer is used for mixing cement, sand and screed additive, and screeding machine is used for the levelling out and application of screeding products. Grinding machine is used in refurbishment projects for removing existing car park floor coating materials. Our machines have to be maintained on a regular basis. For FY2015 and FY2016, we incurred repair and maintenance cost of approximately HK\$0.2 million and HK\$0.2 million.

Our shot-blasting machines and screeding machines are purchased from the United Kingdom respectively. Our project director is responsible for determining the types of machinery to be used and the logistics of delivery of machinery.

As at 31 March 2016, our machineries had been used for less than one year to eight years on a properly maintained basis; the average age for our machineries is 3.18 years.

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The table below sets out the age and normal useful lives of our major machineries as at 31 March 2016:

Machinery	Number of units	Average age (approx. year)	Useful life
Shot-blasting machines	3	5.7	3
Screeding machines	2	2.5	3

During the Track Record Period, there was generally no idle time for our major machineries as they had been continuously moved from one project site to another to perform car park flooring works.

Procurement and management of materials

We are responsible for the procurement of flooring materials for the project. The key materials that we purchase for our projects include proprietary floor coating products, cement, sand, and shot-blasting beads. In line with our tender or contract awarded and our progress plan, our quantity surveyor will calculate quantities of materials required based on approved shop drawings, and our administrative department will place orders with our approved suppliers based on the terms negotiated by our executive Director.

Supplier A delivers flooring materials directly to our work sites, while Supplier B delivers the flooring materials to the container port, which are then transported to our work sites by third party transport companies. When materials are delivered to sites, the site foreman will inspect the material model and quantity, conduct sampling check on the conditions of the materials and acknowledge receipt of the materials.

Depending on the credit standing of our customers, we may obtain deposit amounting up to 30% of the overall contract sum and material-on-site payment amounting up to 40% of the overall contract sum.

We acquire material on a project-by-project basis in accordance with the project specifications relying on our quantity surveyor's estimation of the amount of materials needed. Further, for projects involving larger sites exceeding 4,000 sq. m., we usually purchase materials by work stage. As such, we generally do not retain a large amount of materials as inventory. In some rare occasions, the purchased materials are temporarily stored off-site until required to be used.

For details on our suppliers and inventories, please refer to the paragraph headed "Suppliers and procurement of materials" in this section.

Subcontracting arrangements

During the Track Record Period, our Group outsourced part of our works, such as application of proprietary floor coating products, screeding, and painting of line markings, to subcontractors for the purposes of better allocating our resources, whether or not we acted as a main contractor or a subcontractor. We are responsible to our customers for the works performed in a project, including those carried out by our subcontractors. Our customers generally consent to our engagement of subcontractor for a project and do not specify which subcontractor should be engaged by us.

Our subcontractors include local sole proprietors and partnerships as well as limited companies which generally have the available skills and manpower to perform the subcontracted activities. We have not entered into any long term agreement with our subcontractors, as we usually enter into subcontractor contracts on a project-by-project basis. Our business relationship with our top five subcontractors during the Track Record Period ranges from about one year to 11 years.

In order to control and ensure the quality and progress of the works of subcontractors, we typically engage subcontractors from our approved list. Selection of the subcontractors is normally based on, among other things, their past performance and experiences, and size of workmen team. The performance of the subcontractors is regularly monitored by our site foreman, who supervises the progress and inspects the quality of works carried out. We provide our subcontractors with screeding machines, screed mixers and grinding machines to assist them in the relevant work process.

For details on our subcontracting arrangements, please refer to the paragraph headed “Subcontracting” in this section.

Implementation of project

Monitoring and quality control

Once a project commences, our project management team will monitor the progress, costs incurred and performance of the project in all respects to ensure that it meets the customer’s requirements and is completed in accordance with the time schedule and in compliance with all statutory requirements including those in connection with health and safety matters. Our site foreman regularly provides verbal progress reports to our executive Director during weekly meetings. In addition, project meetings between our project team and our customers are held to assess and review the progress of the project and to resolve any problem which may arise.

Our subcontractors are not allowed to subcontract any parts of our projects without our permission. Our site foreman will supervise the work of our workers and subcontractors on site on a regular basis, and brief them on the handling and application of floor coating or other materials. During the course of project operation, we hold meetings with the subcontractors’ representatives to discuss work progress of the relevant projects. Supplier A will also provide training to our employees and our subcontractors if there are any issues in relation to their products, in order to ensure that their proprietary floor coating products are used in an appropriate and cost-effective manner. Please also refer to the paragraph headed “Quality assurance” in this section.

Customer inspection

Our customers' representatives will carry out sight inspection on an on-going basis and approve our work done upon completion of the job. In executing government or large scale private projects, the on-site inspector of the developers, namely the clerk of works, would inspect the works of the main contractor from time to time.

Billing and settlement

Progress payment

We recognise revenue derived from flooring works and ancillary services contracts based on the stage of completion of the contracts. We usually submit payment applications with billing invoice to our customers on a monthly basis. The monthly cut-off date of such payment applications may be specified in the contracts. Our customers will certify the value of the works completed, and arrange settlement in respect of the portion of works. Our customers will usually retain up to 10% of each progress payment and up to a maximum limit of 5% of the contract sum as retention money for the project. For details on retention money, please refer to the paragraph headed "Final settlement and retention money" in this section.

The credit terms in relation to the settlement of progress payments due from our customers vary from contract to contract. For both new construction and refurbishment projects, we submit payment applications with billing invoice with reference to the monthly cut-off date, with credit terms typically 30 days from the invoice dates, depending on the terms and conditions of the contracts.

Similarly, we normally pay our subcontractors on a monthly basis with reference to the value of the works done. Our subcontractors are required to submit a request for payment to us each month before the relevant payment application cut-off dates set by our customers. Once our quantity surveyor has verified the subcontractor's request against the actual works done by the subcontractors, we will prepare payment applications to our customers and we will release the relevant proportion of the subcontracting sum to our subcontractors. During the Track Record Period, we did not withhold any retention money from our subcontractors.

Variation Order

Depending on the terms and conditions of the contracts, our customers may give instructions to vary the contract works which we are generally obliged to follow. Such variation orders could be addition, modification or cancellation of the contract works. The value of the variations, in particular the addition or modification of contract works, is generally ascertained with reference to the rates and prices specified in the contract for analogous work and/or the prevailing market rate, and then the total contract sum of the relevant project is adjusted accordingly. For any contract works to be cancelled, the total contract sum of that project is to be deducted according to the rates and prices of such contract works as stated in the agreed quotation.

BUSINESS

Additional works conducted by us under variation orders include remedying substrate defects of surface conditions of the work sites, using more expensive floor coating products for ramp surfaces that were not specified in the tender, and altering parking spaces and line markings.

The progress of the additional works under the variation orders will generally be reflected in our payment application of the relevant month submitted to our customer. Payment for the works done under the variation orders will also be subjected to the customer's certification process, and is usually made by our customers on a monthly basis.

Final settlement and retention money

Once we have completed the entire project to the satisfaction of our customer, we will agree with our customer the final settlement which will take into account the measurement of all our work done, retention money, and value of variation orders (if any). The final settlement usually accounts for 10% of the total contract sum. It usually takes three months (and in some cases up to 12 months or more) for our customers and us to reach agreement of the final account. As such, the final settlement is usually settled after the credit period, which is typically 30 days, and becomes overdue by the time we receive the settlement. Please refer to the section headed "Financial Information – Description of selected items of consolidated balance sheets – Trade and other receivables – Trade receivables" in this prospectus for further details.

In our contracts with our customers, there is usually a contract term for the customers to withhold retention money from us. The amount of retention money for each project is usually 5% of the total contract sum. The terms and conditions in relation to the release of retention monies vary from contract to contract. Depending on the terms of the contracts, the retention money will be released to us upon a pre-agreed period, which may range from 12 months to 24 months after completion of work.

As at 31 March 2016, our retention receivables, which represent the retention monies held by the customers for contracted works, amounted to approximately HK\$2.9 million. We expect all these retention monies to be released immediately after the expiry of the time period pre-agreed between our Group and our customers according to the respective contracts.

Defects liability period, warranty period and technical support

Most of our contracts contain a defects liability period, during which we are responsible to rectify any work defects. This period typically lasts for 12 months from completion of our works in the project.

On top of the defects liability period, our customers would normally require us to provide a warranty to them or the ultimate customer, depending on the terms of the contracts, for a pre-agreed time period, during which we guarantee the satisfactory performance of the relevant works completed against any faulty workmanship and materials. The length of the warranty periods granted for projects completed during the Track Record Period ranged from three years to 12 years, depending on the nature and scale of the projects. The warranty period generally commences from the date of the certificate of practical completion. The terms of the warranties vary from contract to contract. Nonetheless, our Group generally undertakes to make good any defective work at our own expense within the warranty period, and that the warranty shall not cover any defects arising from causes like acts of God, deterioration of existing substrate, and deliberate misuse.

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We do not maintain a similar length of defects liability period from our subcontractors, but our subcontractors are generally required to maintain and rectify defects in their works within one year after they complete the subcontracted work. Our major suppliers, Supplier A and Supplier B, also provide product guarantee for a period of 10 years.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material claim from its customers in respect of any work defects, and therefore we have not made any provision for repair and maintenance costs in respect of defective works during the defect liability period.

Apart from dealing with defective works during the defects liability period and warranty period, we also provide technical support to our customers by answering their verbal queries in relation to the finished surfaces, such as those related to line markings and stains.

Pricing strategy

Our pricing is determined on a case-by-case basis. Factors that we take into account in determining our fees generally include (i) product specifications; (ii) our customer's budget; (iii) relationship with our customer; (iv) competition; (v) overall cost in undertaking the project; (vi) expected duration of project; and (vii) prevailing market conditions. For tenders that specify Supplier A's or Supplier B's proprietary floor coating products as the approved materials, we have a competitive advantage as we are Supplier B's sole distributor in Hong Kong for its proprietary car park floor coating product, and Supplier A's "preferred applicator" in Hong Kong. Please refer to the paragraph headed "Principal competitive strengths" in this section. Alternatively, if the tender specifications favour floor coating products that are generally or exclusively distributed by our competitors, we will be inclined to set a lower price in order to compete for the tender. We also tend to set a more competitive price if (i) we have long and harmonious work relationship with the customer; (ii) the project is not expected to have undue delays; or (iii) the prevailing market conditions are unfavorable.

During the Track Record Period and up to the Latest Practicable Date, our Group did not enter into any loss making contract.

BUSINESS

CUSTOMERS, SALES AND MARKETING

For FY2015 and FY2016, our revenue from flooring works contracts amounted to approximately HK\$42.1 million and HK\$66.4 million, representing 98.3%, and 96.8% of our total revenue for the corresponding periods, respectively. On the other hand, revenue from ancillary services amounted to approximately HK\$0.7 million and HK\$2.2 million, representing 1.7%, and 3.2% of our total revenue for the corresponding periods, respectively.

Our direct customers included main contractors, property developers, property management companies and upper tier subcontractors. The table below sets out our revenue by customer type during the Track Record Period:

	FY2015		FY2016	
	<i>(HK\$'000)</i>	<i>%</i>	<i>(HK\$'000)</i>	<i>%</i>
Main contractors	25,559	59.7	57,903	84.5
Property developers	11,187	26.1	4,125	6.0
Property management companies	278	0.7	1,309	1.9
Upper tier subcontractors	5,784	13.5	5,238	7.6
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	42,808	100.0	68,575	100.0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

During the Track Record Period, all of our customers were located in Hong Kong and all of our service fees were denominated in Hong Kong dollars. The number of customers with projects generating revenue for FY2015 and FY2016 was 52 and 51, respectively.

Our projects are mainly obtained through invitation to tender by main contractors and developers. For FY2015 and FY2016, 60% and 83% of our revenue were derived from flooring projects obtained through tendering. Tendering is generally not required for contracts with property management companies and upper tier subcontractors, and projects with them are mainly obtained through invitation for quotation.

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Major customers

Set out below is a breakdown of revenue by our top five customers:

FY2015

Customer	Background of customer	Our role	Payment method	Revenue <i>HK\$'000</i>	As a % of total revenue for the year	Nature of principal services provided	Years of relationship with us as at the Latest Practicable Date
Billion Development & Project Management Limited	A property developer which is a private company incorporated in Hong Kong in 1993; engaged in development of commercial, industrial, and residential projects.	Main contractor	By cheque	8,145	19.0	Flooring services	3
Joint Surplus Limited	A private limited company in Hong Kong that provides car park flooring, waterproofing and moving work (please refer to the section headed "Relationship with Joint Surplus" in this prospectus for detailed background information).	Subcontractor	By cheque	4,500	10.5	Flooring services	5
Sze Cheong Engineering Company Limited	A private limited company incorporated in Hong Kong in 1992, and provides engineering work.	Subcontractor	Bank transfer	4,391	10.3	Flooring services	2
Customer D	A subsidiary of an engineering group headquartered in Hong Kong and principally engaged in building construction; ultimately owned by a company listed on the main board of the Stock Exchange, which has market capitalisation of about HK\$719 million as at 30 June 2016. The parent listed group mainly engages in ports and infrastructure development and investment, and the operations of ports and logistics facilities in China	Subcontractor	By cheque	4,293	10.0	Flooring services	8
Hien Lee Engineering Company Limited	A private limited company incorporated in Hong Kong in 1973; provides engineering work, including site formation and clearance, demolition work and structural alteration and addition works.	Subcontractor	By cheque	2,434	5.7	Flooring services	6
TOTAL				23,763	55.5		

BUSINESS

FY2016

Customer	Background of customer	Our role	Payment method	Revenue <i>HK\$'000</i>	As a % of total revenue for the year	Nature of principal services provided	Years of relationship with us as at the Latest Practicable Date
Customer F	A main contractor in building construction and project management; a subsidiary of a construction company listed on the main board of the Stock Exchange, which has market capitalisation of about HK\$47 billion as at 30 June 2016. The parent listed group engages in building construction work, civil engineering work, foundation work, mechanical and electrical engineering work, and infrastructuring investment.	Subcontractor	By cheque	12,089	17.6	Flooring services	12
Customer G (Note)	A company in the business of infrastructure and construction as main contractor and is a subsidiary of a company listed on the main board of the Stock Exchange, which has market capitalisation of about HK\$48 billion as at 30 June 2016. The parent listed group manages projects and investments relating to roads, energy, water, and ports and logistics, and provision of services like facilities management.	Subcontractor	By cheque	10,610	15.5	Flooring services	1
Customer H	A private limited company and subsidiary of an international business conglomerate based in Hong Kong and engages in property and real estate development business.	Subcontractor	By cheque	7,003	10.2	Flooring services	2
Customer I (Note)	A company that provides services relating to design and construction of private building works, and is a subsidiary of a company listed on the main board of the Stock Exchange.	Subcontractor	Bank transfer	5,421	7.9	Flooring services	9
Customer J	A company that provides building construction work and civil engineering works; a subsidiary of a company listed on the main board of the Stock Exchange, which has market capitalisation of about HK\$290 billion as at 30 June 2016. The parent listed group mainly engages in property development and property investment in Hong Kong and Macau.	Subcontractor	By cheque	4,463	6.5	Flooring services repairing services	9
TOTAL				39,586	57.7		

Note: Customer G and Customer I are subsidiaries of the same listed company.

Our Directors consider that we have established good relationship with our customers.

Transactions with Joint Surplus

Joint Surplus was one of our top five customers for FY2015. Mr. Jason Yip, a member of our senior management and a substantial shareholder, was a shareholder of Joint Surplus during the period from 1 April 2011 to 26 July 2015. Mr. Jason Yip was also a director of Joint Surplus during the period from 1 April 2011 to 13 July 2015. Meanwhile, Mr. Jason Yip was engaged by us as a consultant on a part-time basis during the period from 1 April 2009 to 31 July 2015. For further details, please refer to the section headed “Relationship with Joint Surplus” in this prospectus.

Save as disclosed above, none of our Directors, their associates or any Shareholders, which to the best knowledge of our Directors own more than 5% of the issued share capital of our Company as at the Latest Practicable Date, had any interest in the five largest customers during the Track Record Period. None of our five largest customers during the Track Record Period was also our supplier or subcontractor. Save as disclosed above, all of our top five customers are Independent Third Parties.

Reliance on our major customers

For the two years ended 31 March 2015 and 2016, the percentage of our aggregate revenue attributable to our largest customer was 19.0% and 17.6% for the corresponding periods, respectively, while the percentage of our total revenue attributable to our five largest customers in aggregate was 55.5% and 57.7%, respectively.

The number of flooring works and ancillary services projects that can be executed by us simultaneously are limited by our resources including the capacity of our machinery and project management team. Thus, during the Track Record Period, our strategy had been to primarily focus on deploying our resources towards competing for new construction projects, instead of refurbishment projects which demand more time and resources. This has, in turn, inevitably resulted in a concentration of customers during the Track Record Period.

Notwithstanding the above, we have demonstrated over the Track Record Period that we have the ability to compete for flooring works and ancillary services contracts from new customers. Provided that we have sufficient operation capacity in the future, we intend to serve a larger number of customers and projects. In this regard, we intend to strengthen our leading position in the new construction market and expand our presence in the refurbishment market. We also will improve our overall capacity and project management efficiency. For details, please refer to the paragraph headed “Business strategies” in this section.

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Principal terms of our contracts

As our business operates on a non-recurring and project-by-project basis, during the Track Record Period and up to the Latest Practicable Date, we have not entered into any long-term master contract with any of our customers. Our Directors consider that such arrangement is in line with the industry practice. Generally, the terms of our contracts with our customers mirror the terms of the contract between the main contractors and the ultimate customers, such as the property developers and property management offices, as the case may be. Below are some of the generalised terms included in most of our contracts:

Principal contract terms	Description
Project information	Project information generally shows the location of work site and nature of our works to be performed.
Contract sum	<p>The contract sums of our contracts are either lump sum fixed price or provisional price subject to re-measurement. Under the lump sum fixed price contract, we are required to execute all the specified details and quantities of works as stated in the contract at the fixed agreed price. With regard to provisional price contract, the customers usually supply us a reference schedule showing the items, brief description and quantities of works to be performed by us. Based on the specifications, quantities and agreed unit rates, we are able to estimate the provisional contract sum. For our provisional price contracts subject to remeasurement, the final contract sum is subject to final remeasurement against actual work done.</p> <p>If there is any variation of works, the valuation of which is determined based on quantity of works and the unit rates of such works under our bills of quantities. Please also refer to the paragraph headed “Variation order” in this section.</p>
Types and scope of works	This term identifies types and scope of works in detail which we are engaged to perform under the contracts. We are responsible for the procurement of flooring materials for the project. For details please refer to the paragraph headed “Our business operations” in this section.
Contract period	The number of days within which we have to complete our contract works commencing from the date when we are allowed to get our works started at the sites. The contract period varies depending on the project size and complexity.

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Term of payment	We generally charge our customers on monthly basis by sending payment application together with a written statement showing quantities and details of works having been performed in the preceding month for our customers' certification and payment arrangement. In respect of the final settlement, we usually issue final account showing the amount we are entitled to for our customers' verification. Please also refer to the paragraphs headed "Progress payment" and "Final settlement and retention money" in this section.
Bills of quantities	It refers to types, specifications and quantities of works under the project. It also states the unit rates and estimated price of each particular type of works in the quotation documents.
Liquidated damages	If we fail to complete our contract works before a stipulated time, we may, subject to the extension of time approved by our customers, need to pay liquidated sum to our customers pursuant to the contracts. The amount of compensation is usually a fixed amount per day.
Defects liability period and warranty period	After completion of our works, we are responsible for fixing and remedying our defective works identified by our customers for a predetermined period which is normally not more than 12 months after completion of work. On top of the defects liability period, our customers would normally require us to provide a warranty to them or the ultimate customer. Please also refer to the paragraph headed "Defects liability period, warranty period and technical support" in this section.
Retention monies	The amount of retention money for each project is usually 5% of the total contract sum. Our customers will usually retain up to 10% of each progress payment as retention money for the project. The terms and conditions in relation to the release of retention monies vary from contract to contract. Depending on the terms of the contracts, the retention money will be released to us upon a pre-agreed period, which may range from 12 months to 24 months after receipt of final settlement in respect of the project. Please also refer to the paragraph headed "Final settlement and retention money" in this section.

Credit policy

Based on the activity carried out in the preceding month, we usually submit to our customers a payment application for a progress payment which generally includes the estimated fee for our work done on a monthly basis. Once our customer is satisfied with our progress payment application, customer will acknowledge the progress and arrange for payment accordingly. Our customer will settle the progress

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payment with us by cheque and will retain a certain percentage of our fee as retention money. The credit terms in relation to the settlement of progress payments and final payments due from our customers vary from contract to contract. For both new construction and refurbishment projects, credit terms are usually 30 days from the invoice dates. Our customers will usually retain up to 10% of each interim payment and up to a maximum limit of 5% of the total contract sum as retention money. Please refer to the paragraphs headed “Progress payment” and “Final settlement and retention money” in this section.

Although the credit period granted by us to our customers is normally 30 days, in some cases, our customers may require a longer period of up to 12 months or more to certify our payment applications. As at 31 March 2015 and 31 March 2016, approximately 71% of our trade receivables were past due. Please refer to the section headed “Risk Factors – Risks relating to our business – Any material delay in payment or release of retention monies from our customers may adversely affect our cash position and results” and “Financial Information – Description of selected items of consolidated balance sheets – Trade and other receivables – Trade receivables” in this prospectus. We maintain a register of progress payment applications submitted and payment certificates issued by the customers to ensure all corresponding payment applications have been followed up with our customers on a timely basis. Upon the due date of retention receivables, our staff will follow up with our customers by contacting the customers directly and re-issue the invoices if necessary. For details on our receivables turnover days, please refer to the section headed “Financial Information” in this prospectus.

We determine the provision of impairment of trade receivables on a case-by-case basis. We determine specific allowance for doubtful debts on a case-by-case basis having regard to a number of factors, including length of business relationship, the ageing of the receivable balances, results of the follow-up procedures, customers’ past reputation, and their financial strength and repayment history as well. During the Track Record Period, we incurred total bad debt of approximately HK\$0.2 million during FY2015 due to a customer which was wound up in FY2015.

Seasonality

Our Directors believe that the car park flooring industry in Hong Kong does not exhibit any significant seasonality.

Sales and marketing

During the Track Record Period, we secured new businesses mainly through invited tenders, which is considered by our Directors to be attributable to our sales and marketing activities and well-established presence in the car park flooring industry in Hong Kong.

Apart from invitations by customers, we also actively explore new business opportunities by checking for any new construction projects in Hong Kong through our existing business network, and sending our marketing materials to the architect who is responsible for the products and services specifications of the new construction project. If the relevant architect and developer accept our proposal, our proposed products and services specifications will form part of the developer’s tender package for the main contractor, and subsequently part of the main contractor’s tender package for the car park flooring subcontractor, giving us a competitive advantage in bidding the relevant tender. Tender specifications are a major factor influencing our pricing and competitiveness in bidding for a tender. For details on tender specifications and tender pricing, please refer to the paragraph headed “Tendering process” in this section.

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Our executive Director, Mr. Kwong, is actively involved in our sales and marketing activities, including the active liaison with existing and potential customers for securing new businesses, and discussing the engagement terms and flooring approach. Direct invitations from customers for quotations may be addressed to Mr. Kwong directly, in which case the invitations will be handled by him. We also rely on word-of-mouth by providing quality service for each of our projects to attract customers' referrals and to retain our customers in the future. Our Directors consider that our past performance will continue to support our reputation and business in the industry.

For FY2015 and FY2016, we incurred marketing expenses of HK\$0.5 million and HK\$0.9 million.

SUPPLIERS AND PROCUREMENT OF MATERIALS

Our suppliers primarily supply the following materials to us: (i) proprietary floor coating products for car park floor coating, screeding and anti-skid surfacing; (ii) cement; (iii) sand; and (iv) shot-blasting beads. Most of our purchases are denominated in Hong Kong dollars and they are mainly for flooring materials manufactured in Malaysia and the UK.

We generally order materials on a project-by-project basis. Further, for projects involving larger sites exceeding 4,000 sq. m., we usually purchase materials by work stage. We did not enter into any long-term contract with, or commit to any minimum purchases from, our suppliers. The terms of our supply contracts include the type of materials, price, quantity, payment terms, and expected delivery date. We select suppliers mainly based on: (i) quality of materials; (ii) timeliness of delivery; (iii) previous experience and length of relationship with the supplier; (iv) reputation of the supplier; and (v) product specifications of our contract with the customers. Unless otherwise stated in our agreement with the customer, we usually provide materials for our projects in accordance with the product specifications.

During the Track Record Period, we did not experience any material shortage or delay in the supply of materials that we required. In addition, we did not experience any material fluctuation of prices of materials that we required during the Track Record Period.

During the Track Record Period, material costs were approximately HK\$15.0 million and HK\$19.8 million respectively, 62.8% and 55.2% of our Group's total costs of sales.

Our Directors estimate the material cost when we price our tenders or quotation for the floor coating work projects. Any deviation between the estimated material costs at the time we submit the tenders or quotations and the actual costs to complete the projects may affect our Group's financial performance and profitability. For projects resulting from an award of tender and involving the use of Supplier A's proprietary floor coating products, we usually have a verbal pre-bid agreement with Supplier A. As for Supplier B, it sells proprietary floor coating products to us based on a standard price list. This enables us to take into account our overall costs and any anticipated cost arising from the bills of quantities when preparing the tender.

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Major suppliers

Set out below is a breakdown of our total purchases made with the major suppliers:

FY2015

Supplier	Background of supplier	Credit terms and payment method	Purchase amount <i>HK\$'000</i>	As a % of total purchase of material for the year	Type of purchases	Years of relationship with us as at the Latest Practicable Date
Supplier A	A manufacturer of high quality epoxy, polyurethane and methyl methacrylate resin flooring and car park coating solutions, headquartered in the U.K., with commercial sales office in Hong Kong, and across Europe, the Americas, Asia and Africa. Its ultimate holding company is listed on the New York Stock Exchange.	120 days by cheque	12,044	77.8	Proprietary floor coating products for car park flooring, screeding, and anti-skid surfacing work	6
Supplier B	A UK-based manufacturer of flooring adhesives and floor preparation products for the flooring industry	120 days by cheque	2,222	14.4	Proprietary floor coating products for car park flooring work	10
Supplier C	A local partnership engaged in construction material business	Monthly payment by cheque	380	2.5	Sand	10
Supplier D	A limited liability company in Tianjin City engaged in the processing and marketing of mineral products, building material, metal material and non-metallic mineral products	Payment in advance by telegraphic transfer	206	1.3	Coloured aggregates	5
Supplier E	A private limited company in Hong Kong engaged in the supplies of paint	Monthly payment by cheque	200	1.3	Paint	10
TOTAL			15,052	97.3		

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FY2016

Supplier	Background of supplier	Credit terms and payment method	Purchase amount <i>HK\$'000</i>	As a % of total purchase of material for the year	Type of purchases	Years of relationship with us as at the Latest Practicable Date
Supplier A	A manufacturer of high quality epoxy, polyurethane and methyl methacrylate resin flooring and car park coating solutions, headquartered in the U.K., with commercial sales office in Hong Kong, and across Europe, the Americas, Asia and Africa. Its ultimate holding company is listed on the New York Stock Exchange.	120 days by cheque	17,157	80.1	Proprietary floor coating products for car park flooring, screeding, and anti-skid surfacing work	6
Supplier B	A UK-based manufacturer of flooring adhesives and floor preparation products for the contract flooring industry	120 days by cheque	2,428	11.3	Proprietary floor coating products for car park floor coating	10
Supplier C	A local partnership engaged in construction material business	Monthly payment by cheque	753	3.5	Sand	10
Supplier E	A private limited company in Hong Kong engaged in the supplies of paint	Monthly payment by cheque	277	1.3	Paint	10
Supplier F	A private limited company in Hong Kong engaged in trading of building materials	In advance by cheque	220	1.0	Sand and cement	1
TOTAL			20,835	97.2		

Our Directors consider we established long and stable working relationships with its suppliers, and up to the Latest Practicable Date, there had been no major disagreements with any of our suppliers.

None of the Group's Directors, their associates or any Shareholders, which to the best knowledge of our Directors own more than 5% of the issued share capital of our Company as at the Latest Practicable Date, had any interest in the five largest suppliers during the Track Record Period. None of our five largest suppliers during the Track Record Period is also our customer. All of our top five suppliers are Independent Third Parties.

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We usually settle trade payables by cheque or telegraphic transfer upon receiving invoice of the suppliers. While Supplier A and Supplier B grant us credit terms of up to 120 days, some suppliers require us to make full payment upon confirmation for materials ordered.

Our suppliers generally do not offer a product guarantee period to us, except for Supplier A and Supplier B, our major suppliers of proprietary floor coating products, who provide product guarantee for a period of 10 years.

Reliance on major suppliers

For the two years ended 31 March 2015 and 2016, the percentage of our aggregate purchases from Supplier A, our largest supplier, was 77.8% and 80.1% for the corresponding periods, respectively, while the percentage of our purchases from our five largest suppliers in aggregate was 97.3% and 97.2%, respectively. For FY2015, FY2016, and the period from 1 April 2016 to the Latest Practicable Date, 79.6%, 81.8% and 74.1% of our Group's revenue, and 78.9%, 80.4% and 70.4% of our Group's gross profit were attributed to floor coating products sourced from Supplier A, respectively, while 19.7%, 15.0% and 17.5% of our Group's revenue, and 19.9%, 16.3% and 24.2% of our Group's gross profit were attributed to floor coating products sourced from Supplier B, respectively. For FY2015 and FY2016, our gross profit margin attributable to projects using Supplier A's products were 43.6% and 46.8%, and our gross profit margin attributable to projects using Supplier B's products were 44.7% and 52.0%. Please refer to the section headed "Risk Factors – Risks relating to our business – Our business heavily relies upon certain major suppliers for supplying reputable car park floor coating materials" in this prospectus for our supplier concentration risk.

Supplier A is a company incorporated in Hong Kong in 1996. It is the Hong Kong sales office of a manufacturer headquartered in the United Kingdom that produces high quality epoxy, polyurethane and methyl methacrylate resin flooring and car park coating solutions. Supplier A's ultimate holding company is listed on the New York Stock Exchange. Its brand was established in 1982. It has 32 sales offices across Europe, the America, Asia and South Africa. During the Track Record Period, we sourced epoxy based and polyurethane based proprietary floor coating products from Supplier A for our car park floor coating services, screeding services, and anti-skid surfacing work. We have been appointed by Supplier A as its authorised applicator to distribute and apply its full range of products in Hong Kong since 2011, and Hong Kong, Macau and the PRC since 2015, and such authorisation has been extended to June 2025. The authorisation confirms our appointment as Supplier A's preferred applicator for the distribution and application of Supplier A's full range of products within Hong Kong, Macau and the PRC until June 2025. It also confirms our appointment as its sole distributor in Hong Kong, Macau and the PRC for its anti-skid epoxy coating products until June 2025. As such, it grants us the right to distribute and apply Supplier A's full range of products, and the exclusive right to distribute and apply Supplier A's anti-skid epoxy coating products in Hong Kong, Macau and the PRC until June 2025. The price of our purchases of Supplier A's products will be negotiated on a case-to-case basis, and we usually have a verbal pre-bid agreement with Supplier A for projects involving the use of Supplier A's proprietary floor coating products when preparing our tenders. There is no obligation on our part in relation to purchase of floor coating products from Supplier A. Pursuant to the authorisation, we may seek assistance from Supplier A on technical enquiries and supports when necessary, such as when we are preparing our tenders. The authorisation arrangement does not impose any other rights or obligations on either party, and it does not include any termination or renewal clause.

Reasons for reliance on Supplier A

Our Directors are of the view that the reliance is mainly due to the following reasons:

- According to the Industry Report, Supplier A is one of the top five major suppliers in the car park flooring industry in Hong Kong. Our Directors consider that Supplier A's floor coating products are preferred by many end customers in both the private and public sectors in Hong Kong. During the Track Record Period, 37% of the tender specifications received by us specified Supplier A's proprietary floor coating products as one of the approved materials (including tender specifications which specified Supplier A's anti-skid floor coating products as approved material, representing 6% of the total number of tender specifications).
- To the best of our Directors' knowledge, Supplier A has an office in Hong Kong with a team of specification staff who market and promote its products to architects, designers, and project teams of developers, and assist them in compiling specifications in their tender packages. Nonetheless, Supplier A is not involved in the direct selling of its materials to end users, and so relies on our network as a distribution channel for the sale of their materials. Our Directors are of the view that Supplier A's own sales and marketing activities contribute to its market share in the car park floor coating industry in Hong Kong, and ensures a sustainable development of its brand. Our Directors consider that many of our customers prefer Supplier A's products notwithstanding that Supplier B's products are directly comparable to them due to Supplier A's longer operating history in Hong Kong and the fact that their products have already established a good track record over the years, from our customers' stand point.
- It is the industry norm for companies like us to rely on few suppliers due to mutual reliance. According to the Industry Report, mutual reliance between floor coating service providers and coating material suppliers is regarded as an industry norm within the car park flooring industry in Hong Kong. Sourcing from a small number of floor coating material suppliers is also regarded as the norm for car park flooring industry in Hong Kong as flooring service providers tend to minimise the number of suppliers to one or two suppliers in order to increase their bargaining power and reduce purchasing costs when it comes to bulk buying. Please also refer to the paragraph headed "Mutual reliance" in this section.
- Supplier A can provide timely delivery due to its geographical advantage. As the products sourced by us from Supplier A are manufactured in Malaysia, Supplier A's lead time between the placement of order and delivery of products would be about three weeks, which is shorter than materials imported from Europe.
- Our Directors consider Supplier A as a competitive, reputable, and reliable proprietary floor coating products supplier that provides speedy and extensive support. We have established business relationship with Supplier A since 2010 and have not encountered any major procurement problems in terms of shortage, delay and pricing. Supplier A has an extensive portfolio of floor coating products with various price ranges to meet diversified demands,

including those catered for car park and industrial floor coating, floor coating for service corridors, plant rooms, decorative floor coating for arcades and shop fronts. The credit terms offered to us by Supplier A is 120 days and so is longer than those offered by other floor coating materials suppliers, which may be as short as 30 days.

Sustainability of our business in view of our reliance

(i) Mutual reliance

According to the Industry Report, mutual reliance between floor coating service providers and coating material suppliers is regarded as an industry norm within the car park flooring industry in Hong Kong. This is due to the fact that material suppliers intend to find good applicators of their materials securing sales channels through establishing long-term relationship with coating service providers while coating service providers also prefer using high quality coating materials with their services to assure their customers the delivery of best experience.

Despite Supplier A's larger scale, its staff is not involved in the actual selling of its materials to end customers. To the best of our Directors' knowledge, as at the Latest Practicable Date, Supplier A did not have any plan to distribute its products to the end customers directly in Hong Kong. Our Directors consider that the correct handling of proprietary floor coating products is crucial to producing high quality car park flooring work. If Supplier A's end customers do not engage flooring contractors that have the requisite skills and experience for application of its proprietary car park floor coating products, it would adversely affect the performance of Supplier A's products and might damage its reputation in the market. Our Directors believe that Supplier A relies on our extensive business network to stimulate sales of its proprietary floor coating products in Hong Kong. With our long years of presence and operation in the car park flooring industry, we have built up vast experience in car park flooring services and polished our skills in handling and applying proprietary car park floor coating products. Our Directors believe that our experience and skills are beneficial to Supplier A and vital for enhancing and consolidating its brand name in Hong Kong.

According to the Industry Report, Supplier A only has two authorised applicators, being our Group and Competitor C, to distribute and apply its products in Hong Kong. Competitor C is a Hong Kong company established in 1981. It is mainly involved in the services of waterproofing, flooring, external refurbishment, additional services such as corrosion protection, and material supplies. Our Directors consider that mutual reliance is established between our Group and Supplier A notwithstanding that its products are also supplied to Competitor C in Hong Kong. While our Group ranked second in the overall car park flooring industry with a market share of 7.0% share in FY2015, Competitor C only ranked fourth with a market share of 3.4%. Moreover, according to the Industry Report, unlike our Group, Competitor C engages in a range of construction services and has a stronger presence in Macau than in Hong Kong as it has concentrated on works involving casinos in Macau. In light of the above, our Directors consider that Supplier A relies on our Group to promote its proprietary floor coating products in Hong Kong. In 2015, Supplier A appointed us as its one and only "preferred applicator" in Hong Kong, extended the authorised territory to Macau and the PRC. Our Directors believe that the award of "preferred applicator" status to us demonstrates Supplier A's recognition of our marketing of its products in the authorised territory and our good work standard in the application of its products. Given that the "preferred applicator" status is exclusive to us in Hong Kong, we consider that this status benefits us by

differentiating us from the other authorised applicator of Supplier A and thus giving us a competitive advantage in tendering for projects involving Supplier A's floor coating products. It also shows Supplier A's willingness to maintain and promote our business relationship. Further, Supplier A also recognised us as its "Asia No. 1 Customer" in 2015 and "No. 1 Applicator across Asia Pacific" 2016. During the Track Record Period, Supplier A also provided training to our employees and our subcontractors to ensure that their proprietary floor coating products and screeding products are used in an appropriate and cost-effective manner. This reflects Supplier A's efforts in motivating us to promote its proprietary floor coating products.

According to the Industry Report, maintaining a sustainable business relationship with floor coating material suppliers is effective in raising bargaining power of floor coating service providers in the long term, as service providers can take advantage of their strong position as a significant buyer to exert pressure to negotiate for better terms, such as lower prices of floor coating materials, and more technical and marketing support. Given that we have been Supplier A's top customer in Asia/Asia Pacific since 2015, we were able to purchase from Supplier A in bulk, which increases our bargaining power in negotiating for lower purchase price. Our Directors are also of the view that our strategy in maintaining flexible supplier selection allows us to maintain our bargaining power over Supplier A.

Given our established relationship with Supplier A, the mutual reliance between us and the strong sales performance demonstrated during the Track Record Period, it would not be commercially sensible and might be difficult for Supplier A to replace us with other car park flooring applicator of similar size, capability and market position within a period of one to two years. We have been appointed by Supplier A as its approved applicator authorised to distribute and apply its full range of products in Hong Kong since 2011 and such authorisation has been extended to June 2025. To the best of our knowledge, as at the Latest Practicable Date, Supplier A did not have any plan to appoint a third authorised applicator to distribute its products in Hong Kong as it would be difficult and time-consuming for it to find a reliable flooring contractor that has the resources and skills to meet its strict application requirements in order to deliver quality flooring work. Supplier A also confirmed that it had a good work relationship with us over the years. As such, it would expect a continued close work relationship with the Group in the foreseeable future. Given mutual reliance between Supplier A and us in respect of car park flooring works in Hong Kong and the fact that we have been Supplier A's top customer in Asia/Asia Pacific in FY2015 and FY2016, our Directors are of the view, with the Sponsor's concurrence, that the risk of early termination or non-renewal of the authorisation arrangement with Supplier A is low. To manage the relevant risk, we have plans to broaden our supplier network and continue to source car park floor coating products from Supplier B. Please refer to the paragraphs headed "Plans to improve our supplier network" and "Contingency plan" in this section.

(ii) Our flexibility in sourcing from alternative suppliers

As we are not bound to make purchases from Supplier A, we maintain flexibility in supplier selection and our Directors confirm that there are alternative suppliers in the market which can supply proprietary car park floor coating products at comparable terms and quantities. If the tender or contract specifications do not specify Supplier A's proprietary floor coating products as an approved material, given our established presence in the market, our Directors believe that we should not have any practical difficulty in purchasing from these alternative suppliers at comparable prices.

(iii) Plans to improve our supplier network

While we endeavour to maintain our established relationship with Supplier A, our Directors recognise the importance of expanding our supplier base with a view to sustaining long term growth. We will continue to improve our supplier network and foster relationships with potential new suppliers to expand our product portfolios. As such, our Directors expects that the level of reliance on Supplier A is likely to decrease in the future. Nonetheless, our Directors do not have the intention to shift to other suppliers in a rapid and substantive manner, as they consider Supplier A as a competitive, reputable and reliable supplier.

Over the years, we have been approached by various chemical manufacturers from Europe and the PRC seeking for our cooperation in relation to their proprietary floor coating products. We are currently exploring other sources of proprietary car park floor coating products from the United Kingdom. The steps necessary for securing sourcing arrangement from a new supplier include (i) studying the potential supplier's product range, company history, project references, case histories, and track record performance; (ii) check if it has any local distributors or sole agent in Hong Kong; (iii) review prices, request for samples for trials and mockup; (iv) negotiate the terms and conditions with the new supplier in relation to trial orders, and preliminarily discuss about any long term distribution agreement; (v) soft launch promotion to our existing customers in smaller projects; (vi) monitor the new product's long term performance, maintenance level, and comments and feedbacks from end customers; (vii) negotiate the terms and conditions of long term distribution agreement with the new supplier. Based on past experience, our Directors estimate that it would take generally six to 12 months to conduct the abovementioned process, assuming that the new supplier can meet our satisfaction in each of the steps involved.

As at the Latest Practicable Date, we were in discussion with three suppliers of proprietary car park floor coating products:

(a) Background

Two of these suppliers are based in England and one of them is based in Ireland. They manufacture their products in England and Ireland respectively, and were established in 1970, 1982, and 1994 respectively. To the best of the Director's knowledge, none of them has any authorized applicator in Hong Kong for the time being.

(b) Product type

The England-based new suppliers mainly manufacture polyurethane and epoxy materials, which are the commonly used coating materials for car park flooring.

Whereas, the Ireland-based new supplier concentrates on provision of methyl methacrylate materials, which is relatively new in the industry and may be preferred for refurbishment projects due to its fast-curing installation time and high resistance to ultraviolet. To the best of the Directors' knowledge, methyl methacrylate materials are new to the Hong Kong market. For more details on methyl methacrylate, please refer to the section headed "Industry Overview – Competitive landscape of the car park flooring industry in Hong Kong – Threats – Advancement in Floor coating materials and technology" in this prospectus.

(c) Quality

As at the Latest Practicable Date, we were still in the process of reviewing the quality of the new suppliers' products, which requires time for trials and mockup.

(d) Pricing

As at the Latest Practicable Date, we had only received the preliminary price lists from one of the England-based suppliers and the Ireland-based supplier. Our Directors consider that the pricing of the England-based new supplier is comparable to Supplier A's pricing, while the cost of the Ireland-based supplier's materials is more expensive mainly due to its fast-curing installation time and that its materials are mainly composed of methyl methacrylate, which is a new material in the Hong Kong market.

(e) Actions taken up to the Latest Practicable Date

As at the Latest Practicable Date, we were still in the process of reviewing the new suppliers' samples and pricing, the level of acceptance from our target customers in relation to their products had not yet been tested. If we successfully secure sourcing arrangement from any new supplier, we plan to utilise the new showroom to be acquired, coupled with additional sales and marketing staff to be hired, to promote their products to our customers.

(iv) *Industry landscape and advantages of sourcing from Supplier A*

According to the Industry Report, Supplier A is one of the top five major suppliers in the car park flooring industry in Hong Kong. Our Directors are of the view that Supplier A's floor coating products are preferred by many end customers in both private and public sectors in Hong Kong. During the Track Record Period, 37% of the tender specifications received by us specified Supplier A's proprietary floor coating products as approved materials (including tender specifications which specified Supplier A's anti-skid floor coating products as approved material, representing 6% of the total number of tender specifications). According to the Industry Report, mutual reliance between floor coating service providers and coating material suppliers is regarded as an industry norm within the car park flooring industry in Hong Kong. Flooring service providers prefer using high quality coating materials with their services to ensure that quality service is delivered to their end customers.

Our Directors consider that we will continue to purchase proprietary car park floor coating products from Supplier A, as there are few car park floor coating products suppliers with prices and quality of products comparable with those of Supplier A in the market. We have established a relationship with Supplier A since 2011 and our Directors consider that Supplier A is a competitive, reputable and reliable supplier for proprietary car park floor coating products.

(v) *Contingency plan*

Our business operations may be hindered substantially if Supplier A terminates supply to us or increases the price of its proprietary car park flooring products, even though our Directors consider it unlikely to occur. Nevertheless, in such case, we will be able to source similar products from Supplier B. We have been appointed as Supplier B's sole distributor in Hong Kong, Macau, and the PRC for the sales, marketing and application of its proprietary floor coating product designed for car park deck since 2004, and such authorisation has been extended to December 2025. The terms of our authorisation arrangement with Supplier B is similar to our arrangement with Supplier A. Supplier B's authorisation confirms our appointment as its sole distributor for the sales, marketing and application of its car park floor coating products in Hong Kong, Macau and the PRC. The price of our purchases of Supplier B's products will be determined by its prevailing price lists provided from time to time. Likewise, there is no obligation on our part in relation to purchase of products from Supplier B under the authorisation arrangement.

Although more tendering documents specified Supplier A's floor coating products than Supplier B's floor coating products during the Track Record Period, from our experience, customers will still consider tender submissions proposing to use equivalent products. In fact, it is usually stipulated in the tendering documents that equivalent products will be considered. Supplier B is able to provide proprietary car park floor coating materials that are directly comparable to Supplier A's products in terms of performance, price, terms and conditions, and quantity. Our Directors consider that Supplier B's products are comparable to that of Supplier A based on the following: (i) the type, performance and quality of the products of Supplier A and Supplier B are similar; (ii) the credit terms for both Supplier A and Supplier B are 120 days; (iii) both Supplier A and Supplier B provide product guarantee for a period of 10 years; (iv) Supplier B's brand name is comparable to Supplier A as it is also one of the top five suppliers in the car park flooring industry in Hong Kong and has geographic coverage in 25 countries; (v) Supplier B is also an established supplier and did not have any difficulty in meeting our needs in the past; (vi) in particular, Supplier B's products are approximately 10% to 30% cheaper than Supplier A's products as our Group purchases and imports directly from Supplier B's UK factory and so the price is ex-factory price without any intermediary charges. On the other hand, for Supplier A, as our Group purchases the materials from its Hong Kong representative office, there are intermediary charges such as local staff fee and overheads. Therefore, in the event that Supplier A terminates the authorisation arrangement with our Group, we can immediately propose to use Supplier B's materials in our tenders. Given the lower costs and that the products of Supplier A and Supplier B are comparable, our Directors consider that our customers which are currently using Supplier A's proprietary car park floor coating products will consider using Supplier B's products as an alternative material.

In fact, during the Track Record Period, 37% of the tender invitations received by our Group specified Supplier A's proprietary floor coating products as the preferred materials (including tender invitations which specified Supplier A's anti-skid floor coating products as preferred material, representing 6% of the total number of tender invitations), 16% of them specified Supplier B's proprietary floor coating products, and 39% did not indicate preference for any specific material. We note there is no particular difference in terms of the type of customers who prefer a particular supplier's products. However, we believe the reason that Supplier A's products are more popular amongst our clients is due to the fact that Supplier A has an office in Hong Kong since early 1990s and a longer operating history, compared to Supplier B which is based overseas. In addition, the fact that more building projects in Hong Kong have used Supplier A's products serves to present a good track record for new customers. We may propose in our tender submissions to use Supplier B's floor coating products (or products sourced from other alternative suppliers) for tender invitations that specify Supplier B's

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products and those that do not indicate a preference (which collectively amounted to 55% of the tender invitations received during the Track Record Period). Even in the unlikely event that customers who preferred Supplier A's products do not accept Supplier B's products, our Group may still propose to use car park floor coating products of other suppliers. Please refer to the paragraph headed "Plans to improve our supplier network" in this section. As such, we believe that we can maintain our tender success rate and profitability in the event that Supplier A terminates supply to us or substantially increases the price of its products.

In view of the above, notwithstanding our reliance on major suppliers, our Directors consider that our business will continue to be viable and that our Group is capable of maintaining our revenue in the future.

In light of our plans to broaden our supplier network and our contingency plan, our Directors are of the view, which the Sponsor concurs, that in the unlikely event that Supplier A terminate its authorisation arrangement with our Group, our tender success rate and profitability are unlikely to be adversely affected, and it would not have any material adverse impact on our operational and financial performance.

Inventories

As the materials are acquired on a project-by-project basis in accordance with the project specifications, we rely on our quantity surveyor's accurate estimation of the amount of materials needed. As such, we generally do not retain a large amount of materials as inventory. In some rare occasions, the purchased materials are temporarily stored off-site by us at public godown until required to be used.

Our inventories recorded on our accounts mainly include flooring materials, which amounted to approximately HK\$4.1 million as at 31 March 2015 and approximately HK\$5.9 million as at 31 March 2016.

SUBCONTRACTING

During the Track Record Period, our Group subcontracted part of our works, such as application of proprietary floor coating products, screeding, and painting of line markings, to subcontractors for the purposes of better allocating our resources, whether or not we acted as a main contractor or a subcontractor. We provide our subcontractors with screeding machines, screed mixer and grinding machines to assist them in the relevant work process while our subcontractors provide their workers for carrying out the work. This enables us to obviate the need for keeping a large workforce under permanent employment, thereby giving us the flexibility to deploy our resources in a more cost effective way. Our subcontractors include local sole proprietors and partnerships as well as limited companies which generally have the available skills and manpower to perform the subcontracted activities.

We only engage subcontractor to conduct works that are relatively uncomplicated, such as screeding work, line marking work and application of proprietary floor coating products. In order to control the quality of our car park floor coating services, surface preparation works (i.e. shot-blasting works and substrate defects remedial works) are only conducted by our employees, as they are more complex and are crucial to the smooth application of proprietary floor coating products.

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In a typical subcontracting arrangement, we generally provide machinery and materials to our subcontractors while our subcontractors would provide labours and tools. In general, we determine the amount of subcontracting charges based on (i) the amount of labour resources required from our subcontractors; (ii) the nature of works to be performed; and (iii) the prevailing market conditions.

We have not entered into any long term agreement with our subcontractors, as we usually enter into subcontracting contracts on a project-by-project basis.

Key terms of subcontracting contract

The key terms of the subcontracting contract include price, scope of works, time of performance, arrangement of tools and equipment, safety requirements, and prohibition on the hiring of illegal workers.

Pursuant to the subcontracting contract, we have legal rights to hold our subcontractors liable for any loss and damage suffered by our Group arising from their negligence or misconduct. In addition, our subcontractors are generally required to maintain and rectify defects in their works within one year after they complete the subcontracted work.

We also require our subcontractors to submit their workers' acknowledgment of receipt of wages along with their monthly payment applications. For information on payment made to our subcontractors, please refer to the paragraph headed "Progress payment" in this section.

Top subcontractors

For each of the two years ended 31 March 2016, the percentage of our total payment to our largest subcontractor amounted to 36.3% and 24.4% of our total subcontracting fees respectively, while the percentage of our total payment to our five largest subcontractors combined amounted to 93.7% and 85.3% of our total subcontracting fees respectively.

Set out below is a breakdown of our total subcontracting costs paid to our top five subcontractors:

FY2015

Rank	Subcontractor	HK\$'000	%
1	Subcontractor A	2,334	36.3
2	Subcontractor B	1,647	25.6
3	Subcontractor C	1,000	15.6
4	Subcontractor D	640	10.0
5	Subcontractor E	399	6.2
Five largest subcontractors combined		6,020	93.7
All other subcontractors		402	6.3
Total subcontracting costs		6,422	100.0

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FY2016

Rank	Subcontractor	<i>HK\$'000</i>	<i>%</i>
1	Subcontractor B	3,179	24.4
2	Subcontractor A	2,797	21.5
3	Subcontractor C	2,796	21.5
4	Subcontractor D	1,333	10.2
5	Subcontractor F	1,002	7.7
Five largest subcontractors combined		11,107	85.3
All other subcontractors		1,906	14.7
Total subcontracting costs		13,013	100.0

None of our Directors, their associates or any Shareholders, which to the best knowledge of our Directors own more than 5% of the issued share capital of our Company immediately upon completion of the Share Offer, had any interest in the five largest subcontractors as at the Latest Practicable Date. All of our top five subcontractors are Independent Third Parties.

Set out below is the background information of our five largest subcontractors during the Track Record Period:

Subcontractor	Principal services provided to us	Location	Year(s) of business relationship as at the Latest Practicable Date
Subcontractor A	Floor coating application works	Hong Kong	10
Subcontractor B	Floor coating application works	Hong Kong	3
Subcontractor C	Screeding works	Hong Kong	5
Subcontractor D	Line marking, floor numbering, and setting out work	Hong Kong	9
Subcontractor E	Floor coating application works and screeding works	Hong Kong	3
Subcontractor F	Concrete repairing	Hong Kong	12

None of our five largest subcontractors during the Track Record Period was also our customer.

Basis of selecting subcontractors

In order to control and ensure the quality and progress of the works of subcontractors, we typically engage subcontractors from our approved list. Selection of the subcontractors is normally based on, among other things, their past performance and experiences, size of workmen team, credit-worthiness, and machinery owned. Based on these factors, we select and maintain a list of approved subcontractors and such list is updated on a continuous basis.

Control on subcontractors

We are liable to our customers for the performance and the quality of work done by our subcontractors. Therefore, our subcontractors are not allowed to subcontract parts of our projects without our permission. We require our subcontractors to follow our in-house rules and our customer's rules in relation to occupational safety and environmental protection. In general, our project team will carry out supervision on our subcontractors on a continuing basis to monitor their performance and ensure they comply with the contract terms and relevant laws. For details on our monitoring of our subcontractors, please refer to the paragraph headed "Monitoring and quality control" in this section.

During the Track Record Period and up to the Latest Practicable Date, there were no disputes between us and our customers in respect of the quality of work performed by us and our subcontractors, there were no material claims of injuries arising from subcontracting activities, and there was no significant disruption to our projects due to services provided by our subcontractors.

QUALITY ASSURANCE

Our site foreman is responsible for supervising the overall daily activities including those executed by our subcontractors in accordance with the work specifications. In addition, he will monitor the activities and project status and take note of any issues arising from the execution of the project, and report to our executive Directors. Please also refer to the paragraphs headed "Monitoring and quality control" and "Customer inspection" in this section.

Further, we only engages subcontractor to conduct works that are relatively uncomplicated, such as screeding work, line marking work and application of proprietary floor coating products. In order to control the quality of our car park floor coating services, surface preparation works are only conducted by our employees, as they are more complex and are crucial to the smooth application of proprietary floor coating products.

In relation to quality control on materials, when materials are delivered to sites, our site foreman will inspect the material model and quantity, and conduct sampling check on the conditions of the material. Our site foreman also checks the colour, expiry period, and consistency of our proprietary floor coating products against the purchase order immediately before application to the site. In addition, if we enter into a new sourcing arrangement for materials used in our projects, we go through a comprehensive procedure to check the quality of the materials thoroughly. For details, please refer to the paragraph headed "Plans to improve our supplier network" in this section.

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During the Track Record Period and up to the Latest Practicable Date, we had not received any complaints from our customers due to quality issue in relation to works performed by us or by our subcontractors, which is considered by our Directors to be attributable to our effective quality control measures.

OCCUPATIONAL HEALTH AND SAFETY

We have established procedures to provide our workers with a safe and healthy working environment. Our safety system works in the following manner:

- our site foreman conducts regular safety inspections to ensure the works are conducted in a safe and proper manner;
- we require our subcontractors to abide by all applicable laws and regulations, and take safety precautions to prevent the occurrence of accidents at work sites; and
- non-conformities found during site inspections would be rectified immediately and any workers who committed such non-conformities would be warned accordingly.

In addition, every worker entering the work sites are required to hold the Construction Industry Safety Training Certificate, which ensures that the workers go through on-site safety training provided by the main contractors.

During the Track Record Period and up to the Latest Practicable Date, we did not record any accidents involving work injuries of workers employed by us or workers employed by our subcontractors.

ENVIRONMENTAL MATTERS AND OTHERS

Our Group's operation is not subject to any environmental requirements in Hong Kong, except the Dangerous Goods Ordinance. Please refer to the section headed "Regulatory Overview" in this prospectus for further information about such laws and regulations.

Some of the works conducted by us are subject to environmental compliance examination under The Hong Kong Green Building Council's "BEAM Plus" scheme.

As advised by our Legal Counsel, apart from the licensing requirement under the Dangerous Goods Ordinance, we were not subject to any requirement to obtain any permits or approvals for the projects carried out by us during the Track Record Period and up to the Latest Practicable Date. Furthermore, during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance with the applicable laws and regulations relevant to environmental protection on the part of our Group.

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COMPETITION

According to the Industry Report, the top five players took up an aggregate market share of 35.9% in the car park flooring industry in Hong Kong in FY2015, with revenue each ranged from approximately HK\$17.8 million to HK\$97.2 million. We contributed to 7.0% in revenue to the car park flooring industry and ranked second among the players in the car park flooring industry in FY2015. According to the Industry Report, in 2015, we were leading the new construction market of car park flooring industry in Hong Kong, as we occupied 33.7% in the new construction segment. With our specialist knowledge and experience, our Directors believe that we are in a competitive position in the car park flooring industry in Hong Kong.

EMPLOYEES

As at the Latest Practicable Date, we had 21 employees in addition to our two executive Directors and three independent non-executive Directors. All of our employees are stationed in Hong Kong. The following table sets forth a breakdown of the number of our employees by functions.

	Number of employees as at the Latest Practicable Date
Administration and liaison officer	4
Accounting and finance	3
Marketing	2
Foreman	3
Quantity surveying	2
Driver	1
Site worker	6
Total	<u>21</u>

Relationship with staff

Our Directors consider that we have maintained good relationship with our employees in general. We have not experienced any significant problems with our employees or any disruptions to our operations due to labour disputes nor had we experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel during the Track Record Period.

Training and recruitment policies

We generally recruit our employees from the open market. We places recruitment advertisements.

We aim to attract and retain appropriate and suitable personnel to serve us. We assess the available human resources on a continuous basis and will determine whether additional personnels are required to cope with our business development.

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Our employees are exposed to technical and operational on-the-job trainings and product specifications trainings provided by our suppliers in relation to the performance, characteristics, and handling of proprietary floor coating products and screeding products.

Remuneration policy

We have separate labour contracts with each of our employees in accordance with the applicable labour laws in Hong Kong. The remuneration package we offer to employees includes salary and bonus. In general, we determine employee salaries based on each employee's qualifications, position and seniority.

PROPERTY

As at the Latest Practicable Date, we did not own any property and we leased the following property for our operations:

Address	Landlord	Gross Floor Area (sq.ft)	Use of the Property	Tenancy Period	Monthly Rental Expenses
Office J on 11th Floor No.3 On Kwan Street Sha Tin New Territories Hong Kong	Li Chuen Chun and Kwong Wing Yee (Note)	775	Office	Two years commencing on 1 May 2016 and expiring on 30 April 2018 (both days inclusive).	HK\$20,000

Note: Li Chuen Chun and Kwong Wing Yee are connected persons of our Company. Please refer to the section headed "Continuing Connected Transactions" in this prospectus for further details of our transaction with them.

INTELLECTUAL PROPERTY RIGHTS

(a) Trademarks

As at the Latest Practicable Date, our Group had applied for the following trademark in Hong Kong:

Applicant	Trademark	Application Number	Class	Application Date
Kwong Man Kee Engineering Limited		303629773	2, 19, 37	15 December 2015

The application for registration of the trademark is currently under official examination by the Trade Marks Registry of Hong Kong. Our legal advisers have advised that there should be no legal impediment in the registration of the trademark after the application is approved by the Trade Marks Registry if no grounds of refusal are found by the Trade Marks Registry and no oppositions against the application are filed by a third party during publication period, which in the ordinary course may take approximately six months or less from the Latest Practicable Date.

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(b) Domain names

As at the Latest Practicable Date, our Group is the owner of the following domain names which as considered by our Directors, are material to the business of our Group:

Name of Registered Owner	Domain Name	Expiry Date
Kwong Man Kee Engineering Limited	kwongmankee.info	5 December 2021
Kwong Man Kee Engineering Limited	kwongmankee.com.hk	29 April 2021
Kwong Man Kee Engineering Limited	kmk.com.hk	29 April 2021

INSURANCE

Pursuant to section 40 of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), an employer (including a contractor and a subcontractor) is required to take out a policy of insurance for an amount not less than the applicable amount corresponding to the relevant number of employees as specified in the Ordinance in respect of the liability of the employer. We, as an employer, have taken out the requisite insurance in accordance with such requirements.

Under section 40(1B) of the Employees' Compensation Ordinance, where a main contractor has undertaken to perform any construction work, and has taken out a policy of insurance for an amount not less than HK\$200 million per event in respect of the liability of the main contractor and the liability of its sub-contractor, the main contractor and its subcontractor insured under the policy shall be regarded as having complied with the relevant requirements of the Employees' Compensation Ordinance. As such, being a subcontractor or sub-subcontractor in flooring works and ancillary services projects, our liability in respect of the claims from our employees and our subcontractors arising out of and in the course of their employment will be covered by the insurance policy taken out by our main contractor.

In addition, we maintain third party liability insurance to cover, among others, the liability of our subcontractors and us in respect of bodily injuries and property damages, and we maintain insurance coverage against third party liability in relation to the use of our vehicles.

Certain types of risks, such as the risk in relation to product liability, collectability of our trade and retention receivables and liabilities arising from events such as natural disasters are generally not covered by insurance because they are either uninsurable or it is not justifiable to insure against such risks in light of the cost. Please refer to the section headed "Risk Factors – Risks relating to our business – Our insurance claim may be declined by the insurance company or fall outside the scope and/or limit of its insurance coverage which may adversely affect our financials and performance"

Taking into account of the industry practice and the insurance taken out by us, our Directors believe that we had adequate insurance coverage for the operations of our business.

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NON-COMPLIANCE MATTERS OF OUR GROUP DURING THE TRACK RECORD PERIOD AND AS AT THE LATEST PRACTICABLE DATE

Set out below are details of our past material non-compliances during the Track Record Period and up to the Latest Practicable Date:

Non-compliance of the Articles of Association of KMK

Particulars of the non-compliance	Reason for the non-compliance	Remedial action	Estimated/actual fine/penalty
Breach of articles 5, 8, 9 and 22 of KMK's articles of association since 5 February 2013 for having less than two directors; not meeting the quorum of two directors for all directors' meetings; resolutions passed without a duly called meeting of directors; and not meeting the quorum of two members for all general meetings.	The breach was not wilful and was due to the inadvertent oversight of the responsible staff and the absence of timely and professional advice at the material time.	<p>An application to the High Court of Hong Kong has been made under Section 570 of the Companies Ordinance (Cap.622) on 3 May 2016 and a court hearing has been scheduled on 22 June 2016 to seek an order to amend and rectify the non-compliance of the articles of KMK. An order was granted by the Court on 22 June 2016 and varied on 12 September 2016 to convene a general meeting of KMK to rectify all of its previous acts occurring since 5 February 2013 and to amend articles 5, 8, 9 and 22 of the articles of association.</p> <p>The general meeting was held on 14 September 2016 after an order is granted by the court as mentioned above and all previous acts of KMK have been rectified and articles 5, 8, 9 and 22 of the articles of association amended accordingly.</p>	As advised by our Legal Counsel, since KMK has obtained the Court Order and convened a general meeting to amend its articles of association, the breach has been rectified appropriately and all past decisions of the board and resolutions passed at the shareholder's meetings will be ratified at the said general meeting to be convened and no fine or penalty will be imposed.

Non-compliance of the Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong) (the “DGO”)

Particulars of the non-compliance and the relevant sections	Reasons for the non-compliance matters	Remedial actions	Estimated/actual fine/penalty
From 2006 and throughout the Track Record Period, KMK transported and stored some dangerous goods manufactured by Supplier B into a warehouse in Yuen Long which did not have the appropriate licence for storage of dangerous goods.	The breaches were not wilful and were due to the inadvertent oversight of the responsible staff and the absence of timely and professional advice at the material time.	In October 2015, upon receiving professional advice, KMK became aware that the carpark flooring materials could potentially be classified as dangerous goods and the storage and transport of carpark flooring materials may therefore constitute a non-compliance under the DGO.	As advised by our Legal Counsel, pursuant to Section 14 of the DGO, the maximum potential liability of KMK and/or its director(s)/Officer(s) is a fine of HK\$25,000 and to an imprisonment for 6 months.
Failure to obtain a licence to store and transport dangerous goods resulting in contravention of Section 6 of the DGO (Cap. 295)		Subsequently in the same month, KMK voluntarily began to enquire with the Fire Services Department about whether the carpark flooring materials shall be classified as dangerous goods. Once the classification results of dangerous goods from the Fire Services Department was received, KMK began to source and locate a dangerous goods warehouse to transport and store the dangerous goods.	As advised by Legal Counsel, since the offence under Section 14 of the DGO is a summary offence (as opposed to an indictable offence), under section 26 of the Magistrates Ordinance, Cap. 227, the time limit for prosecution of any such offence is 6 months from the time (i.e. 30 April 2016) when the matter of such complaint or information respectively arise.
Failure to obtain a licence before hiring workers to transport and store the dangerous goods results in contravention of Section 8 of the DGO (Cap. 295)		KMK has removed all dangerous goods from the warehouse in Yuen Long on 30 April 2016.	Therefore, Legal Counsel is of the view that KMK and/or its director(s)/ officer(s) will not be prosecuted for any offence under Sections 6 and 8 of the DGO for its business operation after the said 6 months’ limitation period has expired by virtue of section 26 of the Magistrates Ordinance.
		KMK has engaged a licensed dangerous goods warehouse for storage of dangerous goods since 31 May 2016 and all dangerous goods have been transported by workers of the licensed dangerous goods warehouse to the dangerous goods warehouse located in Tuen Mun for storage and to the construction sites.	As advised by Legal Counsel, although there is a risk for KMK and/or its director(s)/officer(s) being prosecuted for its business operation under Section 6 and 8 of the DGO, but given (1) the previous clear record of KMK, (2) the fact that KMK has engaged a licensed dangerous goods warehouse to store and transport its dangerous goods and (3) that it went on its own initiative to make enquiry with the Fire Services Department, our Legal Counsel opined that the risk for KMK and its director(s) and/or officer(s) being prosecuted is highly unlikely.

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As at the Latest Practicable Date, there had not been any prosecution initiated against our Company or our then or current Directors or KMK or any of KMK's then or current directors, nor had any of them been subject to any re-entry notices or the non-compliances in relation to fine above. Our Directors and our legal counsel consider that the above non-compliance matters shall not have any material impacts on our operations or financial positions. Having considered that the estimated fines and penalties, if applicable, are immaterial, no provisions for the fines have been made by our Directors in our financial statements.

INTERNAL CONTROL MEASURES TO PREVENT THE RECURRENCE OF NON-COMPLIANCE INCIDENTS

It is the responsibility of our Board to ensure that we maintain an effective internal control system to safeguard our shareholders' investments and our assets at all times. In order to continuously improve our Group's corporate governance and to prevent recurrence of the abovementioned non-compliances in the future, our Group has adopted the following measures:

1. With regard to the non-compliance with laws and regulations of Hong Kong, our operations will be reviewed by the Board and our company secretary, and we will seek legal advice from external legal advisers if necessary. Our Directors will be responsible for ensuring that our operations will comply with all the relevant Hong Kong laws and regulations.
2. On 13 June 2016, our Directors attended training sessions conducted by our legal advisers as to the applicable Hong Kong regulations and the GEM Listing Rules law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange.
3. Our audit committee and Legal Compliance Committee together with our company secretary, Ms. Tse Ka Wing, will be responsible for reviewing and updating our compliance policies and procedures on an annual basis for ensuring that the compliance policies and procedures are up to date in accordance with the regulatory requirements.
4. Regular training given by external legal advisers will be arranged at least annually for all of our Directors, company secretary, financial controller and senior management members so as to discuss and study the relevant regulatory requirements in relation to our responsibilities and duties under the laws and regulations relevant to our business operations.
5. We have engaged Alliance Capital as our compliance adviser upon Listing to advise us on compliance matters in accordance with the GEM Listing Rules.
6. On 24 September 2016, an audit committee was established to implement formal and transparent arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the GEM Listing Rules, including timely preparation and laying of accounts. The audit committee shall:
 - (i) review our risk management and internal control systems;

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- (ii) discuss the risk management and internal control systems with the management of our Group to ensure that the management has performed its duty to have implemented an effective risk management and internal control system; and
 - (iii) consider the major investigation findings on internal control matters as delegated by the Board or on its own initiative and the management's response to these findings;
- 7. All of our management and staff are required to report to and/or notify our compliance officer promptly of any non-compliance or potential non-compliance events.
- 8. Meetings and seminars will be arranged for our Directors, members of management and staff on a quarterly basis to discuss and study regulatory requirements and latest updates thereof applicable to our business operations.
- 9. On 24 September 2016, we established a legal compliance committee (the “**Legal Compliance Committee**”) for the purpose of assisting the Board in overseeing our compliance with laws and regulations relevant to our operations as well as the adequacy and effectiveness of our regulatory compliance procedures and system. It will periodically review our compliance status with the Hong Kong laws after the Listing. The Legal Compliance Committee shall:
 - review the effectiveness of our regulatory compliance procedures and system, which will cover all material procedures, including operational and compliance procedures and risk management functions, and consider the adequacy of resources, staff qualifications and experience, training programmes and budget of our regulatory compliance function;
 - advise the audit committee in overseeing our corporate governance functions;
 - report to the audit committee for any actual or suspected non-compliance issues on a quarterly basis, and engage external professional advisers, such as lawyers and accountants, to assist in the preparation of recommendations for consideration by our audit committee and for further presentation to the Board if considered appropriate;
 - review the effectiveness of our on-going measures to prevent future non-compliance incidents and the internal control measures adopted by the Group and provides updates on the applicable laws related to our business operations with the assistance of external professional parties including independent internal control consultant and external legal advisers from time to time; and
 - We have designated Mr. Yip WM, our executive Director as our safety officer to assist the Board in assessing and managing risks associated with the materials, workers and subcontractors relevant to our operations from time to time to ensure due compliance with laws, rules and regulations in Hong Kong. Our Directors are of the view that the above arrangements will enable our Group to ensure our compliance with the legal and regulatory requirements relevant to the safety of materials, workers and subcontractors in the future.

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10. Our Group will seek professional advice and assistance from independent internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to our internal controls, risk management and legal compliance when necessary and appropriate.

View of our Directors and the Sponsor

Our Directors consider that the abovementioned internal control measures are adequate and effective having taken into account that (i) our Group has fully rectified all of the non-compliance incidents; (ii) our Group has implemented (or will implement where applicable) the measures to avoid recurrence of the non-compliance incidents as set out in the paragraph headed “Internal Control Measures to Prevent the Recurrence of Non-compliance Incidents”; (iii) there has been no recurring of similar non-compliance incidents since the implementation of such measures; and (iv) the non-compliance incidents were unintentional, did not involve any dishonesty or fraudulent act on the part of our executive Directors, and did not raise any question as to the integrity of our executive Directors.

The Sponsor concurs with the view of our Directors that (a) the various internal control measures adopted by our Group are adequate and effective; and (b) the abovementioned non-compliance incidents did not involve any dishonesty or fraudulent act on the part of our executive Directors, and (c) did not raise any question as to the integrity of our executive Directors.

Since our Group has (i) made an application to the Court to obtain an order to amend the Articles of Association; (ii) immediately and voluntarily enquired with the Fire Services Department in relation to the dangerous goods; and (iii) immediately carried out the remedial actions, the Sponsor is of the view that our executive Directors are competent to manage our Group’s business in a law abiding manner, and the abovementioned non-compliance incidents would not affect the suitability of our executive Directors under 5.01 and 5.02 of the GEM Listing Rules to act as our Directors.

LITIGATION

During the Track Record Period and as at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

RELATIONSHIP WITH JOINT SURPLUS

BACKGROUND OF JOINT SURPLUS

Corporate history of Joint Surplus

Joint Surplus was incorporated in Hong Kong as a private limited company on 26 September 2001. As at 10 October 2011, Joint Surplus was owned equally by Ms. Li Chuen Chun and Ms. Kwong Wing Yee. Ms. Li is the spouse of Mr. Kwong, our executive Director and Controlling Shareholder, and Ms. Kwong is the daughter of Mr. Kwong.

On 1 April 2011, Mr. Jason Yip acquired the entire issued capital of Joint Surplus from Ms. Li and Ms. Kwong at a nominal consideration (the “**Acquisition**”) with a view to using Joint Surplus as his vehicle to develop his own business with his own skill set, network, and customer base in the car park flooring industry. Immediately before the Acquisition, Joint Surplus was a dormant company.

Mr. Jason Yip subsequently disposed of his entire interests in Joint Surplus in 2013 and 2015 to dedicate more time and effort to our Group. On 17 December 2013, Mr. Jason Yip transferred 80% of the entire issued share capital of Joint Surplus to Ms. Ke at a nominal consideration. On 26 July 2015, Mr. Jason Yip further transferred his remaining 20% of the entire issued share capital of Joint Surplus to Ms. Ke at HK\$4.00. Ms. Ke then became the sole shareholder and sole director of Joint Surplus. The considerations of the said transfers were based on par value of Joint Surplus’ shares. As advised by Mr. Jason Yip, he transferred his shares to Ms. Ke at nominal consideration due to the following:

- (i) There would be minimal business activity in Joint Surplus after he disposed of his interest;
- (ii) As at 31 March 2015, taken into account payables to be made, Joint Surplus had minimum cash holding; and
- (iii) As at 26 July 2015, Joint Surplus only had two contracts on hand, namely (a) additional cleaning work to be conducted for a residential development in Ping Shan, which involved a contract sum of below HK\$60,000, and (b) flooring work for a residential development in Ho Man Tin which would only contribute minimal profit.

Although Ms. Ke is an Independent Third Party, she was one of the first directors and shareholders of KMK and she had joint property investments in Hong Kong with Mr. Kwong and Mr. Jason Yip respectively. For details on Ms. Ke’s relationship with KMK, please refer to the section headed “History, Development, Reorganisation and Corporate Structure” in this prospectus.

Business of Joint Surplus

While Mr. Jason Yip was a shareholder of Joint Surplus during the period from 1 April 2011 to 26 July 2015, Joint Surplus was a subcontractor providing car park flooring works by sub-subcontracting the work to us. Its direct customers included main contractors, and upper tier subcontractors.

RELATIONSHIP WITH JOINT SURPLUS

The following table shows the revenue of Joint Surplus for each of the four years ended 31 March 2012, 2013, 2014 and 2015 (before Mr. Jason Yip's relinquishment of his shares and directorship in Joint Surplus in July 2015):

For the year ended	Revenue (HK\$'000)
31 March 2012	1,787
31 March 2013	4,423
31 March 2014	10,720
31 March 2015	7,951

RELATIONSHIP BETWEEN OUR GROUP AND JOINT SURPLUS

Mr. Jason Yip's role as our consultant

Mr. Jason Yip was a shareholder of Joint Surplus during the period from 1 April 2011 to 26 July 2015, and director of Joint Surplus during the period from 1 April 2011 to 13 July 2015. Meanwhile, Mr. Jason Yip was engaged by us as a part time consultant during the period from 1 April 2009 to 31 July 2015 for a monthly fee commensurate with his time spent with KMK. Mr. Kwong, our director during that period, was fully aware of the fact that Mr. Jason Yip was operating Joint Surplus while he was our part time consultant.

Mr. Jason Yip's main responsibility as our consultant was to conduct marketing work, which involved connecting with suppliers of car park flooring materials that are suitable for the Hong Kong market, promoting the use of certain car park flooring materials on our behalf to architects who are responsible for the products and services specifications of new construction projects. In addition, Mr. Jason Yip assisted Mr. Kwong in project management. For further details on our marketing activities, please refer to the paragraph headed "Sales and marketing" in this section.

The table below sets out the amount of consultancy fee paid to Mr. Jason Yip during the period that he was our consultant:

Period	Consultancy fee paid to Mr. Jason Yip (HK\$)
1 April 2009 – 31 March 2010	445,000
1 April 2010 – 31 March 2011	664,500
1 April 2011 – 31 March 2012	249,000
1 April 2012 – 31 March 2013	120,000
1 April 2013 – 31 March 2014	155,000
1 April 2014 – 31 March 2015	180,000
1 April 2015 – 31 July 2015	60,000

RELATIONSHIP WITH JOINT SURPLUS

We confirm that during the period from 1 April 2011 to 26 July 2015 when Mr. Jason Yip was the shareholder and director of Joint Surplus, it was agreed between our Group and Mr. Jason Yip that when Joint Surplus was invited to submit a tender, Mr. Jason Yip would notify us and would only participate in the tender when we expressed no objection to it to do so, and when we had not objected to Joint Surplus in participating in a tender when both our Group and Joint Surplus were invited to tender, Mr. Jason Yip would refrain from taking part in our entire tendering process, ranging from tender preparation to tender interview and submission of final offer. Mr. Jason Yip would handle the tendering process for Joint Surplus, and Mr. Kwong would handle the tendering process for us independently. They would not discuss the details of the tenders with each other and they would be separately identified as representing each of Joint Surplus and our Group.

At the time Mr. Jason Yip started up his own business with Joint Surplus in April 2011, Mr. Kwong envisaged that Mr. Jason Yip would be entitled to 30% shares in KMK pursuant to the Share Option Agreement, given KMK's increasing business volume and reputation in the car park flooring market at the time. As such, Mr. Jason Yip was allowed to continue to serve as our consultant and assisted us in managing projects, apart from promoting the use of the flooring materials of Supplier A and Supplier B within the industry. During the FY2015 and FY2016, consultancy fee we paid to Mr. Jason Yip were HK\$180,000 and HK\$60,000 respectively and such expenses was recorded under general and administrative expenses. Such amount did not form part of the compensation under the Share Option Agreement.

Mr. Kwong was of the view that, given the fact that Mr. Kwong and Mr. Jason Yip were recognised in the industry to represent KMK and Joint Surplus respectively and with the measures mentioned in the paragraph above, conflict of interests (if any) between us and Joint Surplus was manageable. In 2012, the condition upon which Mr. Jason Yip's share option could be exercised under the Share Option Agreement was fulfilled. In December 2013, in order to devote more time to promote our business, Mr. Jason Yip sold 80% of his shareholding in Joint Surplus to Ms. Ke. In July 2015, Mr. Jason Yip sold his remaining 20% interest to Ms. Ke after he exercised the share option for 30% shares in KMK and joined us as a full-time manager in August 2015.

Projects subcontracted to us by Joint Surplus

As at the Latest Practicable Date, we had five years of business relationship with Joint Surplus. During the Track Record Period, we provided car park flooring services as a subcontractor of Joint Surplus and recognised revenue amounted to approximately HK\$4.5 million and HK\$0.3 million from Joint Surplus for the two years ended FY2015 and FY2016 respectively. Joint Surplus was one of our top five customers for FY2015.

During the Track Record Period, we recognised gross profit of approximately HK\$1.7 million and HK\$0.1 million for the contracts subcontracted by Joint Surplus. In light of the contracts subcontracted to us by Joint Surplus resulted in similar range of project gross profit margins as the contracts awarded by our other customers, the Sponsor is of the view that those contracts were entered into in the ordinary and usual course of our business, on normal commercial terms that are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

RELATIONSHIP WITH JOINT SURPLUS

Had we excluded revenue from Joint Surplus from the Track Record Period, our revenue would have been HK\$38.3 million and HK\$68.3 million respectively during the Track Record Period. Similarly, our gross profit would have been HK\$17.1 million and HK\$32.5 million and profit before tax would have been HK\$11.4 million and HK\$20.8 million; whereas our operating cash flow before changes in working capital would have been HK\$11.4 million and HK\$20.8 million respectively.

The following table sets forth our projects with Joint Surplus that were completed by us during the Track Record Period and up to the Latest Practicable Date:

Project location	Project type	Property type	Scope of work	Commencement month/year	Completion month/year	Revenue recognised (HK\$'000)
Lodging facilities in Yau Ma Tei	Refurbishment	Lodging facility	Flooring	July 2014	November 2014	100
Residential and commercial development in Yuen Long	Refurbishment	Residential/ Commercial	Flooring	November 2014	March 2015	2,000
Residential development in Fanling	New construction	Residential	Flooring	September 2014	November 2014	600
Residential development in Hung Shui Kiu	New construction	Residential	Flooring	October 2014	December 2014	100
Residential development in Yuen Long	New construction	Residential	Flooring	March 2014	December 2014	1,500
Residential development in west Tsuen Wan	New construction	Residential	Flooring	March 2014	May 2014	200
Commercial development near Ocean Park	New construction	Commercial	Flooring	June 2014	June 2015	200
Residential development in Ping Shan	New construction	Residential	Flooring	October 2015	October 2015	100

RELATIONSHIP WITH JOINT SURPLUS

As at the Latest Practicable Date, we had the following remaining project on hand in which Joint Surplus was the direct customer:

Project location	Project type	Property type	Scope of work	Contract sum (HK\$'000) (note)	Commencement month/year	Expected completion month/year	Amount of revenue recognised during the Track Record Period (HK\$'000)
Residential development in Ho Man Tin	New construction	Residential	Flooring	4,956	Commenced in July 2016	Expected to complete in October 2016	Nil

Note: Contract sum refers to the contract amount stated in the original contract

For FY2012, FY2013, FY2014 and FY2015, the percentage of work subcontracted by Joint Surplus to our Group amounted to 2.1%, 5.5%, 17.3%, and 10.5% of our total revenue, respectively.

FUTURE RELATIONSHIP WITH JOINT SURPLUS

After Mr. Jason Yip's disposal of his entire shareholding in Joint Surplus on 26 July 2015, Joint Surplus continued to complete all its projects-on-hand, the last one being the project in relation to a residential development in Ho Man Tin which was subcontracted to us on 18 May 2015. Ms. Ke, the sole shareholder and sole director of Joint Surplus as at the Latest Practicable Date, has undertaken to our Company that for as long as she is a director or shareholder of Joint Surplus, she and her close associates will not engage, have any interest in, or render any service to any business which competes or is likely to compete with the business currently and from time to time engaged in by our Group (including but not limited to the provision of flooring services and related services in Hong Kong). Ms. Ke has further undertaken to our Company that she will not conduct or cause to be conducted the business of Joint Surplus in such manner as to be in competition with our business in Hong Kong.

CONTINUING CONNECTED TRANSACTIONS

During the Track Record Period, our Group entered into a number of related party transactions, details of which are set out in note 25 to the Accountant's Report set out in Appendix I to this prospectus. Our Directors have confirmed that these related party transactions were conducted in the ordinary course of business and on normal commercial terms. Save as described below, these related party transactions have discontinued before the Latest Practicable Date.

Following the Listing, the following transaction will continue between our Group and the relevant connected persons, which will constitute continuing connected transaction under the GEM Listing Rules.

EXEMPTED CONTINUING CONNECTED TRANSACTION

Lease Agreement

On 20 May 2016, KMK, Mrs. Kwong and Ms. Kwong Wing Yee entered into a property lease agreement (the "**Lease Agreement**"), details of which are set out below:

Date of agreement	:	20 May 2016
Parties	:	Mrs. Kwong and Ms. Kwong Wing Yee as landlord (the " Landlord ") KMK as tenant (the " Tenant ")
Premises	:	Office J, 11th Floor, Kings Wing Plaza 1, No. 3 On Kwan Street, Shek Mun, Sha Tin, New Territories, Hong Kong
Term	:	Two (2) years commencing on 1 May 2016 and expiring on 30 April 2018 (both days inclusive)
Rental and payment terms	:	HK\$20,000.00 per month payable in advance on the first day of each and every calendar month during the Term
Rental deposit	:	HK\$20,000.00
Termination	:	The Tenant shall have the right to terminate this tenancy at any time during the period from 1 May 2017 to 30 April 2018 by giving not less than two (2) months' prior written notice or two (2) months' rent in lieu of notice to the Landlord provided that no such notice shall be served by the Tenant before 1 May 2017. For the avoidance of doubt, the date of termination shall not be earlier than 1 May 2017
Miscellaneous terms	:	The rental is inclusive of rates and Government rent

Mrs. Kwong and Ms. Kwong Wing Yee are the spouse and daughter of Mr. Kwong, a Controlling Shareholder and an executive Director of the Company. Therefore, Mrs. Kwong and Ms. Kwong Wing Yee are our connected persons under the GEM Listing Rules. The transaction contemplated under the Lease Agreement will constitute continuing connected transaction for us under Chapter 20 of the GEM Listing Rules upon the Listing.

CONTINUING CONNECTED TRANSACTIONS

Since each of the applicable percentage ratios (other than the profits ratio) for the transaction above is less than 5% with annual total consideration of less than HK\$3,000,000, the transaction above constitutes de minimis continuing connected transaction under Rule 20.74(1)(c) of the GEM Listing Rules, which is fully exempted from shareholders' approval, annual review and all disclosure requirements applicable under Chapter 20 of the GEM Listing Rules.

With reference to the market data on rentals of similar properties in the locality, the Sponsor is of the view that the rental in respect of the Premises is comparable to the market level of similar properties in the locality and is thus on normal commercial terms.

Our Directors (including our independent non-executive Directors) have confirmed that the transactions under the Lease Agreement are in the ordinary and usual course of business of our Group, on normal commercial terms or better, fair and reasonable, and in the interests of our Company and Shareholders as a whole.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Our business objective is to become the largest and the most acclaimed car park flooring service provider in Hong Kong. We will endeavor to achieve our business objective by implementing the business strategies as described in the section headed “Business – Business strategies” in this prospectus.

BASES AND ASSUMPTIONS

Potential investors should note that the attainability of our business objective depends on a number of assumptions, in particular:

- there will be no material changes in the existing political, legal, fiscal, social or economic conditions in Hong Kong or in any other places in which any member of our Group carries on its business or will carry on its business;
- there will be no material changes in legislation or regulations whether in Hong Kong or elsewhere materially affecting the business carried on by our Group;
- there will be no significant changes in our Group’s business relationship with our major customers and suppliers;
- there will be no material changes in the funding required for each of the scheduled plans as outlined under “Implementation plan” in this section;
- the Share Offer will be completed in accordance with and as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus;
- our Group will not be materially affected by the risk factors as set out in the section headed “Risk Factors” in this prospectus; and
- 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 our Group operates or will operate;

USE OF PROCEEDS

We estimate that the net proceeds to be received by us from the Share Offer, after deducting the underwriting commission and related expenses payable by our Company in the aggregate amount of approximately HK\$22.3 million, will be approximately HK\$45.2 million. We intend to apply the net proceeds from the Share Offer as follows:

FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$18.4 million, representing 40.7% of the net proceeds from the Share Offer, will be used for expanding our presence in the refurbishment market and purchase of an office;
- approximately HK\$13.9 million, representing 30.8% of the net proceeds from the Share Offer, will be used for strengthening our Group's leading position in the new construction market by improving our overall capacity and project management efficiency;
- HK\$10 million, representing 22.1% of the net proceeds from the Share Offer, will be used for repayment of bank loan; and
- approximately HK\$2.9 million, representing 6.4% of the net proceeds from the Share Offer, will be used for general working capital and other general corporate uses of our Group.

In the event that any part of the future plans does not materialise or proceed as planned, we will carefully evaluate the situation and may reallocate the intended funding to our other future plans and/or place the proceeds on short-term interest bearing deposit accounts with licensed banks in Hong Kong so long as we consider it to be in the best interest of our Company and our Shareholders taken as a whole. Should our Directors decide to allocate the net proceeds from the Share Offer to business plans and/or new projects of our Group other than those disclosed in this prospectus after the Listing, we will make an announcement to notify our Shareholders and investors of the changes in compliance with the GEM Listing Rules.

IMPLEMENTATION PLAN

Our Group's implementation plans are set forth below for each of the six-month periods until 31 March 2019. It should be noted that the implementation plans and their scheduled times for attainment are formulated on the bases and assumptions referred to "Bases and assumptions" in this section. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed "Risk Factors" in this prospectus. Our Group's actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objectives of our Group will be accomplished at all. Nevertheless, our Directors will use their best endeavors to anticipate future changes in the industry, take measures and be flexible so that our Group may stay ahead of or react timely and appropriately to such changes.

FUTURE PLANS AND USE OF PROCEEDS

Based on our Group's business objectives, our Directors intend to carry out the following implementation plan:

	From the Latest Practicable Date to 31		For the six months ending		Total amount to be funded by the net proceeds of the Share Offer	
	March 2017 HK\$'000	30 September 2017 HK\$'000	31 March 2018 HK\$'000	30 September 2018 HK\$'000	31 March 2019 HK\$'000	Offer HK\$'000
(1) Expanding our presence in the refurbishment market						
- Recruit additional sales and marketing staff	450	450	450	450	450	2,250
- Organise seminars for landlords, incorporated owners and property management companies	40	40	40	40	40	200
- Send new and existing sales and site staff to suppliers' factories for product training	50	50	50	50	50	250
- Place advertisements in property and decoration magazines for consumer market	50	50	50	50	50	250
- Purchase of an office	-	15,500	-	-	-	15,500
Sub-total	590	16,090	590	590	590	18,450
(2) Strengthening our leading position in the new construction market by improving our overall capacity and project management efficiency						
<i>Strengthen our sales and marketing efforts and accordingly our Group's brand awareness in the industry</i>						
- Place advertisements in industry magazines to promote our brand to architects and professional readers	50	50	50	50	50	250
- Organise seminars, luncheon presentation for active industry players such as architects, consultancy firms, main contractors and developers and participate in exhibitions to promote our awareness and gather market intelligence to create higher Company profile	60	60	60	60	60	300
- Recruit one sales and marketing team leader with industry knowledge	150	150	150	150	150	750

FUTURE PLANS AND USE OF PROCEEDS

	From the Latest Practicable Date to 31		For the six months ending		Total amount to be funded by the net proceeds of the Share Offer	
	March 2017 HK\$'000	30 September 2017 HK\$'000	31 March 2018 HK\$'000	30 September 2018 HK\$'000	31 March 2019 HK\$'000	Offer HK\$'000
<i>Broaden our product portfolio</i>						
- Continue to expand supplier base by approaching new suppliers and provide staff training on new products	50	50	50	50	50	250
<i>Strengthening our manpower and capacity</i>						
- Hire two project managers with minimum five years experience in construction industry	300	300	300	300	300	1,500
- Hire two site foremen to overview the operations of sites	216	216	216	216	216	1,080
- Hire one assistant quantity surveyor with relevant qualification and experience	120	120	120	120	120	600
- Hire supporting staff	522	522	522	522	522	2,610
<i>Acquisition of additional machineries</i>						
- Procure additional machineries as well as light goods and passengers vehicles for transporting workers and machineries	2,802	1,652	1,002	250	250	5,956
<i>Enhancement of project management efficiency</i>						
- Procure and upgrade operating system, computer and server equipment for operational enhancement	230	200	80	50	50	610
Sub-total:	4,500	3,320	2,550	1,768	1,768	13,906
(3) Repayment of bank loan	10,000	-	-	-	-	10,000
(4) General working capital	570	570	570	570	579	2,859
Total	15,660	19,980	3,710	2,928	2,937	45,215

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR THE LISTING

Over the years, our business focus has been to provide car park flooring services to new construction market. Based on our business plan, in order to expand our reach in the refurbishment market, which was, according to the Industry Report, 5.3 times the size of new construction market in terms of car park flooring revenue in 2015, and to further develop the new construction market segment, we need to raise long term capital.

We also believe a listing status would enhance our corporate profile and recognition and reinforce our awareness and image among both our existing and potential customers. It would also generate reassurance amongst our existing customers and suppliers and strengthen our competitiveness in the market. In the context of our planned business expansion of the refurbishment market, a public listing could place more confidence amongst a wide customer base to which we aim to pursue in this segment. It would also enable us to convince new suppliers of car park flooring materials to establish business relationship with us and to grant us better terms.

Prior to the Listing, funding of our business activities was primarily from our own internally generated cash flow. We had approached commercial banks in the past for credit facilities. However, most banks would require collateral, either in the form of cash or immovable assets as such property. As we do not have property assets available for collateral, it has been difficult for us to secure bank borrowings, without the support by our Controlling Shareholder and on terms which we find favorable. In order to seek funding for payment of expenses associated with the Listing exercise prior to the actual listing, the Controlling Shareholders had invited the Pre-IPO Investors to invest in a total of 16.5% interest in our Company. Pursuant to share sale and purchase agreements dated 14 August 2015, Sage City sold a total of 1,650 existing shares of Victor Ease, the intermediate holding company of KMK, to four groups of investors for an aggregate consideration of HK\$15,427,500. Of this amount, HK\$10.3 million was advanced by the Controlling Shareholders to our Group to pay for professional expenses relating to the Listing in June 2016. On 19 September 2016, in preparation for the Listing exercise, a commercial bank in Hong Kong granted us an overdraft facility of HK\$10 million. Such facility was drawn down in late September 2016 to repay the above loan advanced by our Controlling Shareholders prior to the Listing. It is currently expected that the Share Offer would broaden not only our equity financing alternatives to cover public investors but could also enable us to seek bank financing under more favourable terms to finance our future business needs.

We also consider that a listing may offer our Company a broader shareholder base which could potentially lead to a more liquid market in the trading of the Shares. With the appointment of our independent board of non-executive Directors, we also believe our internal control and corporate governance practices will be enhanced following the Listing.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

Our Board currently consists of five Directors comprising two executive Directors and three independent non-executive Directors. The following table sets out the information regarding the members of the Board:

Name	Age	Date of joining Group	Date of appointment as Director	Position	Principal responsibilities	Relationship with other Director(s) and/or senior management
Kwong Chi Man (鄭志文)	61	2003	30 May 2016	Chairman & Chief Executive Officer	Overall business development and technical operations and strategic planning of our Group	Nil
Yip Wai Man (葉偉文)	42	2005	13 June 2016	Executive Director	Overall supervision and management of site works, quality control and safety	Nil
Yu Wan Wah Amparo (余韻華)	41	2016	24 September 2016	Independent non-executive Director	Providing independent advice on our businesses, legal matters and corporate governance	Nil
Law Pui Cheung (羅沛昌)	60	2016	24 September 2016	Independent non-executive Director	Providing independent advice on our businesses, financial matters and corporate governance	Nil
Wat Danny Hiu Yan (屈曉昕)	41	2016	24 September 2016	Independent non-executive Director	Providing independent advice on our businesses, operational matters and corporate governance	Nil

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Executive Directors

Mr. KWONG Chi Man (鄺志文), aged 61, is the chairman and chief executive officer of our Group. Mr. Kwong is mainly responsible for the overall business development and technical operations and strategic planning of our Group. Mr. Kwong was appointed as an executive Director of our Company on 30 May 2016.

Mr. Kwong has accumulated over 30 years of experience in the construction industry. Mr. Kwong entered into the construction industry as a sole proprietor with the business registration of Kwong Man Kee Engineering in 1982. Mr. Kwong started the car park flooring business in 2003 and in 2005 undertook projects from major property developers, architects, main contractors and government bodies. In 2003, Mr. Kwong became the manager of KMK. In 2008, Mr. Kwong became a shareholder and director of KMK and subsequently became the sole shareholder of KMK in 2013. Mr. Kwong has accumulated over 13 years of experience in the carpark flooring industry. He received secondary education in Hong Kong.

Our Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code ("CG Code") in Appendix 15 to the GEM Listing Rules. Except for the deviation from code provision A.2.1 of the CG Code, our Company's corporate governance practices have complied with the CG Code.

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. Mr. Kwong is the Chairman and the Chief Executive Officer of our Company. As Mr. Kwong has managed KMK for over 13 years and is well recognised in the car park flooring industry in Hong Kong, we are of the view that it would be in the best interest of the Group that he continues his role as Chief Executive Officer following Listing. Therefore, our Directors consider that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance.

Mr. Kwong has not held any directorship in any public listed company in the past three years.

Mr. Yip Wai Man (葉偉文), aged 42, is an executive director of our Group principally responsible for supervision and management of site works, quality control and work safety. Mr. Yip WM worked in his family business in frozen food trading before joining our Group in November 2005 as a technician. He left us in January 2006 to rejoin his family business but returned as our technician in June 2006. In 2010, Mr. Yip WM became our site foreman and has accumulated over 10 years of experience working in our Group. Mr. Yip WM was appointed as an executive Director of our Company on 13 June 2016.

In October 2012, Mr. Yip WM completed and passed the Technically Competent Person T1 Training Course at the Hong Kong Institute of Vocational Education. Mr. Yip WM has also completed the Safety Supervisor Training Course at Hong Kong Human Resources Limited in March 2013. He received secondary education in Hong Kong.

Mr. Yip WM has not held any directorship in any public listed company in the past three years.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Independent non-executive Directors

Ms. Yu Wan Wah Amparo (余韻華), aged 41, was appointed as an independent non-executive Director of our Group on 24 September 2016. Ms. Yu has accumulated over 7 years of experience in the civil and geotechnical engineering field when she was employed from 1998 to 2005 by Greg Wong & Associates Limited, a civil and structural engineering company. In February 2012, Ms. Yu commenced her legal career as a trainee solicitor with Messrs. Phyllis Kwong & Associates. In October 2012, Ms. Yu continued her legal training with Messrs. Ng, Au Yeung & Partners and she was subsequently promoted to the position of Assistant Solicitor in April 2014. Ms. Yu is currently an Assistant Solicitor of Messrs. Ng, Au Yeung & Partners.

Ms. Yu was admitted as a solicitor of the High Court in Hong Kong in April 2014.

Ms. Yu graduated from The University of British Columbia with a bachelor's degree of applied science in civil engineering in May 1997. In May 1998, she obtained a master's degree of engineering (civil) from Cornell University (USA). In November 2007, Ms. Yu obtained a master's degree of science in engineering (industrial engineering & logistics management) from the University of Hong Kong. In December 2010, Ms. Yu obtained her Juris Doctor degree from the Chinese University of Hong Kong and she subsequently completed the Postgraduate Certificate in Laws (PCLL) in July 2011 at the same university.

Mr. Law Pui Cheung (羅沛昌), aged 60, was appointed as an independent non-executive Director of our Group on 24 September 2016. Mr. Law has accumulated over 35 years of experience in the accountancy. Mr. Law began his career with Ernst and Whinney, the predecessor firm of Ernst & Young, an international accounting firm in Hong Kong. Mr. Law joined Li, Tang, Chen & Co., a practising certified public accountants firm in Hong Kong in 1989 as an audit principal and was subsequently promoted to become a partner of the same in 1991. Mr. Law is an ex-partner of Li, Tang, Chen & Co.

Mr. Law is currently a fellow or member of the following professional organisations:

Organisation	Capacity	Since (Year)
The Chartered Association of Certified Accountants	Fellow	1990
Hong Kong Institute of Certified Public Accountants	Fellow	1985
Macau Society of Certified Practising Accountants	Member	1995
Hong Kong Securities and Investment Institute	Fellow	2015
The Hong Kong Institute of Directors	Fellow	2011
The Institute of Chartered Accountants in England and Wales	Fellow	2015

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Law is currently a member of the Disciplinary Panel of the Hong Kong Institute of the Certified Public Accounts and act as an independent non-executive director of Birmingham International Holdings Limited (Stock Code: 2309) (“**Birmingham**”) and China Shanshui Cement Group Limited (Stock Code: 691).

Birmingham appointed receivers in February 2015 to preserve its assets, to carry on its business and to do all such other things reasonably necessary for the purpose of preserving the value of its assets and business. Subsequently, in March 2015, Mr. Law was appointed by the receivers as an independent non-executive director of Birmingham.

Mr. Wat Danny Hiu Yan (屈曉昕), aged 41, was appointed as an independent non-executive Director of our Group on 24 September 2016. Mr. Wat has accumulated over 11 years of experience in the civil and geotechnical engineering field when he was employed from August 1998 to November 2009 by Mott MacDonald Hong Kong Limited, a global management, engineering and development consultancy firm. In November 2009, Mr. Wat became a Director of Kin Wah Hong Paper Limited, a company with the principle business of paper agency and distributorship in Hong Kong, where he is responsible for the overall administration, procurement, financial control and sales and marketing.

Mr. Wat has been a member of the Hong Kong Institution of Engineers (Civil Discipline) since March 2003.

Mr Wat graduated from The University of British Columbia in May 1997 with a bachelor’s degree in civil engineering and subsequently obtained a master’s degree of Engineering (Civil) from Cornell University (USA) in May 1998.

Disclosure required under Rule 17.50(2) of the GEM Listing Rules

Save as disclosed above, each of our Directors confirms with respect to him or 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 our Company or any of its subsidiaries; (iii) save as disclosed in the section headed “C. Further Information about Substantial Shareholders, Directors and Experts – 1. Disclosure of interests” 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 our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

SENIOR MANAGEMENT

The following table sets out the information regarding the senior management team of our Group:

Name	Age	Date of joining Group	Position	Principal responsibilities	Relationship with other Director(s) and/or senior management
Tse Ka Wing (謝嘉穎)	33	2016	Financial controller and company secretary	Supervision of our financial reporting, financial planning, treasury, financial control and company secretarial matters	nil
Mr. Jason Yip (葉港樂)	40	2003	Manager	Overall management of sales and marketing and project management	nil

Ms. Tse Ka Wing (謝嘉穎), aged 33, is the financial controller and company secretary of our Group and is principally responsible for supervision of our financial reporting, financial planning, treasury, financial control and company secretarial matters. Ms. Tse joined our Group in March 2016. Prior to joining our Group, Ms. Tse was the Financial Controller of Hong Kong Universal Education Limited, an education service provider, from November 2014 to March 2016, in which her responsibilities included the financial reporting and financial management. In November 2013, Ms. Tse joined Union Honor International Enterprise Limited, a group which specialises in medical beauty services as an assistant accounting manager. From February 2008 to November 2013, Ms. Tse served as an assistant manager of BDO Limited, an accounting firm where she participated in various audit assignments for both listed companies and multi-national companies. From September 2006 to January 2008, Ms. Tse worked as an auditor in Andrew Tse & Co., a Certified Public Accountant firm where she was responsible for audit assignments for private companies in Hong Kong. Since January 2011, Ms. Tse has been a member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and a practising member of HKICPA since 2014. Ms. Tse is also a member of the Young Member Committee of HKICPA and is an authorised supervisor to provide training to prospective members of the HKICPA.

In 2006, Ms. Tse obtained a bachelor's degree in business administration in accountancy from the City University of Hong Kong. Ms. Tse has accumulated around 10 years of financial and accounting experience.

Ms. Tse has not held any directorship in any public listed company in the past three years.

Mr. Jason Yip (葉港樂), aged 40, is a manager of our Group and is principally responsible for the overall management of sales and marketing and project management. Mr. Jason Yip first joined us in November 2003 on a part time basis to assist Mr. Kwong in the sourcing of appropriate car park flooring materials and to promote our business. In November 2007, Mr. Jason Yip became our marketing manager on a full time basis and in April 2009, Mr. Jason Yip became our consultant on a part time basis. In August 2015, upon becoming a 30% shareholder in Sage City following his exercise of share option granted to him in 2003, Mr. Jason Yip took up the position of manager of KMK on a full time basis. Mr. Jason Yip has accumulated over 12 years of experience in the car park flooring industry.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Jason Yip supplemented his experience as a subcontractor when he managed Joint Surplus from April 2011 to July 2015. Prior to joining our Group as a marketing manager in November 2007, Mr. Jason Yip was a sales manager of Mandas Enterprises, a company which specialised in movement joint systems and waterproofing system from 2001 to 2007. Before that, Mr. Jason Yip was the regional assistant manager in the structural movement joint division of Vexcolt Asia Ltd from 1999 to 2000 and the Sales Engineer of product development in construction materials of Specialist Products Ltd. from 1998 to 1999.

Mr. Jason Yip graduated from The University of British Columbia in May 1997 with a bachelor's degree in civil engineering with distinction and subsequently obtained a master's degree in engineering from the same university in May 1998.

Mr. Jason Yip has not held any directorship in any public listed company in the past three years.

COMPANY SECRETARY

Ms. Tse Ka Wing is the company secretary of our Company. Details of her qualifications and experience are set out in the paragraph headed "Senior management" in this section.

COMPLIANCE OFFICER

Mr. Kwong was appointed as the compliance officer of our Company on 17 June 2016.

REMUNERATION POLICY

The executive Directors, the independent non-executive Directors and senior management receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. Our Group regularly reviews and determines the remuneration and compensation packages of our Directors and senior management by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

After Listing, the remuneration committee of our Company will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, and the time devoted to our Group and the performance of our Group. Our Directors may also receive options to be granted under the Share Option Scheme.

REMUNERATIONS OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remunerations (including salaries, fees, discretionary bonuses and other allowances and benefits in kind) paid by us for each of FY2015 and FY2016 to our five highest paid individuals were approximately HK\$2.6 million and HK\$3.1 million, respectively.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

During the Track Record Period, no emoluments were paid by our Group to our Directors as an inducement to join or upon joining our Group or as compensation for loss of office. No Director has waived or agreed to waive any emoluments during the Track Record Period.

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 our Group to each of our Directors is disclosed in the section headed “C. Further Information About Substantial Shareholders, Directors and experts – 3. Remuneration of Directors” in Appendix IV to this prospectus.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee on 24 September 2016 with its written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance.

The audit committee of our Company consists of three members, being Law Pui Cheung, Yu Wan Wah Amparo and Wat Danny Hiu Yan. Law Pui Cheung currently serves as the chairman of the audit committee.

Remuneration committee

Our Company established a remuneration committee on 24 September 2016 with its written terms of reference in compliance with the GEM Listing Rules. The primary duties of the remuneration committee are to make recommendations on the remuneration of our Company’s senior management and to recommend members of the Board.

The remuneration committee of our Company consists of three members, being Wat Danny Hiu Yan, Mr. Kwong and Yu Wan Wah Amparo. Wat Danny Hiu Yan currently serves as the chairman of the remuneration committee.

Nomination committee

Our Company established a nomination committee on 24 September 2016 with its written terms of reference by reference to the code provisions of the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules. The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

The nomination committee of our Company consists of three members, being Mr. Kwong, Wat Danny Hiu Yan and Yu Wan Wah Amparo. Mr. Kwong currently serves as the chairman of the nomination committee.

Legal compliance committee

On 24 September 2016, our Company established the Legal Compliance Committee with written terms of reference. The primary duties of the Legal Compliance Committee are to assist the Board in overseeing our compliance with laws and regulations relevant to our business operations and to review the effectiveness of our regulatory compliance procedures and system.

The Legal Compliance Committee of our Company consists of three members, being Mr. Kwong, Yu Wan Wah Amparo and Wat Danny Hiu Yan. Yu Wan Wah Amparo currently serves as the chairman of the Legal Compliance Committee.

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed Alliance Capital as its compliance adviser. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company will consult with and seek advice from the compliance adviser on a timely basis in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (3) where our Company proposes to use the proceeds of the initial public offering in a manner different from that detailed in the listing document or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in the listing document; and
- (4) where the Stock Exchange makes an inquiry of the listed issuer under Rule 17.11 of the GEM Listing Rules.

The term of appointment of the compliance adviser of our Company shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of option that may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in our Shares

Name	Capacity/Nature	Number of Shares held/interested	Approximate percentage of Shareholding
Sage City (<i>Note 1</i>)	Beneficial interest	375,750,000	62.63%
Mr. Kwong (<i>Note 2</i>)	Interested in controlled corporation	375,750,000	62.63%
Ms. Li Chuen Chun (<i>Note 3</i>)	Interest of spouse	375,750,000	62.63%

Notes:

1. Sage City is a company incorporated in the BVI and is owned by Mr. Kwong and Mr. Jason Yip as to 70% and 30%, respectively. Mr. Kwong is the chairman, an executive Director of our Company and a director of Sage City. Mr. Jason Yip is a senior management of our Company.
2. Mr. Kwong beneficially owns 70% of the issued share capital of Sage City, the beneficial owner holding 62.63% shareholding in our Company. Therefore, Mr. Kwong is deemed, or taken to be, interested in all our Shares which are beneficially owned by Sage City for the purpose of the SFO.
3. Ms. Li Chuen Chun is the spouse of Mr. Kwong and is deemed, or taken to be, interested in all our Shares in which Mr. Kwong is interested upon Listing for the purposes of the SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of option that may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue, our Company is owned as to 62.63% by Sage City, which is controlled and owned as to 70% by Mr. Kwong. Sage City is an investment holding company. Mr. Kwong and Sage City confirm that they and their close associates do not have any interest, individually or together, in any business which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 11.04 of the GEM Listing Rules. Save as our Controlling Shareholders, interests in our Company, none of our Directors and the Controlling Shareholders and their respective close associates is engaged in any business which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 11.04 of the GEM Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that our Group is capable of carrying on our Group's business independently from our Controlling Shareholders and their close associates after the Share Offer:

Management and administrative independence

Our Board consists of five Directors, of whom two are executive Directors and the remaining three are independent non-executive Directors. Mr. Kwong is an executive Director, our chairman and chief executive officer, is also a director of Sage City. Each of our Directors is aware of his fiduciary duties as a director which requires, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meetings of our Board in respect of such transactions and shall not be counted in the quorum. In addition, our Group has a senior management team to make the business decisions independently. The three independent non-executive Directors will also bring independent judgment to the decision-making process of our Board.

The responsibilities of the senior management team of our Group include dealing with operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategy of our Group. This ensures the independence of the daily management and operations of our Group. Further details are set out in the section headed "Directors, Senior Management and Staff" in this prospectus.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Financial independence

Our Company has an independent financial system and makes financial decisions according to our Group's own business needs. Our Directors confirm that any guarantee, loan or pledge provided by our Controlling Shareholders in favour of our Group will be released or settled, as the case may be, before or upon the Listing. During the Track Record Period, we had certain amounts due to or from Mr. Kwong. For details, please refer to note 25 to the Accountant's Report set out in Appendix I to this prospectus. As at the Latest Practicable Date, such amounts due to or from Mr. Kwong had been fully settled. On 10 June 2016, Sage City advanced an amount of HK\$10,285,000 to KMK. We have obtained an overdraft facility of HK\$10 million from a commercial bank in Hong Kong, which was drawn down in late September 2016 to repay the above loan advanced by Sage City prior to Listing. The balance of HK\$0.3 million will be settled by our Group's internal resources prior to Listing. Our Directors believe that our Group is capable of obtaining financing from Independent Third Parties, if necessary, without reliance on our Controlling Shareholders after the Listing. Therefore, our Group will be financially independent from our Controlling Shareholders after the Listing.

Operational independence

Our Group has established its own organisational structure made of individual departments, each with specific areas of responsibilities. Save for our premises for operational use which is leased from Ms. Li Chuen Chun and Ms. Kwong Wing Yee under a lease agreement (details of which are set out in the section "Continuing Connected Transactions" in this prospectus), our Group's customers and suppliers are all independent from our Controlling Shareholders. Our Group does not rely on our Controlling Shareholders or their close associates and have its independent access to customers and suppliers.

Our Directors consider that our operations do not depend on our Controlling Shareholders because (i) there is no competing business between our Group and any of our Controlling Shareholders; and (ii) our Group will not be relying on any guarantee provided by any of our Controlling Shareholders in respect of bank borrowings nor has our Group been given any guarantee for the benefit of any of our Controlling Shareholders upon Listing.

On the basis of the matters disclosed in this section, our Directors believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates.

Voluntary lock-up undertaking by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to our Company and the Stock Exchange that except pursuant to the Share Offer, it or he shall not, and shall procure that the relevant registered holder(s) shall not, (i) at any time during the six-month period commencing on the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it or he is shown by this prospectus to be the beneficial owner; and (ii) at any time during the period of 18 months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to own more than 50.1% of our issued Shares; (iii) in the event he or it pledges or charges any direct or indirect interest in our Shares or pursuant to any right or waiver granted by the Exchange, at any time during the relevant periods specified in paragraph (i) or paragraph (ii) above, he or it must inform the Company immediately thereafter, disclosing the details specified in GEM Rule 17.43(1) to (4); and (iv) having pledged or charged any interest in securities under (iii) above, he or it must inform the Company immediately in the event the he or it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of securities affected.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

DEED OF NON-COMPETITION

Mr. Kwong and Sage City (each the “**Covenantor**” and collectively the “**Covenantors**”) entered into the Deed of Non-competition in favour of our Company and our subsidiaries. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and for the benefit of our subsidiaries) that, save and except as disclosed in this prospectus, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of our Group) not to carry on or be engaged, concerned or interested, or otherwise be involved, directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of our Group within Hong Kong and such other parts of the world where any member of our Group may operate from time to time, save for the holding of not more than 5% shareholding interests (individually or with his/its close associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with his/its close associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor (individually or with his/its close associates).

Each of the Covenantors further undertakes that if he/it or his/its close associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/it shall procure that his/her/its close associates to promptly notify our Group in writing and our Group shall have a right of first refusal to take up such opportunity. Our Group shall, within 30 days after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) whether our Group will exercise the right of first refusal.

Our Group shall only exercise the right of first refusal upon the approval of all independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Our Company will adopt the following procedures to monitor that the Deed of Non-competition is being observed:

- (a) our independent non-executive Directors shall review on an annual basis the above undertakings from the Covenantors and to evaluate the effective implementation of the Deed of Non-competition;
- (b) each of the Covenantors undertakes to provide any information as is reasonably required by our Group or our independent non-executive Directors, as a basis to decide whether to exercise the right of first refusal by our Company from time to time; and

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (c) each of the Covenantors undertakes to provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition, and to provide an annual confirmation on the compliance of the non-competition undertaking for inclusion in the annual report of our Company.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Division granting approval for the listing of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreements having been fulfilled (or where applicable, waived) and the Underwriting Agreements not having been terminated in accordance with their respective terms. If any such condition is not fulfilled on or before the date specified in the Underwriting Agreements (unless such conditions are waived on or before such date) or in any event on or before the date falling 30 days after the date of this prospectus, the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate on the date on which (i) in relation to any Covenantors, when he/it together with his/its close associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company provided that the Deed of Non-competition shall continue to be in full force and effect as against the other Covenantors; or (ii) our Shares cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

As our Controlling Shareholders have given non-competition undertakings in favour of our Company, and other than members of our Group, none of them have interests in other businesses that compete or are likely to compete with the business of our Group, our Directors are of the view that we are capable of carrying on our business independently of our Controlling Shareholders following the Listing.

Other than members of our Group, none of our Controlling Shareholders and our Directors or their respective close associates has interests in any business which competes or is likely to compete with the business of our Group.

CORPORATE GOVERNANCE MEASURES

Our 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 not vote (nor shall he/it be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or proposal in which he/it or any of his/its close associate(s) has/have a material interest, and if he/it shall do so his/its vote shall not be counted (nor shall he/it be counted in the quorum for that resolution), but this prohibition shall not apply to the exceptions as stated in the Articles where such exceptions are consistent with those provided in Appendix 3 to the GEM Listing Rules;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (2) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- (3) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (4) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition of our Controlling Shareholders in the annual reports of our Company;
- (5) our Controlling Shareholders will make an annual declaration on compliance with the Deed of Non-competition in the annual report of our Company;
- (6) our independent non-executive Directors will be responsible for deciding whether or not to allow any Controlling Shareholder and/or his/its close associates to involve or participate in any business in competition with or likely to be in competition with the existing business activity of any member of our Group within Hong Kong and such other parts of the world where any member of our Group may operate from time to time and if so, any condition to be imposed; and
- (7) our independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the Deed of Non-competition or connected transaction(s) at the cost of our Company.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective close associates will be required to comply with the requirements of the GEM Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and after completion of the Listing :

HK\$

Authorised share capital:

<u>2,000,000,000</u>	Shares of HK\$0.01 each	<u>20,000,000</u>
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Issued and to be issued, fully paid or credited as fully paid

10,000	Shares in issue at the date of this prospectus	100
449,990,000	Shares to be issued pursuant to the Capitalisation Issue	4,499,900
<u>150,000,000</u>	<u>Shares to be issued pursuant to the Share Offer</u>	<u>1,500,000</u>
<u>600,000,000</u>	<u>Shares in total</u>	<u>6,000,000</u>

ASSUMPTIONS

The above table assumes that the Placing and the Public Offer has become unconditional and the Shares are issued pursuant to the Placing and the Public Offer. It takes no account of any Shares, which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company under the general mandates of any Shares referred to below.

RANKING

The Placing and the Public Offer Shares are ordinary shares and will rank pari passu in all respects with all the Shares now in issue or to be issued as mentioned herein, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the issued share capital of in the hands of the public (as defined in the GEM Listing Rules).

SHARE CAPITAL

THE SHARE OPTION SCHEME

Our Company conditionally adopted the Share Option Scheme. Summaries of the principal terms of the Share Option Scheme are set out in the section headed “D. Share Option Scheme” in Appendix IV to this prospectus.

GENERAL MANDATE TO ISSUE NEW SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed “Structure and Conditions of the Share Offer” of this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

- (a) 20% of the aggregate nominal amount of share capital of our Company in issue immediately following completion of the Placing, Public Offer and upon Listing; and
- (b) the aggregate nominal amount of the share capital of our Company repurchased by our Company, if any, under the general mandate to repurchase Shares referred to below.

The allotment and issue of Shares under a rights issue, script dividend scheme or similar arrangement in accordance with the Articles do not generally require the approval of the Shareholders in general meeting and the aggregate nominal value of the Shares which our Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of such Shares.

This general mandate will expire at the earliest of:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company is required by applicable laws or its Articles to hold its next annual general meeting; and
- (c) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed “A. Further information about our Company – 3. Written Resolutions of the Shareholders passed on 24 September 2016” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed “Structure and Conditions of the Share Offer” of this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue following completion of the Placing, the Public Offer and upon Listing.

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 are recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and requirements of the GEM Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the section headed “A. Further Information About Our Company – 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

This mandate will expire at the earliest of:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company is required by applicable laws or its Articles to hold its next annual general meeting; and
- (c) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed “A. Further Information About Our Company – 3. Written Resolutions of the Shareholders passed on 24 September 2016” in Appendix IV to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our combined financial information and notes thereto set forth in the Accountant's Report included as Appendix I and our selected historical combined financial information and operating data included elsewhere in this prospectus. Our combined financial information has been prepared in accordance with HKFRSs issued by Hong Kong Institute of Certified Public Accountants. Our financial information and the discussion and analysis below assume that our current structure had been in existence throughout the Track Record Period. For further information in relation to our Group's structure, please refer to the section headed "History, Development, Reorganisation and Corporate Structure" in this prospectus.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and our financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please refer to the sections headed "Risk Factors" and "Forward-looking statements" for discussions of those risks and uncertainties.

Our financial year begins from 1 April and ends on 31 March. All references to "FY2015" and "FY2016" mean the financial years ended 31 March 2015 and 31 March 2016, respectively.

OVERVIEW

We are an established contractor in the Hong Kong car park flooring industry. We generate revenue by providing flooring work and ancillary work which includes concrete repairing and wall painting work on project-by-project basis. We conduct car park flooring work as part of a construction project, namely, the construction of new car park, or refurbishment project, namely, refurbishment of old car park. During the Track Record Period, our major customers were mainly main contractors and property developers in Hong Kong.

During FY2016, we experienced revenue growth mainly due to increase in the number of large-scale contracts secured and completed in FY2016. Our revenue for FY2016 was HK\$68.6 million, representing an increase of 60.2% as compared with the corresponding figure of approximately HK\$42.8 million for FY2015. Our gross profit for FY2016 was HK\$32.6 million, representing an increase of 73.1% as compared with the corresponding figure of approximately HK\$18.9 million for FY2015. Our profit after tax for FY2016 was HK\$16.8 million, representing an increase of 51.5% as compared to FY2015.

Our Directors believe that our growth was attributable to our well-established market presence and our experienced management team.

FINANCIAL INFORMATION

FACTORS AFFECTING OUR GROUP'S RESULTS OF OPERATIONS

Our results of operations and financial performance are subject to the influence of numerous factors, including those set out below and in the section headed “Risk Factors” in this prospectus:

Level of construction activities and frequency of renovation of existing car parks in Hong Kong

For FY2015 and FY2016, 78.9% and 83.6% of our revenue were derived from provision of car park flooring and ancillary works relating to new car parks, respectively, while 21.1% and 16.4% of revenue were derived from refurbishment of existing car parks, respectively. Therefore, our results of operations are affected by the number and availability of new construction projects and renovation of existing car parks in both public and private sectors in Hong Kong, which in turn are affected by various factors, including but not limited to, the general conditions of the property markets in Hong Kong, the general economic conditions in Hong Kong and changes in government town planning and/or housing policies. For instance, an economic downturn in Hong Kong, an outbreak of epidemic disease, and/or introduction of adverse government policies on property markets in Hong Kong may lead to a significant decline in the property prices and the number of property construction projects, which may in turn cause budget cuts by developers on overall spending on construction costs including costs for car park floor coating. This may result in a delay in refurbishment of car parks and exert cost pressure on tenders for our refurbishment projects.

Profitability of our projects

The majority of our revenue during the Track Record Period is derived from projects generally obtained by means of tender. The tender price is based on our estimated project costs plus a mark-up margin. We need to balance between pricing our projects competitive enough and maintaining an acceptable profit margin. As the tender price is fixed, we will have to bear any possible cost increment due to inflation. Also, in respect of some strategic projects which we intend to undertake to enhance corporate profile, we may submit a more competitive tender price with a lower profit margin. In case of strategic projects and inflations, the lower profit margin poses adverse effect on our profitability.

FINANCIAL INFORMATION

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in (i) contract sum per contract secured and (ii) average gross profit margin on our gross profit and profit before income tax for FY2015 and FY2016, assuming that all other factors remain unchanged.

		Impact on gross profit and profit before income tax	
		FY2015	FY2016
		<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
(i)	Change in contract sum per contract <i>(Note 1)</i> :		
	+9.9%	+4,238	+6,789
	-9.9%	-4,238	-6,789
(ii)	Change in gross profit margin <i>(Note 2)</i> :		
	+3.5%	+1,498	+2,400
	-3.5%	-1,498	-2,400

Notes:

1. The extent of fluctuation was determined by reference to the average CAGR of price trend of mid to high end car park flooring market in Hong Kong from 2011 to 2015 (9.6% for new construction market; 10.2% for refurbishment market) as stated in the Industry Report.
2. The extent of fluctuation was determined by reference to the difference of gross profit margin for FY2015 and FY2016.

Changes of material costs, subcontracting costs and direct labour costs

Our material costs, subcontracting costs and direct labour costs represent a significant portion of our cost of sales. During the Track Record Period, our material costs amounted to approximately HK\$15.0 million in FY2015 and HK\$19.8 million in FY2016, accounted for 62.8% and 55.2% of our total cost of sales, respectively. Our subcontracting costs amounted to approximately HK\$6.4 million and HK\$13.0 million for FY2015 and FY2016, which accounted for 26.8% and 36.2% of our total cost of sales, respectively, while direct labour costs amounted to approximately HK\$2.1 million and HK\$2.5 million, which accounted for 8.9% and 7.0% of our total cost of sales in FY2015 and FY2016, respectively.

Our ability to control and manage such direct costs affects our profitability; whereas the contract price is based on our estimation of project costs (which mainly include material and subcontracting costs) plus a mark-up margin at the time when we submit tender for projects or initial proposals to potential customers. Any fluctuation in the direct costs during the contracting period will affect our profitability.

FINANCIAL INFORMATION

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in (i) material costs, (ii) subcontracting costs and (iii) direct labour costs on profit before income tax for FY2015 and FY2016, assuming all other factors remain unchanged:

- (i) Change in material costs *(Note 1)*:

	Impact on profit before income tax	
	FY2015	FY2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
+2.2%	-331	-437
-2.2%	+331	+437

- (ii) Change in subcontracting costs *(Note 2)*:

	Impact on profit before income tax	
	FY2015	FY2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
+7.7%	-494	-1,002
-7.7%	+494	+1,002

- (iii) Change in direct labour costs *(Note 2)*:

	Impact on profit before income tax	
	FY2015	FY2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
+7.7%	-164	-194
-7.7%	+164	+194

Notes:

- The extent of fluctuation was determined by reference to the average CAGR of price of major flooring materials from 2011 to 2015 (2.3% for clear epoxy; 2.7% for coloured epoxy; 1.8% for primers; 2% for coloured topcoats) as stated in the Industry Report.
- The extent of fluctuation was determined by reference to the CAGR of average daily wages of car park flooring workers of 7.7% from 2010 to 2015 as stated in the Industry Report.

FINANCIAL INFORMATION

Our ability to complete our projects on time

Our projects must be completed in accordance with customers' specifications, quality standards, safety measures and the time frame. The implementation of the project may be hindered by various factors, such as shortage of labour, delay in procurement of raw materials, dispute with subcontractors, accidents, and unforeseen problems and circumstances.

Any of these could give rise to project delay beyond the contractual completion date. If the reasons for delay are not found eligible and accepted by our customers such that an extension of time would be granted, we may be liable for liquidated damages calculated at a fixed amount per day pursuant to the contract. Any liquidated damages to be paid by us will therefore adversely affect our financial results materially. Our reputation would also be damaged, which in turn causes an adverse effect to our business operation and profitability.

Accuracy in our estimation of time and costs to be incurred in project before submitting tender

In pricing a tender or quotation, we are required to estimate the project time and costs based on various factors, such as (i) product specifications and (ii) the prevailing market conditions. Any deviation between the estimated time and costs at the time we submit the tenders or quotations and the actual costs to complete the projects may affect our Group's financial performance and profitability. For instance, if the amount we are required to pay for subcontractors exceed what we have estimated, we may suffer losses on these contracts. In particular, for lump sum fixed price contracts, we are required to execute all the specified details and quantities of works as stated in the contract at the fixed agreed price, and no re-measurement will be allowed. For FY2015 and FY2016, HK\$37.5 million and HK\$50.9 million of our revenue were derived from provisional price contracts subject to remeasurement, representing 87.5% and 74.2% of our revenue in the respective financial year, while HK\$5.3 million and HK\$17.7 million were derived from lump sum fixed price contracts, representing 12.5% and 25.8% of our revenue in the respective financial year. For our provisional price contracts subject to remeasurement, the final contract sum is subject to final remeasurement against actual work done. Moreover, if property developers delay the launch of their property projects due to decrease in property price, our revenue and profit may be adversely affected. There is no assurance that the actual amount of time and costs would not exceed our estimation during the performance of the car park flooring works. As a result, any material inaccurate estimation in the time and costs involved in a job may adversely affect our profit margin and results of operations.

Timing of collection of our trade receivables and retention receivables

We normally receive progress payment from our customers on a monthly basis with reference to the progress of works done. A portion of such progress payment is usually withheld by our customers as retention money. Once we have completed the entire project to the satisfaction of our customer, final payment will be paid by our customers after we reach agreement on the final account. Our customers will pay progress payments after our works commence and our payment applications will be certified by our customers. For details, please refer to the sections headed "Business – Progress payment" and "Business – Final settlement and retention money" in this prospectus.

We undertake a number of projects at any given period, and the cash outflow of a particular project could be compensated by the cash inflows of other projects. If we fail to assess the credibility of customers which result in a delay in payment or release of retention monies from our customers, our cash position may be adversely affected as substantial purchasing costs have been made without cash inflow from other projects at a particular point of time.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 30 May 2016 and became the holding company of KMK pursuant to the Reorganisation. Details of which are set out in the section headed “History, Development, Reorganisation and Corporate Structure” in this prospectus. The financial information of our Group has been prepared as if our Company had been the holding company of KMK throughout the Track Record Period.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The discussion and analysis of our financial position and results of operations are based on the combined financial statements prepared using the significant accounting policies, estimates and judgements set forth in notes 4 and 6 of the Accountant’s Report set out in Appendix I to this prospectus, which conform with the HKFRS.

Below is a summary of certain significant accounting policies that we believe are important to the presentation of our financial results and positions. We also have other accounting policies, estimates and judgements that we consider important, details of which are set forth in notes 4 and 6 of the Accountant’s Report in Appendix I to this prospectus.

Revenue recognition

Contracting service revenue is measured at the fair value of the consideration received or receivable.

Our revenue from contracting works is based on the stage of completion at the end of the reporting period. The percentage of completion is determined by the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs.

Construction contracts

Our contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, whereas our contract costs comprise material costs, subcontracting costs, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a contracting work can be estimated reliably, revenue and contract costs associated with the contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of each of our Track Record Period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred. The expected loss is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

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Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers (a liability). Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers (an asset). Progress billing not yet paid by customers is included in the combined statement of financial position under “Trade and retention receivables”.

Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvements	Shorter of remaining period of the lease or 3 years
Furniture, machines and equipment	33.3%
Motor vehicles	33.3%

The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Warranty provisions

Our Group offers up to ten year warranties for our engineering work performed. Under these warranties, our Group is obliged to provide maintenance service and rectify any defects at our own costs. Based on historical information, it is rare to incur future warranty claims after all work is completed. Our Group are therefore of the opinion that no warranty provision is required. Should there be any changes to the actual claim pattern, an amount of provision may be necessary, which will impact the financial performance of our Group.

Provision for trade and retention receivables

Our management determines the provision for impairment of trade and retention receivables based on the credit history of customers and the current market condition by business segment. Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers’ financial positions. If the financial conditions of the customers of our Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The final outcome of the recoverability of these receivables will impact the amount of impairment required.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following table sets out our combined statement of profit or loss for the Track Record Period. This information is derived and should be read in conjunction with the combined financial information contained in the Accountant's Report in Appendix I to this prospectus.

	FY2015 (HK\$'000)	FY2016 (HK\$'000)
Revenue	42,808	68,575
Cost of sales	(23,944)	(35,917)
	<hr/>	<hr/>
Gross profit	18,864	32,658
Other income	43	25
General and administrative expenses	(5,830)	(11,772)
	<hr/>	<hr/>
Profit before income tax	13,077	20,911
Income tax expense	(1,991)	(4,114)
	<hr/>	<hr/>
Profit after tax for the year	<u>11,086</u>	<u>16,797</u>

DESCRIPTION OF SELECTED ITEMS FROM COMBINED STATEMENTS OF PROFITS OR LOSS

Revenue

During the Track Record Period, our revenue was principally generated from the provision of car park flooring services for construction projects, namely, construction of new car parks in new buildings, and refurbishment projects, namely, refurbishment of old car parks in existing buildings. We act as either a main contractor or subcontractor when carrying out car park flooring and ancillary works. For our roles as a main contractor and subcontractor, please refer to the section headed "Business – Our business operations" in this prospectus.

Our revenue from car park flooring and ancillary works is recognised based on the stage of completion at the end of each reporting period. The percentage of completion is determined with reference to the proportion of our cost incurred on the contract to date and compares to the total budgeted contract cost. During the Track Record Period, our major customers are main contractors in the private sector in Hong Kong. For FY2015 and FY2016, revenue derived from customers in the private sector accounted for 89.8% and 93.5% of our total revenue, respectively.

FINANCIAL INFORMATION

The table below sets out our revenue by type of property during the Track Record Period:

	FY2015		FY2016	
	<i>(HK\$'000)</i>	<i>%</i>	<i>(HK\$'000)</i>	<i>%</i>
Private⁽¹⁾				
Residential ⁽²⁾	19,213	44.9	41,266	60.2
Residential/commercial	5,813	13.6	1,633	2.4
Commercial	12,040	28.1	20,118	29.3
Others ⁽³⁾	1,375	3.2	1,068	1.6
<i>Sub-total</i>	<u>38,441</u>	<u>89.8</u>	<u>64,085</u>	<u>93.5</u>
Public				
Residential	248	0.6	–	–
Residential/commercial	–	–	1,203	1.8
Commercial	3,023	7.1	1,000	1.5
Others ⁽⁴⁾	1,096	2.5	2,287	3.2
<i>Sub-total</i>	<u>4,367</u>	<u>10.2</u>	<u>4,490</u>	<u>6.5</u>
Total	<u><u>42,808</u></u>	<u><u>100.0</u></u>	<u><u>68,575</u></u>	<u><u>100.0</u></u>

Notes:

1. We classify public sector contracts as contracts in which the ultimate customer is a government department, statutory body or related organisation, or institutional body. Private sector contracts refer to contracts in which the ultimate customer is in the private sector, such as property developers and incorporated owners.
2. The type of a property is categorised by the nature of the principal use of the property.
3. Other private contracts include those related to hotels and industrial properties.
4. Other public contracts include those related to hospitals and highways.

During the Track Record Period, other than flooring services, we also provided ancillary services including (i) concrete repairing work and (ii) wall painting work, which are usually associated with our car park flooring projects.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our revenue by flooring service and ancillary services during the Track Record Period.

	FY2015		FY2016	
	<i>(HK\$'000)</i>	%	<i>(HK\$'000)</i>	%
<i>Revenue</i>				
Flooring services	42,062	98.3	66,367	96.8
Ancillary services	746	1.7	2,208	3.2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	42,808	100.0	68,575	100.0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The following table sets forth a breakdown of our revenue derived from flooring service and ancillary services as classified by sector during the Track Record Period.

	FY2015		FY2016	
	<i>(HK\$'000)</i>	%	<i>(HK\$'000)</i>	%
Private sector	38,441	89.8	64,086	93.5
Public sector	4,367	10.2	4,489	6.5
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	42,808	100.0	68,575	100.0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The following table sets forth a breakdown of our revenue derived from flooring service and ancillary services as classified by nature of contracts during the Track Record Period.

	FY2015		FY2016	
	<i>(HK\$'000)</i>	%	<i>(HK\$'000)</i>	%
New construction projects	33,767	78.9	57,322	83.6
Refurbishment projects	9,041	21.1	11,253	16.4
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	42,808	100.0	68,575	100.0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Please refer to the paragraph headed “Period to period comparison of results of operations” in this section for a discussion of changes in our revenue during the Track Record Period.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales primarily consists of material costs, subcontracting costs, direct labour costs, depreciation on machinery and transportation costs. During the Track Record Period, breakdown of our cost of sales were as follows:

	FY2015		FY2016	
	(HK\$'000)	%	(HK\$'000)	%
Material costs	15,032	62.8	19,843	55.2
Subcontracting costs	6,422	26.8	13,013	36.2
Direct labour costs	2,128	8.9	2,516	7.0
Depreciation on machinery	118	0.5	150	0.4
Transportation costs	244	1.0	306	0.8
Levies (<i>Note 2</i>)	–	–	90	0.4
	<u>23,944</u>	<u>100.0</u>	<u>35,918</u>	<u>100.0</u>

Note: Levies consists of “Construction Industry levy” paid to Construction Industry Council and levies paid to the Pneumoconiosis Compensation Fund Board.

Material costs

The largest component of our cost of sales was material costs, which amounted to approximately HK\$15.0 million and HK\$19.8 million, representing 62.8% and 55.2% of our cost of sales for FY2015 and FY2016. As disclosed in the section headed “Business – Customers, sales and marketing – principal terms of our contracts”, the costs of materials and consumables are normally borne by us. During FY2015 and FY2016, 93.2% and 91.4% of our total purchase of material were for proprietary car park floor coating material.

Subcontracting costs

The subcontracting costs were services fees we paid to our subcontractors for projects undertaken. As disclosed in section headed “Business” of this prospectus, we outsourced part of our works, such as application of proprietary floor coating products, screeding, and painting of line markings, to subcontractors so as to better utilise our resources.

Direct labour costs

Direct labour costs mainly comprised salaries, wages, bonus and allowance provided for our workers who are directly involved in the contracted projects.

FINANCIAL INFORMATION

Depreciation on machinery

Depreciation represented depreciation charges in respect of our machinery which are directly being used in our projects.

Transportation costs

Transportation cost represents cost involved delivering material from off-site and our warehouse to project sites.

Please refer to the paragraph headed “Period to period comparison of results of operations” in this section for a discussion of the material changes in the amount of our direct costs.

General and administrative expenses

General and administrative expenses mainly include staff costs, Directors’ remuneration and benefits, motor vehicle expenses, depreciation of fixed assets, entertainment expenses, operating lease rental expenses, and other administrative expenses. The following table sets out a breakdown of our administrative expenses for the years indicated:

	FY2015		FY2016	
	<i>(HK\$'000)</i>	<i>%</i>	<i>(HK\$'000)</i>	<i>%</i>
Staff costs (including director’s remuneration)	2,774	47.6	4,588	39.0
Motor vehicle expenses	424	7.3	347	3.0
Depreciation (excluding depreciation for plant and machinery)	374	6.4	425	3.6
Entertainment expenses	359	6.2	394	3.4
Audit fee	330	5.7	300	2.5
Operating lease rental expenses	312	5.3	445	3.8
Repair and maintenance expenses	245	4.2	238	2.0
Bad debts written off	182	3.1	–	–
Consultancy fee	180	3.1	60	0.5
Provision for inventory	143	2.4	94	0.8
Insurance	103	1.8	141	1.2
Listing expenses	–	–	4,114	34.9
Others	404	6.9	626	5.3
	<u>5,830</u>	<u>100.0</u>	<u>11,772</u>	<u>100.0</u>

FINANCIAL INFORMATION

Staff costs

Staff costs in administrative expenses include directors' emoluments, and management, administrative and operational staff costs. Staff costs increased over the Track Record Period mainly due to the increase in the headcount of administrative and operational staff from seven in FY2015 to 13 in FY2016 as well as increase in staff salary and discretionary bonus to certain staff.

Directors' remuneration and benefits include directors' salary, bonus, mandatory provident fund contribution. For FY2015 and FY2016, directors' remuneration and benefits, which amounted to approximately HK\$0.9 million and HK\$0.8 million respectively, were recorded in administrative expenses under staff costs. The decrease in directors' remuneration mainly due to decrease in bonus in FY2016.

Operating lease rental expenses

Operating lease rental expenses were rental expenses for our office, warehouses and car parks.

Repair and maintenance expenses

Repair and maintenance expenses mainly consisted of repair and maintenance expenses for shot-blasting and screeding machinery.

Bad debts written off

Bad debts written off was due to billing to a customer who was wound up during FY2015.

Consultancy fee

Consultancy fee was paid to Mr. Jason Yip for his role as our consultant for marketing work. For details, please refer to section headed "Relationship with Joint Surplus".

Provision for inventory

Provision for inventory was primarily due to expiration of the 1-year shelf life of coating materials.

Insurance

Insurance mainly consisted of insurance coverage for staff, motor vehicle and office premises.

Listing expenses

Listing expenses of HK\$4.1 million was charged in FY2016 in connection with the professional fees incurred for the Listing.

Other general and administrative expenses

Motor vehicles expenses consisted of fuel costs and parking fee. Entertainment expenses and others, which included local and overseas travelling, building management fees, utilities expenses, telecommunication charges and other sundry expenses, increased over the Track Record Period primarily due to our business expansion.

FINANCIAL INFORMATION

Please refer to the paragraph headed “Period to period comparison of results of operations” in this section for a discussion of the material changes in the amount of our general and administrative expenses.

Income tax expenses

Income tax expenses comprise current tax and deferred tax. Hong Kong profits tax was provided at the rate at 16.5% on our assessable profits arising in Hong Kong during the Track Record Period. For FY2015 and FY2016, our income tax expenses were approximately HK\$2.0 million and HK\$4.1 million and the effective tax rate were 15.2% and 19.7%, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

FY2016 compared to FY2015

Revenue

Our revenue increased from approximately HK\$42.8 million for FY2015 to approximately HK\$68.6 million for FY2016, representing an increase of 60.3% or approximately HK\$25.8 million. Such increase was mainly due to an increase in number of larger contracts secured and completed in FY2016.

The following table sets forth a breakdown of our revenue by the amount of contract sums during the Track Record Period.

	FY2015		FY2016	
	<i>Number of contracts (Note)</i>	<i>Revenue recognised (HK\$'000)</i>	<i>Number of contracts (Note)</i>	<i>Revenue recognised (HK\$'000)</i>
Above HK\$5 million	3	2,910	6	25,034
Above HK\$2 million to HK\$5 million	12	16,373	17	22,529
Above HK\$1 million to HK\$2 million	14	12,777	15	10,981
Above HK\$0.5 million to HK\$1 million	10	4,942	9	3,030
HK\$0.5 million or below	56	5,806	54	7,001
Total	95	42,808	101	68,575

Note: The number of contracts refers to the number of projects which generated revenue recognised by our Group during the financial year.

Size of our projects during the FY2016 was larger compared to those in FY2015. In particular, there were 23 projects with contract sum over HK\$2 million in FY2016 while there was only 15 such projects in FY2015.

Also, for FY2015, contract sum (excluding variation orders) for the five largest revenue generated contracts ranged from approximately HK\$2.0 million to HK\$4.9 million, while contract sums for FY2016 ranged from HK\$3.1 million to HK\$10.0 million.

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For FY2015 and FY2016, we recognised approximately HK\$13.6 million or 31.8% and HK\$33.3 million or 48.6% of our total revenue, respectively, from the five largest revenue generated contracts. In particular, we had one project with contract sum of approximately HK\$10 million, which was one of our largest contracts for a residential development in the private sector in FY2016.

Table below are details of our five largest revenue generated contracts during the Track Record period:

Five largest revenue generated contracts in FY2015

	Project location	Project type	Property type	Contract sum (HK\$'000) (Note)	Commencement month/year	Completion month/year	Revenue recognised (HK\$'000)
1.	Residential development at Tseung Kwan O	New construction	Residential	4,884	March 2014	February 2015	4,391
2.	Commercial development at Tsun Yip Street, Kwun Tong	New construction	Commercial	3,097	January 2015	March 2015	2,942
3.	Commercial development at Shing Yip Street, Kwun Tong	New construction	Commercial	2,293	November 2014	April 2015	2,179
4.	Residential development at lot 183 in Tai Po	New construction	Residential	1,967	July 2014	December 2014	2,111
5.	Residential and commercial development in Yuen Long	Refurbishment	Residential and commercial	1,970	November 2014	March 2015	1,970
Total:							13,593
As a percentage of total revenue in FY2015:							31.8%

FINANCIAL INFORMATION

Five largest revenue generated contracts in FY2016

	Project location	Project type	Property type	Contract sum (HK\$'000) (Note)	Commencement month/year	Completion month/year	Revenue recognised (HK\$'000)
1.	Residential development at Pak Shek Kok, Tai Po	New construction	Residential	9,976	June 2015	December 2015	11,972
2.	Commercial development at a shopping mall in Tsuen Wan	Refurbishment	Commercial	9,612	May 2015	February 2016	8,698
3.	Residential development at Tung Chung Town Lot No. 37	New construction	Residential	4,414	December 2014	November 2015	5,020
4.	Commercial development at Hung Luen Road, Hung Hom	New construction	Commercial	3,112	November 2015	March 2016	4,110
5.	Retirement Housing development at Tanner Road, North Point	New construction	Residential	3,340	May 2013	October 2015	3,520
Total:							33,320
As a percentage of total revenue in FY2016:							48.6%

Note: Contract sum does not reflect the sums from relevant variation orders (if any).

During the Track Record Period, we focused on the new construction market but was also involved in the refurbishment market. Our revenue from refurbishment projects increased from approximately HK\$9.0 million in FY2015 to approximately HK\$11.3 million in FY2016. Such increase was mainly due to the securing of our second largest project for a commercial development in private sector which contributed revenue of approximately HK\$8.7 million in FY2016.

Cost of sales

Our cost of sales increased from approximately HK\$23.9 million for FY2015 to approximately HK\$35.9 million for FY2016, representing an increase of approximately HK\$12.0 million or 50.2%. The increase was mainly due to increase in material costs and subcontracting costs, in line with our increase in revenue generated during the Track Record Period.

Our material costs, being the most significant component of our cost of sales, increased from approximately HK\$15.0 million for FY2015 to approximately HK\$19.8 million for FY2016, representing an increase of approximately HK\$4.8 million or 32.0%. The increase was mainly due to increase in purchase of proprietary floor coating products from our major supplier to satisfy our additional projects need. As a result of better bargaining power to purchase materials at a better price, our increase in material costs was less than the increase in revenue.

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Our subcontracting costs increased from approximately HK\$6.4 million for FY2015 to approximately HK\$13.0 million for FY2016, representing an increase of approximately HK\$6.6 million or 103.1%. The increase was because more contract works were outsourced to subcontractors due to an increase in contract works undertaken in FY2016.

Our direct labour costs increased from approximately HK\$2.1 million for FY2015 to approximately HK\$2.5 million for FY2016, representing an increase of approximately HK\$0.4 million or 19.0%. The increase was mainly due to increase in staff headcount and increase in salaries paid to direct labour in FY2016.

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin by flooring service and ancillary service during the Track Record Period.

	FY2015		FY2016	
	<i>Gross profit (HK\$'000)</i>	<i>Gross profit margin (%)</i>	<i>Gross profit (HK\$'000)</i>	<i>Gross profit margin (%)</i>
Flooring services	18,366	43.7%	31,650	47.7%
Ancillary services	498	66.8%	1,008	45.6%
	<hr/>	<hr/>	<hr/>	<hr/>
Total	18,864	44.1%	32,658	47.6%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The following table sets forth our gross profit and gross profit margin by sector of projects during the Track Record Period.

	FY2015		FY2016	
	<i>Gross profit (HK\$'000)</i>	<i>Gross profit margin (%)</i>	<i>Gross profit (HK\$'000)</i>	<i>Gross profit margin (%)</i>
Private sector	17,533	45.6%	29,774	46.5%
Public sector	1,331	30.5%	2,884	64.2%
	<hr/>	<hr/>	<hr/>	<hr/>
Total	18,864	44.1%	32,658	47.6%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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The following table sets forth our gross profit and gross profit margin by new construction projects and refurbishment projects during the Track Record Period.

	FY2015		FY2016	
	<i>Gross profit (HK\$'000)</i>	<i>Gross profit margin (%)</i>	<i>Gross profit (HK\$'000)</i>	<i>Gross profit margin (%)</i>
New construction projects	13,967	41.4%	27,468	47.9%
Refurbishment projects	4,897	54.2%	5,190	46.1%
Total	<u>18,864</u>	<u>44.1%</u>	<u>32,658</u>	<u>47.6%</u>

Our gross profit and gross profit margin are generally determined by our tender price of the projects. We usually take into account various factors in the course of tender submission such as the nature and complexity of works, size of the projects, competition, estimated direct costs, and schedules required by customers.

Our gross profit increased from approximately HK\$18.9 million for FY2015 to approximately HK\$32.7 million for FY2016, representing an increase of approximately HK\$13.8 million or 73.0%, which was in line with our increase in revenue during the Track Record Period.

Our gross profit margin increased by 3.5% from 44.1% for FY2015 to 47.6% for FY2016. Such increase was mainly due to our securing of a project with the total contract sum of approximately HK\$10 million in a commercial development at a shopping mall in Tsuen Wan with a relatively higher profit margin.

Our gross profit margin derived from private sector remained stable at around 45.6% and 46.5%, for FY2015 and FY2016, respectively.

Our gross profit margin from public sector increased from 30.5% for FY2015 to 64.2% for FY2016. Such increase was mainly due to our ability to secure a project in Po Heung Street with a relatively high profit margin. The project was awarded by Hong Kong Housing Authority with special site requirements and therefore requires the car park flooring materials tailored for its site conditions. Since our revenue was mainly derived from private sector, the increase of gross profit margin from public sector did not have significant impact to our overall gross profit margin during the Track Record Period.

Our gross profit margin from new construction projects increased from 41.4% for FY2015 to 47.9% for FY2016. Such increase was mainly due to our ability to secure projects in a commercial development on Hung Luen Road and a retirement residential development on Tanner Hill Road with relatively higher profit margins in FY2016.

Our gross profit margin from refurbishment projects decreased from 54.2% for FY2015 to 46.1% for FY2016. Such decrease was mainly due to a project in shopping mall in Yuen Long with a relatively higher profit margin secured in FY2015.

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General and administrative expenses

The amounts of administrative expenses increased significantly from approximately HK\$5.8 million in FY2015 to approximately HK\$11.8 million in FY2016. Such increase was mainly due to the non-recurring expenses of approximately HK\$4.1 million incurred in FY2016 in relation to the Listing.

Apart from the Listing expenses, staff costs for our directors, senior management and administrative staff increased by more than 65% from approximately HK\$2.8 million in FY2015 to approximately HK\$4.6 million in FY2016 due to the salary adjustment, increase in discretionary bonus paid to certain staff, and increase in staff headcount in FY2016.

Income tax expense

Our income tax expense for FY2016 was HK\$4.1 million, which was 106.6% higher compared to that in FY2015. The effective tax rate for FY2015 and FY2016 were 15.2% and 19.7%, respectively. This increase was mainly due to the non-deductible Listing expenses recorded in FY2016. For details of the income tax expense, please refer to note 20 of the Accountant's Report in Appendix I to this prospectus.

Profit after income tax and net profit margin

Our profit after tax for FY2016 was HK\$16.8 million, representing an increase of 51.5% as compared to the corresponding figure of approximately HK\$11.1 million for FY2015. This was mainly due to our significant increase in revenue during FY2016 as mentioned above.

Our net profit margin decrease from 25.9% in FY2015 to 24.5% in FY2016 was mainly due to an increase in our revenue and the incurrence of non-recurrent listing expenses of approximately HK\$4.1 million in FY2016.

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NET CURRENT ASSETS

We recorded net current assets of approximately HK\$13.1 million, HK\$23.5 million and HK\$21.6 million as at 31 March 2015, 31 March 2016 and 31 July 2016, respectively. The table below sets forth our current assets and current liabilities as of the dates indicated:

	As at 31 March		As at 31 July
	2015	2016	2016
	(HK\$'000)	(HK\$'000)	(HK\$'000)
	(Audited)	(Audited)	(Unaudited)
Current assets			
Inventories	4,095	5,943	9,434
Trade and retention receivables	8,565	17,204	28,549
Prepayments and other receivables	1,060	2,135	2,778
Amounts due from customers for contract work	369	1,201	876
Amount due from a related party	204	–	–
Cash and cash equivalents	16,917	14,172	10,486
	<u>31,210</u>	<u>40,655</u>	<u>52,123</u>
Current liabilities			
Trade payables	8,019	9,527	6,782
Accruals and other payables	1,329	4,068	8,677
Amounts due to customers for contract work	3,810	1,142	2,554
Amount due to a director	4,285	–	–
Amount due to Sage City	–	–	10,285
Current income tax liabilities	688	2,441	2,247
	<u>18,131</u>	<u>17,178</u>	<u>30,545</u>
Net current assets	<u>13,079</u>	<u>23,477</u>	<u>21,578</u>

Net current assets

Our Group's net current assets as at 31 March 2016 increased by 79.5% compared to 31 March 2015. The increase was mainly attributable to increase of trade and retention receivables by HK\$8.6 million or 100.9% reflecting our increase in billing to customers of a few larger projects during last three months of FY2016.

Based on our unaudited combined financial statements as at 31 July 2016, our net current assets decrease from approximately HK\$23.5 million as at 31 March 2016 to approximately HK\$21.6 million as at 31 July 2016. The decrease was mainly due to increase in amount due to Sage City.

Further discussion of the fluctuation in the key components of our net current assets are set forth in the following paragraphs.

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DESCRIPTION OF SELECTED ITEMS OF CONSOLIDATED BALANCE SHEETS

Inventories

Our inventories principally represent (i) proprietary floor coating materials for car park flooring, screeding and anti-skid surfacing; (ii) cement; (iii) sand; and (iv) shot-blasting beads for our projects. We acquire material on a project-by-project basis in accordance with the project specifications relying on our surveyor's estimation of the amount of materials needed. Further, for projects involving larger sites exceeding 4,000 sq. m., we usually purchase materials by work stage. As such, we generally do not retain a large amount of materials as inventory. In some rare occasions, the purchased materials are temporarily stored off-site until required to be used.

As at 31 March 2015 and 2016, our inventories represented 13.1% and 14.6% of our current assets, respectively. The following table set forth the amount of our inventories as at 31 March 2015 and 31 March 2016:

	As at 31 March	
	2015	2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Car park flooring-related materials	<u>4,095</u>	<u>5,943</u>
Inventory turnover days (<i>Note</i>)	84 days	92 days

Note: Inventories turnover days is calculated based on the average of the beginning and ending inventory balances for the year divided by the material costs for the year and multiplied by 365 days.

Our inventory increased by 45.1% from approximately HK\$4.1 million as at 31 March 2015 to approximately HK\$5.9 million as at 31 March 2016. For FY 2015 and FY2016, our average inventories turnovers days increased from about 84 days to 92 days, respectively. The increase in inventory and inventory turnover days were mainly due to stock up of proprietary floor coating materials for newly secured projects to be commenced for the coming months. For details of projects awarded but not yet commenced as at the Latest Practicable Date, please refer to the section headed "Business – Projects undertaken by our Group" in this prospectus.

We review our inventory levels to identify slow moving inventory or obsolescence on a monthly basis. Allowance is made against when the net realisable value of inventories falls below the cost or any of the inventories is identified obsolete. Provision for impairment of inventories of approximately HK\$0.1 million and HK\$0.2 million were recorded as at 31 March 2015 and 31 March 2016, respectively.

Among the inventory of approximately HK\$5.9 million as at 31 March 2016, approximately HK\$4.1 million, representing 69.9% of which, had been subsequently utilised as at the Latest Practicable Date.

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Trade and other receivables

Our Group's trade and other receivables primarily represented trade receivables from customers, retention money receivables and utility deposits and listing expenses prepayment. The following table sets out a summary of our Group's trade and other receivables as of the dates presented:

	As at 31 March	
	2015	2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Trade receivables	5,911	14,301
Retention receivables	2,654	2,903
	<hr/>	<hr/>
Total trade receivables	8,565	17,204
	<hr/>	<hr/>
Other receivables, deposits and prepayments	1,060	2,135
	<hr/>	<hr/>
	<u>9,625</u>	<u>19,339</u>

Trade receivables

Based on the activity carried out in the preceding month, we submit to our customers a payment application for a progress payment which generally includes the estimated fee for our work done. Once our customer is satisfied with our progress payment application, an interim payment certificate will be issued to us usually within one month. Our customer will settle the progress payment with us and will retain a certain percentage of our fee as retention money. The credit terms in relation to the settlement of progress payments due from our customers vary from contract to contract. Credit period granted to our customers, other than the retention receivables, is normally 30 days.

Our trade receivables increased from approximately HK\$5.9 million as at 31 March 2015 to approximately HK\$14.3 million as at 31 March 2016, represented an increase of approximately 141.9%. The increase in our trade receivables was higher than the increase in our revenue during the same period of approximately 60.2%, resulted from the larger size projects undertaken by our Group during the last quarter of FY2016. In particular, the trade receivables balance of approximately HK\$3.6 million out of HK\$5.9 million as at 31 March 2015 were due from invoices billed to our customers during the last three months of FY2015, while the balance of approximately HK\$11.2 million out of HK\$14.3 million as at 31 March 2016 were due from invoices billed to our customers during the last three months of FY2016. However, we believe our increased billing during the last three months of FY2016 was not due to any seasonality factor as it was mainly affected by the progress of projects and their completion dates as agreed with customers.

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The following table sets forth the aging analysis (based on past due date but not yet impaired) of our gross trade receivables due from third parties, as at the dates indicated:

	As at 31 March	
	2015	2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Not yet past due	1,717	4,147
1 – 30 days	1,572	2,584
31 – 60 days	524	4,494
61 – 90 days	987	147
Over 90 days	1,111	2,929
	5,911	14,301
	5,911	14,301

Our Group determines specific allowance for doubtful debts on a case-by-case basis having regard to a number of factors, including length of business relationship, the aging of the receivable balances, results of the follow-up procedures, customers' past reputation, and their financial strength and repayment history as well.

As at 31 March 2015 and 2016, approximately 71.0% of our Group's trade receivables were past due. This was because our customers need time to certify the percentage of work done by us before arrangement could be made for payment. Given our customer's financial standing and repayment history, we did not regard the late payment by our customers as bad debt.

During the Track Record Period, we incurred total bad debt of HK\$0.2 million during FY2015 in respect of billing to a customer who was wound up during FY2015. Save for this, we did not experience any bad debt during the Track Record Period.

In the event that we notice any events or changes in circumstances which indicates the balances of receivables may not be collectible such as any financial or liquidity problem of the customers which may result in difficulty in settling the outstanding payments, relevant allowance of doubtful debt would be made.

The trade receivables past due but not impaired as at the end of each year were either subsequently settled or no historical defaults of payments was noted by the respective customers. Therefore, no allowance for doubtful debt has been made during the Track Record Period.

The trade receivables of approximately HK\$2.9 million aged over 90 days as at 31 March 2016 comprised mainly of receivables from four of our projects which we were liaising with the customers on the amount of final settlements following their completion.

The following table sets out the turnover of our Group's average trade receivables for the periods presented:

	Year ended 31 March	
	2015	2016
Trade receivables turnover days (<i>Note</i>)	64 days	54 days
	64 days	54 days

Note: Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables for the year divided by revenue during the year and multiplied by 365 days.

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The trade receivables turnover days indicates the average number of days required for us to collect payments from our customers. Our trade receivable turnover days during the Track Record Period were longer than our credit terms granted to customers mainly because our customers usually take time to revert to us to confirm the amount of workdone before payment. Our trade receivable turnover days decreased from about 64 days for FY2015 to about 54 days for FY2016. The decrease in trade receivables turnover days during the Track Record Period was mainly due to stricter control of our collection of receivables.

As at the Latest Practicable Date, 89.0% and 33.4% of the trade receivables as at 31 March 2015 and 31 March 2016 were subsequently settled. 11% of the trade receivables as at 31 March 2015 remained unsettled as at the Latest Practicable Date due to (i) prolonged final account certification and settlement from the ultimate customers of the construction projects to our customers. Based on our understanding of the industry, it is normal for a main contractor to settle the final account with its subcontractors after the entire construction project is completed; and (ii) the fact that it usually takes three months (and in some cases up to 12 months or more) for us to reconcile final account with our customers upon completion of a project, which means that the final settlement usually becomes overdue by the time when we receive it from our customers. Out of the 11% of the trade receivables as at 31 March 2015 (i.e. HK\$0.65 million) which remained unsettled as at the Latest Practicable Date, HK\$0.43 million was attributed to the final settlement of one project completed prior to the Track Record Period. We are of the view that this delay in settlement is an exceptional case and such balance is expected to be settled by the end of September 2016.

We consider that the final account reconciliation process is a common practice in the car park flooring industry, which is reasonably time consuming when a project has come to completion, and it does not correlate with dispute nor collectability of the trade receivables. Based on the following, we are of the view that the delay in settlement of the trade receivables was not due to any disputes between ourselves and our customers:

- (i) Assessment on the recoverability of trade receivables balance as at 31 March 2016 (up to the Latest Practicable Date)

	Settled (HK\$'000)	Certified but not yet settled (HK\$'000)	Retention (HK\$'000)	Pending for certification (HK\$'000)	Total trade receivables as at 31 March 2016 (HK\$'000)
Not yet past due	2,930	467	439	311	4,147
1 – 30 days	1,359	118	761	346	2,584
30 – 60 days	280	905	378	2,931	4,494
61 – 90 days	–	–	147	–	147
Over 90 days	201	322	435	1,971	2,929
Total	4,770	1,812	2,160	5,559	14,301
(% of total)	33.4%	12.7%	15.1%	38.9%	100.0%

- (a) 33.4% trade receivables balance as at 31 March 2016 has been settled up to the Latest Practicable Date. On comparison, around 40.8% of trade receivables balance as at 31 March 2015 were settled in a similar time frame (i.e. 5 months from year end date). This shows that the settlement trend in 2016 was in line with our operating history.

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- (b) 12.7% of trade receivables balance has been certified (i.e. agreed by the customers) up to 30 August 2016 and, such amount is expected to be settled by end of September 2016;
- (c) 15.1% of trade receivables balance will be retained as retention money and will be paid by customers pursuant to the terms of the relevant contract. Therefore, the amount should not be considered as past due; and
- (d) Other than the amount as mentioned in items (a) to (c) above, the remaining balance of HK\$5.6 million, or 38.9% of the trade receivables as at 31 March 2016, is still in the process of being certified by customers. Out of such amount, around HK\$5.0 million was due from customers who are either listed company or well established company in Hong Kong with historical operation for which we have no reason to doubt their credit worthiness. The Directors confirm that such amount is usually substantially agreed by customers with no dispute, and will be settled soon after certification.

During the Track Record Period, despite that the time involved for actual settlement was longer than the credit period, the billed amounts were fully settled at the end and no bad debt was recorded, apart from the bad debt of approximately HK\$0.2 million incurred during FY2015 in respect of billing to a customer that was wound up during that year. In summary, the unsettled amount is mainly attributed from final accounts billing, for which more time is usually needed for settlement.

- (ii) Assessment of our credit control policy

Given the fact that (i) the Group's management reviews the account receivables balance on a monthly basis and the outstanding balance is expected to be settled in the coming three months; (ii) regular follow-up procedures had been taken; (iii) there was no history of default payment by our customers; and (iv) our account receivable turnover day of 54 days for FY 2016 is similar to the average receivable turnover days of comparable companies, the Sponsor is of the view that our credit control policy is adequate and effective.

Retention receivables

The retention receivables represent the retention money held up by our customers for contract works. The retention money is normally 10% of the progress payment of the projects up to a retention limit of 5% of the whole contract sum. Generally, the retention receivable would be released to us upon expiry of the defect liability period, which usually lasts for 12 months, subject to customers' satisfaction of works.

As at 31 March 2015 and 31 March 2016, retention receivables were approximately HK\$2.6 million and HK\$2.9 million, respectively. Of the above balances, HK\$0.7 million and HK\$0.5 million were past due but not impaired. These past due balances related to those customers who have good payment record. As at 31 March 2015 and 31 March 2016, the ageing of the retention receivables based on invoice date between 1 and 5 years were approximately HK\$1.4 million and HK\$1.4 million respectively.

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As at 31 March 2016, the ageing of the retention receivables based on invoice date within 12 months amounted to be approximately HK\$1.5 million. Up to the Latest Practicable Date, approximately 48.4% and 1.2% of retention balance as at 31 March 2015 and 31 March 2016 has been subsequently settled.

Prepayments and other receivables

Prepayments and other receivables mainly represent utility deposits and prepayments of listing expenses. Balance of prepayments and other receivables increased significantly from approximately HK\$1.1 million as at 31 March 2015 to approximately HK\$2.1 million as at 31 March 2016, which was primarily due to the payment of approximately HK\$2.0 million as prepayment of listing expenses during FY2016.

Amounts due from/to customers for contract work

We recognised our revenue from contract work based on the stage of completion of the contracts. The stage of completion of a contract is established by reference to the gross billing value of contract work to date as compared to the total contract sum receivable under the contracts. If cost incurred plus recognised profit less recognised losses exceed progress billings, the net amount will be recognised as amount due from customers on contract work under our current assets. Conversely, if progress billing exceed cost incurred plus recognised profit less recognised losses, the net amount will be recognised as amount due to customers on contract works under our current liabilities.

It normally takes one month for the progress certificates to be issued by customers and thus, the following amounts due from customers for contract work mainly represent the value of works performed by our Group before the end of each reporting period of which the progress certificate had yet been obtained at the end of each reporting period:

The following table sets out the details of our amount due from/to customers on contract works as at the dates indicated:

	As at 31 March	
	2015	2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Contracts in progress at the end of the reporting period:		
Contract cost incurred plus attributable profit less foreseeable losses to date	5,517	9,831
Progress billing to date	(8,958)	(9,772)
Total	<u>(3,441)</u>	<u>59</u>
Analysed for reporting purpose as:		
Amounts due from customers for contract works	369	1,201
Amounts due to customers for contract works	(3,810)	(1,142)
Total	<u>(3,441)</u>	<u>59</u>

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As at 31 March 2015 and 31 March 2016, the amounts due from customers amounted to approximately HK\$0.4 million and HK\$1.2 million, respectively. Such increase was mainly attributable to projects located at Argyle Street and Sha Po North which incurred certain subcontracting costs, material costs, direct labour costs and site overhead costs, while the payments of works completed had not yet been certified by the architects or surveyors of the customers.

Amounts due to customers for contract work represent the surplus derived when progress billings exceed the contract costs incurred plus recognised profits. The balances were approximately HK\$3.8 million and HK\$1.1 million as at 31 March 2015 and 31 March 2016, respectively.

The amounts due from or due to customers for contract work are usually affected by the volume and value of works performed by the Group in the last month of each reporting period and the timing of issuing the progress certificates, and thus may vary from period to period.

Amount due from a related party

The amount due from a related party, which was non-trade nature, unsecured, interest free and repayable on demand. The amount due from our related party represented payment on behalf of a company owned by Mr. Kwong and such amount was fully settled in July 2015.

Cash and bank balance

Our cash and bank balance as at 31 March 2015 and 31 March 2016 were approximately HK\$16.9 million and HK\$14.2 million, respectively. The decrease in our cash and bank balance was mainly due to the prepayment of listing expenses during FY2016. Please also refer to paragraph headed “Liquidity and capital resources – Cash flows” in this section.

Our cash and bank balance are denominated in Hong Kong Dollars. Cash at bank earns interest at floating rates based on daily bank deposit rates.

Trade payables

Our trade payables primarily consist of our balance due to suppliers and subcontractors, which are non-interest bearing and generally have a credit term of 30 days to 120 days. As at 31 March 2015 and 31 March 2016, we had trade payables of approximately HK\$8.0 million and HK\$9.5 million respectively. Our trade payables increased by approximately HK\$1.5 million or 18% from 31 March 2015 to 31 March 2016 mainly because more billings were received during March 2016.

FINANCIAL INFORMATION

The following table sets forth the ageing analysis of our trade payables based on the invoice date as of the dates indicated:

	As at 31 March	
	2015	2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
1-30 days	6,426	3,495
31-60 days	1,321	1,883
61-90 days	42	48
Over 90 days	230	4,101
	<u>8,019</u>	<u>9,527</u>

The following table sets forth our trade payables turnover days for the financial year ended indicated:

	As at 31 March	
	2015	2016
Trade payables turnover days (<i>Note</i>)	<u>101 days</u>	<u>89 days</u>

Note: Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables for the year divided by direct costs during the year and multiplied by 365 days.

The trade payable turnover days indicates the average number of days that we settle the payment to our suppliers or subcontractors. Our trade payables turnover days fell within the credit period granted to us by our major suppliers. Our trade payables turnover days decreased from 101 days as at 31 March 2015 to about 89 days as at 31 March 2016, mainly due to our earlier repayment of amounts due to subcontractors.

Up to the Latest Practicable Date, 96.7% or approximately HK\$9.2 million of our trade payables as at 31 March 2016 had been settled.

Accruals and other payables

The following table sets forth our accrual and other payables as at the dates indicated:

	As at 31 March	
	2015	2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Accrued expenses	589	875
Customer deposits	448	1,864
Other payables	291	376
Accrued listing expense	—	953
	<u>1,328</u>	<u>4,068</u>

FINANCIAL INFORMATION

Our accruals and other payables mainly consist of accrual staff wages, deposit received from customer, accrued audit fee, other payables and accrued listing expense. The increase in the balance of accruals and other payables from approximately HK\$1.3 million as at 31 March 2015 to approximately HK\$4.1 million as at 31 March 2016 mainly due to increase in accrued listing expense to professional parties.

Current tax liabilities

The tax payable balance of our Group was approximately HK\$0.7 million and HK\$2.4 million as at 31 March 2015 and 31 March 2016, respectively. The increase in tax payable was mainly due to the increase in overall profit before tax in FY2016.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our principal sources of funds to finance our business growth derived primarily from our own internally generated working capital. We expect these sources will continue to be our principle sources of liquidity; whereas, net proceeds from the Placing and public offering is expected to increase our liquidity. We believe that in the long term, our operation will be funded by internally generated cash flows and, if necessary, additional equity financing or bank borrowings.

Cash flows

As at 31 March 2015 and 31 March 2016, we had cash and cash equivalents of approximately HK\$16.9 million and HK\$14.2 million respectively. The table below sets out a summary of the cash flows information of our Group during the Track Record Period:

	FY2015 <i>(HK\$'000)</i>	FY2016 <i>(HK\$'000)</i>
Operating cash flow before working capital changes	13,893	21,580
Net cash generated from operating activities	18,705	9,566
Net cash used in investing activities	(511)	(453)
Net cash used in financing activities	(2,753)	(11,858)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	15,441	(2,745)
Cash and cash equivalents at beginning of year	1,476	16,917
	<hr/>	<hr/>
Cash and cash equivalents at end of year	<u>16,917</u>	<u>14,172</u>

FINANCIAL INFORMATION

Net cash generated from operating activities

Our operating cash inflow is primary derived from our revenue from undertaking contract projects while our operating cash outflow mainly included payments for floor coating material, subcontracting cost, staff cost, as well as other working capital needs. Net cash generated from operating activities mainly consists of profit before taxation adjusted for depreciation charges, bad debt write off, provision for inventory obsolescence and the effect of changes in working capital such as increase or decrease in trade and other receivables, trade and other payables, amount due to or from customers for contract works.

FY2015

For FY2015, we recorded net cash from operating activities of approximately HK\$18.7 million, which consisted of operating cash flows before changes in working capital of approximately HK\$13.9 million, net positive changes in working capital of approximately HK\$7.2 million and income tax paid of approximately HK\$2.3 million.

We recorded net positive changes in working capital, which was mainly due to (i) an increase in trade payables of approximately HK\$2.8 million, (ii) a decrease in trade and retention receivables of approximately HK\$1.7 million, and (iii) a decrease in amount due from a company owned by Mr. Kwong of approximately HK\$1.4 million, the aggregate effect of which was partially offset by an increase in inventories of approximately HK\$1.4 million.

The increase in trade payables was mainly due to increase in purchase of material for newly secured projects commenced during the year. The decrease in trade and retention receivable was mainly due to faster settlement of receivables from our customers. The decrease in amount due from a related party was mainly due to settlement of account.

FY2016

For FY2016, our net cash generated from operating activities was approximately HK\$9.6 million, which consisted of operating cash flows before changes in working capital of approximately HK\$21.6 million, net negative changes in working capital of approximately HK\$9.6 million and income tax paid of approximately HK\$2.4 million.

We recorded net negative changes in working capital, which was mainly due to (i) an increase in trade and retention receivables of approximately HK\$8.6 million, (ii) an increase in amounts due to customers for contract work of approximately HK\$2.7 million, the aggregate effect of which was partially offset by an increase in accrual and other payables of approximately HK\$2.7 million.

The increase in trade and retention receivable was mainly due to increase in revenue from contract billed during the first quarter of FY2016. The decrease in amount due to director results from settlement of the current account during FY2016. The increase in accrual and other payables results from accrual listing expenses.

FINANCIAL INFORMATION

Net cash used in investing activities

For FY2015 and FY2016, our net cash used in investing activities were approximately HK\$0.5 million and HK\$0.5 million, respectively. It was primarily attributable to purchase of equipment of approximately HK\$0.5 million during the financial years.

Net cash used in financing activities

For FY2015, our net cash used in financing activities was approximately HK\$2.8 million, which was primarily due to repayment of balance due to Mr. Kwong of approximately HK\$1.8 million and prepayment of listing expenses of approximately HK\$0.9 million.

For FY2016, our net cash used in financing activities was approximately HK\$11.9 million, which was primarily attributable to the payment of dividend in respect of results of FY2015 of approximately HK\$6.5 million, settlement of current account due to Mr. Kwong of HK\$4.3 million and prepayment of listing expenses of approximately HK\$1.0 million.

SUFFICIENCY OF WORKING CAPITAL

Our Directors are of the opinion that, after taking into account existing financial resources available to us, our internally generated funds, and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

INDEBTEDNESS

The following table sets out our Group's indebtedness as at the end of the dated indicated. As of 31 July 2016, save as disclosed below, we did not have any other outstanding debt securities, term loans, borrowings, bank overdrafts, charges, mortgages, or other similar indebtedness, hire purchase and finance lease commitments, or guarantees or other contingent liabilities. We confirmed that we did not experience any withdrawal of facilities, default in payment of trade and other payables or bank borrowings, or breach of financial covenants, and had not experienced difficulties in meeting obligations during the Track Record Period and up to the Latest Practicable Date.

	As at 31 March		As at
	2015	2016	31 July
	(HK\$'000)	(HK\$'000)	(HK\$'000)
	(Audited)	(Audited)	(Unaudited)
Current liabilities			
Amount due to a director	4,285	–	–
Amount due to Sage City	–	–	10,285
	<u> </u>	<u> </u>	<u> </u>
Total:	<u>4,285</u>	<u>–</u>	<u>10,285</u>

FINANCIAL INFORMATION

Amount due to a director

As at 31 March 2015 and 31 March 2016, the amount due to a director amounted to approximately HK\$4.3 million and nil, respectively. Amount due to a director represents amount due to Mr. Kwong which is unsecured, non-interest bearing and repayable on demand. Such amount represented dividend declared in FY2015 and had been fully off-set with Mr. Kwong's current account.

Amount due to Sage City

On 10 June 2016, Sage City advanced a total of HK\$10,285,000 to our Group for the payment of professional fees and expenses associated with the preparation for the Listing. Such advance was made on an unsecured basis, interest-free and with no specific repayment date. On 19 September 2016, in preparation for the Listing exercise, a commercial bank in Hong Kong granted us an overdraft facility of HK\$10 million. Such facility was drawn down in late September 2016 to repay the above loan advanced by Sage City prior to the Listing. The balance of approximately HK\$0.3 million will be settled by our Group's internal resources prior to Listing.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditure

During the Track Record Period, our Group did not incur material capital expenditure. Our capital expenditure in FY2015 and FY2016 amounted to approximately HK\$0.5 million and HK\$0.5 million respectively, which was incurred for the purchase of motor vehicles, equipment and machineries.

Commitments

As at 31 March 2015 and 31 March 2016, our Group did not have significant commitment in relation to capital expenditure.

The table below sets forth our operating lease commitments as at dates indicated:

	As at 31 March	
	2015	2016
	(HK\$'000)	(HK\$'000)
Within one year	34	37
Later than 1 year and no later than 5 years	5	—
	<u>39</u>	<u>37</u>

CONTINGENT LIABILITIES

As at 31 March 2015, 31 March 2016 and the Latest Practicable Date, we had no significant contingent liabilities or outstanding litigation.

FINANCIAL INFORMATION

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet arrangement.

RELATED PARTY TRANSACTIONS

Our related party transactions during the Track Record Period are summarised in note 25 to the Accountant's Report set out in Appendix I to this prospectus.

Related parties	Relationship with the Group
Mr. Kwong	Controlling Shareholder and director of the Group
Ms. Li Chuen Chun ("Mrs. Kwong")	Spouse of Mr. Kwong
Ms. Kwong Wing Yan ("Ms. Kwong")	Daughter of Mr. Kwong
Ms. Li Mei Ying ("Ms. Li")	Sister-in-law of Mr. Kwong
Kwong Man Kee Engineering (<i>note</i>)	A related company wholly owned by Mr. Kwong

Note: The Business Registration of Kwong Man Kee Engineering was cancelled on 29 March 2016.

During the Track Record Period, our transaction with related parties mainly include the following:

Nature of transaction	FY2015 HK\$'000	FY2016 HK\$'000
Office rental expense paid to Mr. Kwong	216	240
Car park rental expense paid to Mrs. Kwong and Ms. Kwong	26	34
Car park rental expense paid to Ms. Li	—	31
	<u> </u>	<u> </u>

Our Directors confirm that each of such transactions was conducted on normal commercial terms and/or that such terms that were no less favorable to our Group than terms available from Independent Third Parties which are fair and reasonable and in the interest of the Shareholders as a whole. These related party transactions have been discontinued prior to the Latest Practicable Date.

Further information regarding the continuing connected transaction of our Group is set forth in the section headed "Continuing Connected Transactions" in this prospectus.

SELECTED KEY FINANCIAL RATIOS

	FY2015/ As at 31 March 2015	FY2016/ As at 31 March 2016
Net profit margin	25.9%	24.5%
Current ratio	1.7x	2.4x
Quick ratio	1.5x	2.0x
Return on assets	34.9%	40.8%
Return on equity	81.1%	70.1%

FINANCIAL INFORMATION

Notes:

1. Net profit margin is calculated by the total comprehensive income divided by the revenue for the respective year and multiplied by 100%.
2. Current ratio is calculated based on the current assets divided by current liabilities.
3. Quick ratio is calculated based on the current assets less amounts due from contract customers, divided by current liabilities.
4. Return on assets is calculated by the total comprehensive income for the year/period divided by total assets multiplied by 100.0%.
5. Return on equity is calculated by the total comprehensive income for the year/period divided by total equity multiplied by 100.0%.

Net profit margin

Our net profit margin was 25.9% for FY2015 and 24.5% for FY2016, representing a decrease of 1.4%.

The decrease in our net profit margin was mainly due to increase in our revenue and partially off-set by listing expenses of approximately HK\$4.1 million incurred in FY2016.

Current and quick ratio

Our current ratio as at 31 March 2015 and 31 March 2016 was approximately 1.7 times, and 2.4 times respectively, while the quick ratio as at 31 March 2015 and 31 March 2016 was approximately 1.5 times and 2.0 times, respectively. Our current ratio and quick ratio improved during the Track Record Period. This was mainly attributable to the net movement in our cash and cash equivalents balance, and trade and our retention receivables, detailed explanation of the aforesaid movement are set out under the paragraphs headed “Financial information – Liquidity and capital resources”, and “Financial information – Trade and receivables” in this section above.

Return on assets

Our return on asset increased from 34.9% for FY2015 to 40.8% for FY2016, primarily due to the increase in our net profit for FY2016 as detailed above.

Return on equity

Our return on equity decreased from 81.1% for FY2015 to 70.1% for FY2016, primarily because of the higher equity of approximately HK\$24.0 million as at 31 March 2016 when compared with approximately HK\$13.7 million as at 31 March 2015 as a result of the growth in the net profit of approximately 51.5% in FY2016.

FINANCIAL INFORMATION

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to various types of market risks including credit risk and liquidity risk.

Credit risk

Our credit risk is primary attributable to trade receivables, retention receivables, deposit, other receivables, amount due from director and cash and cash in bank.

Our maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge the obligation by our counterparties is arising from carrying amount of respective recognised financial assets as stated in the combined statement of financial position as at the ended of the reporting period.

We assess the customer credit based on their financial position, repayment practice, credit history, duration of business relationship and other factors. In this respect, we have policy in place to ensure credit terms are granted to reliable customers as so to mitigate our credit risk.

We have a concentration of credit risks which exposure are limited to certain customers. Total receivables from our top five receivables balance amounted to approximately HK\$3.0 million and HK\$7.7 million, representing 50.7% and 54.1% of our total trade receivables, as at 31 March 2015 and 31 March 2016 respectively. As most of our top customers are reputable firms that are main contractors as well as property developers and that we closely monitor subsequent settlement of our customers, we are of the view that our credit risk exposure is insignificant.

Credit risk for bank balance is considered minimal as such amounts are placed with banks with good reputation.

Liquidity risk

We monitor our working capital requirement regularly and maintain a sufficient level of cash and cash balance deemed adequate by us to finance our operation and mitigate the effects of fluctuation in our cash flows.

As at 31 March 2015 and 31 March 2016, all of our financial liabilities were due within 12 months and equal their carrying amounts as the impact of discounting is not significant.

We also consider expected cash flow from financial assets in assessing and managing liquidity risk, in particular, our cash resources and other liquid assets that are readily convertible into cash. We strive to ensure our existing cash resources and other liquid assets exceed the cash outflow requirements.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer and on the net tangible assets of our Group attributable to the owners of the Company as of 31 March 2016 as if the Share Offer had taken place on 31 March 2016.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2016 (Note 1) HK\$'000	Estimated net proceeds from the Share Offer (Note 2) HK\$'000	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company as at 31 March 2016 (Note 3) HK\$'000	Unaudited pro forma adjusted net tangible assets per Share (Note 4) HK\$
Based on an Offer Price of HK\$0.40 per Share	<u>23,958</u>	<u>42,034</u>	<u>65,992</u>	<u>0.11</u>
Based on an Offer Price of HK\$0.50 per Share	<u>23,958</u>	<u>56,509</u>	<u>80,467</u>	<u>0.13</u>

Notes:

- (1) The audited combined net tangible assets attributable to the owners of the Company as at 31 March 2016 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2016 of approximately HK\$23,958,000.
- (2) The estimated net proceeds from the Share Offer are based on 150,000,000 Offer Share and the Offer Price of HK\$0.40, and HK\$0.50 per Offer Share after deduction of the underwriting fees and other related expenses amounting to approximately HK\$22,342,000 (excluding listing expenses of approximately HK\$4,114,000 which have been accounted for in the combined statements of comprehensive income prior to 31 March 2016) payable by the Company but takes no account of any Shares which may be issued upon the exercise of the options granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate as described in the section headed "Share Capital" in this prospectus.
- (3) The unaudited pro forma net tangible assets per Shares is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 600,000,000 Shares were in issue assuming that the Share Offer has been completed on 31 March 2016 but takes no account of any Shares which may be issued upon the exercise of the options granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate as described in the section headed "Share Capital" in this prospectus.
- (4) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 31 March 2016. In particular, the unaudited pro forma adjusted net tangible assets of the Group has not taken into account the declaration of a dividend of HK\$3,500,000 which was approved by the Board of Directors on 20 May 2016. The unaudited pro forma net tangible assets per Share would have been HK\$0.10 and HK\$0.13 per Share based on the Offer Price of HK\$0.40 and HK\$0.50 respectively if the effect of such dividend had been accounted for.

FINANCIAL INFORMATION

LISTING EXPENSES

Our listing expenses mainly consist of the aggregate underwriting commissions and fees paid to the Sponsor, the Stock Exchange listing fee, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, and printing and other expenses relating to the Share Offer. Assuming an Offer Price of HK\$0.45 per Offer Share (being the mid-point of the indicative offer price range stated in this prospectus), listing expenses, which are payable by us, are estimated to be approximately HK\$22.3 million in aggregate. Among the total listing expenses, HK\$6.6 million is expected to be accounted for as a deduction from equity, with the remainder totalling HK\$15.7 million to be deducted from the Group's profit and loss account. Of the above HK\$15.7 million, HK\$4.1 million was charged to the combined statement of FY2016 while HK\$11.6 million will be charged to the profit or loss account in FY2017. The listing expenses are subject to adjustment based on the actual amount incurred or to be incurred.

DIVIDEND

Dividends may be paid out by way of cash or by other means that our Group considers appropriate. Declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, future prospects and other factors that our Directors may consider relevant. Shareholders will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares.

We declared dividends of HK\$6.5 million and HK\$6.5 million in FY2015 and FY2016 respectively. For the dividend declared in FY2015, it was being off-set with our shareholder's current account. For the dividend declared in FY2016, it was paid by our internally generated resources. On 20 May 2016, we declared final dividend of HK\$3.5 million in respect of FY2016. The above dividends are expected to be paid prior to Listing from our own internal resources. Consequently, total dividends in respect of FY2015 and FY2016 were HK\$6.5 million and HK\$10.0 million respectively, representing a dividend payout ratio of 59% of after-tax profits in their respective financial year.

We currently do not have any predetermined dividend payout ratio and may declare dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and depend at the discretion of our Directors considering our Group's financial results; shareholders' interests; general business conditions, strategies and future expansion needs; possible effects on liquidity and financial position of our Group; and other factors as our Board may consider relevant.

There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

Our Company was incorporated on 30 May 2016. As at 31 March 2016, our Company did not have any reserves available for distribution to our Shareholders.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, we had 32 contracts on hand, among which 11 were in progress with total outstanding contract value of HK\$8.6 million, and 21 had yet to commence work with total contract sum of HK\$40.9 million. Out of the 32 contracts on hand, four of them were sizeable contracts with contract sum of over HK\$5 million each. These four contracts involve provision of car park flooring works for a new construction project in a residential development on Clear Water Bay Road, Sai Kung a new construction project in a residential and commercial development at Tseung Kwan O, a new construction project in a residential and commercial development at Tsuen Wan, and a new construction residential development project in Yuen Long.

For details of projects in progress or not yet commenced, please refer to the section headed “Business – Projects undertaken by our Group – Projects in progress or not yet commenced” in this prospectus.

Save as disclosed in the paragraph headed “Listing Expenses” in this section, Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since 31 March 2016 (being the date to which the latest audited combined financial statements of our Group were made up) up to the date of this prospectus.

UNDERWRITING

UNDERWRITERS

Joint Bookrunners and Joint Lead Managers

Alliance Capital Partners Limited
Upbest Securities Company Limited

Placing Underwriters

Alliance Capital Partners Limited
Upbest Securities Company Limited

Public Offer Underwriters

Alliance Capital Partners Limited
Upbest Securities Company Limited
Innovax Capital Limited
Caitong International Securities Co., Limited

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company and Joint Lead Managers (for themselves and on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the Placing Underwriting Agreement relating to the Placing on or around the Price Determination Date. The Placing will be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement to be entered into.

PUBLIC OFFER UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

The Public Offer Underwriting Agreement was entered into on 29 September 2016. Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Stock Exchange and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) have the right, in their sole and absolute discretion, to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement if they see fit upon the occurrence of, but not limited to any of the following events:

- (a) there has come to the notice of the Joint Lead Managers:
 - (i) that any statement contained in this prospectus or the Application Forms, considered by the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material in relation to the Share Offer, was, when the same was issued, or has become, untrue, incorrect or misleading in any material respect or that any forecasts, expressions of opinion, intention or expectation expressed in the web proof information pack, this prospectus, the Application Forms and/or any announcements issued by our Company in connection with the Share Offer (including any supplement or amendment thereto), was not, when it was made, fair and honest and based on reasonable assumptions in any material respect; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a misstatement or omission therefrom as considered by the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material to the Share Offer; or
 - (iii) any breach of any of the obligations imposed upon any party under the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (other than on any of the Underwriters); or
 - (iv) any breach, considered by the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material in the context of the Share Offer, of any of the representations, warranties and undertakings given by our Company, our Executive Directors, the Controlling Shareholders contained in the Public Offer Underwriting Agreement to be untrue, incorrect, inaccurate or misleading in any material respect; or
 - (v) any change or development involving a prospective change in the conditions, business affairs, prospects, profits, losses or the financial or trading position or performance of any members of our Group which is considered by the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material in the context of the Share Offer; or

UNDERWRITING

- (vi) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (vii) our Company withdraws this prospectus and the Application Forms (and/or any other documents used in connection with contemplated subscription and sale of the Offer Shares) or the Share Offer; or
 - (viii) any person (other than any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in this prospectus and the Application Forms or to the issue of this prospectus and the Application Forms; or
 - (ix) other than with the approval of the Joint Lead Managers, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus and the Application Forms (or to any other documents used in connection with the contemplated subscription and sale of the Offer Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the GEM Listing Rules, the SFO or any other applicable laws, or any requirement or request of the Stock Exchange and/or the SFC where the matter to be disclosed is, in the sole and reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), materially adverse to the marketing or implementation of the Share Offer; or
 - (x) any prohibition on our Company by a governmental authority for whatever reasons from offering, allotting, issuing or selling of the Offer Shares pursuant to the terms of the Share Offer; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any change or development involving a prospective change, or any event or series of events resulting in or representing a change or development involving a prospective change, in local, national, regional or international, financial, political, military, industrial, economic, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States of America or a revaluation or devaluation of the Hong Kong dollars against any foreign currencies, respectively) in or affecting Hong Kong, China, the Cayman Islands, the BVI or any other jurisdictions where any member of our Group or its major suppliers is incorporated or operates (collectively, the “**Relevant Jurisdictions**” and individually, a “**Relevant Jurisdiction**”); or

UNDERWRITING

- (ii) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or
- (iii) any event or series of events in the nature of force majeure (whether or not covered by insurance or responsibility has been claimed) including, without limitation, acts of government, strikes, lock-outs, fire, explosions, flooding, earthquakes, epidemics, pandemics, outbreaks of infections, diseases, Severe Acute Respiratory Syndrome (SARS) and Influenza A (H5N1) and any related or mutated forms of infectious diseases, civil commotions, economic sanctions, public disorder, social or political crises, acts of war, acts of terrorism, acts of God, accidents or interruptions or delays in transportation in or affecting any Relevant Jurisdiction; or
- (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or
- (v) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, or (B) a general moratorium on commercial banking activities or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or
- (vi) any change or development involving a prospective change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction adversely affecting an investment in the Shares; or
- (vii) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or
- (viii) any litigation, legal action or claim being threatened or instigated against any member of our Group; or
- (ix) the commencement by any governmental, law enforcement agency, regulatory or political body or organisation of any action against any Director or any member of our Group or an announcement by any governmental, law enforcement agency, regulatory or political body or organisation that it intends to take any such action; or
- (x) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

UNDERWRITING

- (xi) the chairman or chief executive officer of our Company vacating his office that leads to the circumstances where the operations of our Group will be materially and is likely, in the sole and absolute discretion of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), be adversely affected; or
- (xii) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or substantive part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or
- (xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription of the Shares) or any aspect of the Share Offer with the GEM Listing Rules, the Articles of Association, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law, the SFO or any other applicable laws and regulations; or
- (xiv) a valid demand by any creditor for repayment or payment of any indebtedness of our Company or any member of our Group or in respect of which our Company or any member of our Group is liable prior to its stated maturity; or
- (xv) any change or development involving a prospective change, or a materialisation of, any of the risk factors set out in the section headed “Risk Factors” in this prospectus,

which in each case in the sole and reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters):

- (1) is or will or could be expected to have an adverse effect on the general affairs, management, business, financial, trading or other condition or prospects of our Company or our Group or any members of our Group or on any present or prospective Shareholder in his, her or its capacity as such; or
- (2) has or will have or could be expected to have an adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or
- (3) makes it impracticable, inadvisable or inexpedient for the Share Offer to proceed or to market the Share Offer or shall otherwise result in an interruption to or delay thereof; or
- (4) has or would have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

UNDERWRITING

UNDERTAKINGS GIVEN TO THE STOCK EXCHANGE PURSUANT TO THE GEM LISTING RULES

Undertaking by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

Undertaking by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that except pursuant to the Share Offer, it will not and will procure that the relevant registered holder(s) will not:

- (a) in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date on which the period referred to in the paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in the paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a Controlling Shareholder of our Company.

Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholder has undertaken to the Stock Exchange and to our Company that, within the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is twelve months from the date on which dealings in the Shares commence on the Stock Exchange, it will:

- (i) when it pledges or charges any Shares beneficially owned by it in favour of an authorised institution pursuant to Rule 13.19 of the GEM Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

UNDERWRITING

UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT

Undertaking by our Company

We have undertaken with each of the Joint Lead Managers, the Joint Bookrunners, the Sponsor and the Public Offer Underwriters that, except pursuant to the Share Offer and the Capitalisation Issue, we will not, and will procure our subsidiaries will not, without the prior written consent of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, at any time from the date of the Public Offer Underwriting Agreement and ending on the date which is six months after the Listing Date (the “**First Six-Month Period**”):

- (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any Shares or other securities of our Company or any shares or other securities of other member of our Group or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or
- (c) enter into any transaction with the same economic effect as any of the above transactions; or
- (d) offer to or agree to do any of the foregoing or announce any intention to do so,

whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise and in the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the First Six-month Period, our Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for the Shares or other securities of our Company.

Undertaking by our Controlling Shareholders

Our Controlling Shareholders, pursuant to the Public Offer Underwriting Agreement, have jointly and severally agreed and undertaken with each of the Stock Exchange, the Joint Lead Managers, the Joint Bookrunners, the Sponsor, and the Public Offer Underwriters that, except pursuant to the Share Offer and the Capitalisation Issue, they will not, and will procure that none of their relevant registered holder(s) and associates will, without the prior written consent of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) (such consent not to be unreasonably withheld or delayed) and unless in compliance with the GEM Listing Rules,

UNDERWRITING

- (a) at any time during the First Six-Month Period:
 - (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, directly or indirectly by any of our Controlling Shareholders (including holding as a custodian) or with respect to which any of our Controlling Shareholders has beneficial interest;
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or
 - (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
 - (iv) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i) or (ii) or (iii) above, whether any such transaction described in paragraph (i) or (ii) or (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise;
- (b) at any time during the period of 18 months after the First Six Month Period expires (the “**18-Month Period**”), enter into any of the foregoing transactions in paragraphs (a)(i) or (a)(ii) or (a)(iii) or (a)(iv) above if, immediately following such sale, transfer or disposal, or upon the exercise or enforcement of such offer, pledge, charge, option, right, interests or encumbrances, our Controlling Shareholders (or any of them) will cease to own more than 50.1% of the issued Shares of our Company;
- (c) until the expiry of the 18-Month Period, in the event that any of our Controlling Shareholders enters into the foregoing transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of our Company;
- (d) without prejudice to the undertaking given in the above, in the event that our Controlling Shareholders (or any of them) pledge or charge, either directly or indirectly, any of the shares or debt capital or other securities of our Company or any interest therein or pursuant to any consent given by the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters), at any time during the relevant periods specified in the paragraph (a) or paragraph (b) above, the Controlling Shareholders must inform the Company and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

UNDERWRITING

- (e) having pledged or charged any interest in securities under paragraph (d) above, our Controlling Shareholders must inform the Company and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) immediately in the event that our Controlling Shareholders (or any of them) become aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of securities affected.

PLACING

In connection with the Placing, our Company expects to enter into the Placing Underwriting Agreement with, inter alia, the Placing Underwriters on or around the Price Determination Date, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above. Under the Placing Underwriting Agreement, the Placing Underwriters will severally agree to subscribe or procure subscribers for the Placing Shares being offered pursuant to the Placing.

It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement.

Potential investors should note that if the Placing Underwriting Agreement is not entered into or is terminated, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated in accordance with its terms. It is expected that pursuant to the Placing Underwriting Agreement, our Company and the Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement.

COMMISSION AND EXPENSES

The Underwriters will receive an underwriting commission of 3.5% on the aggregate Offer Price of all the Offer Shares, out of which any sub-underwriting commission, praecipium and selling concession will be paid.

Based on the Offer Price of HK\$0.45 per Offer Share, being the mid-point of the estimated Offer Price range, such underwriting commissions, together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Share Offer which are estimated to be approximately HK\$22.3 million in aggregate and are payable by our Company.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for the obligation under the Underwriting Agreements or as disclosed in this prospectus, as at the Latest Practicable Date, none of the Underwriters was interested, directly or indirectly, in any shares or securities in any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in any member of our Group.

COMPLIANCE ADVISER'S AGREEMENT

Under the compliance adviser's agreement dated 17 June 2016 and made between Alliance Capital and our Company ("**Compliance Adviser's Agreement**"), our Company appoints Alliance Capital and Alliance Capital agrees to act as the compliance adviser to our Company for the purpose of the GEM Listing Rules for a period from the Listing Date and ending on the date on which our 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 Compliance Adviser's Agreement is terminated, whichever is earlier.

SPONSOR'S INDEPENDENCE

The Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

The Share Offer comprises:

- (i) the Public Offer of 45,000,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described in the section headed “Structure and Conditions of the Share Offer – the Public Offer” below; and
- (ii) the Placing of an aggregate of 105,000,000 Placing Shares (subject to reallocation as mentioned below).

Investors may apply for Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for Offer Shares under the Placing, but may not do both.

The Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue.

PRICING AND ALLOCATION

Determination of the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of the Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or about Thursday, 6 October 2016, and in any event on or before Tuesday, 11 October 2016, by agreement between the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price range

The Offer Price will not be more than HK\$0.50 per Offer Share and is expected to be not less than HK\$0.40 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but not expected to be, lower than the indicative Offer Price range as stated in this prospectus.**

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Price payable on application

Applicants for Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.50 for each Public Offer Share (plus the brokerage, Stock Exchange trading fee and SFC transaction levy payable on each Offer Share), amounting to a total of HK\$3,030.23 per board lot of 6,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.50 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

If, for any reason, our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before 11 October 2016, the Share Offer will not proceed and will lapse.

Further details are set out in the section headed “How to Apply for Public Offer Shares” in this prospectus.

Change to Offer Price range

The Joint Lead Managers (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during a bookbuilding process in respect of the Placing, and with the consent of our Company, change the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

In such a case, our Company will, as soon as practicable following the decision to make such change, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause there to be published on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.kwongmankee.com.hk notices of reduction in the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics, and any other financial information in this prospectus which may change as a result of any such change.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of an extension or reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants who have submitted their applications for Public Offer Shares before such an announcement is made may subsequently withdraw their applications in the event that such an announcement is subsequently made. In the absence of any notice being published in relation to a change in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed upon by the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

ANNOUNCEMENT OF THE BASIS OF ALLOCATIONS

Announcement of the final Offer Price, together with the indication of the level of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on 12 October 2016 (a) in The Standard (in English) and Hong Kong Economic Journal (in Chinese); (b) on the website of the Stock Exchange at www.hkexnews.hk; and (c) our Company's website at www.kwongmankee.com.hk.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for Offer Shares will be conditional on, among other things:

- (i) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer and Shares will fall to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme on GEM and such approval not having been withdrawn;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements; and
- (iii) the Offer Price having been determined and the execution of the related agreement on or before the Price Determination Date,

in each case on or before the dates and times specified in the Underwriting Agreements (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 date which is 30 days after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by our Company on the websites of our Company and the Stock Exchange at www.kwongmankee.com.hk and www.hkexnews.hk respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in "How to apply for the Public Offer Shares — 13. Refund of application monies". In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Share certificates for the Offer Shares are expected to be issued on 12 October 2016 and will only become valid certificates of title at 8:00 a.m. on 13 October 2016 provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in “Underwriting — Public Offer Underwriting Arrangements and Expenses — Grounds for termination” has not been exercised at or before that time.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

All necessary arrangements have been made for the Shares to be admitted into CCASS. Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and our 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 date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisers.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on 13 October 2016, it is expected that dealing in the Shares on the Stock Exchange will commence at 9:00 a.m. on 13 October 2016.

The Shares will be traded in board lots of 6,000 Shares each and the stock code of the Shares will be 8023.

THE PUBLIC OFFER

Number of the Public Offer Shares

The Public Offer is a fully underwritten public offer (subject to satisfaction or waiver of the other conditions provided in the Public Offer Underwriting Agreement and described in the paragraph headed “Conditions of the Share Offer” of this section) for the subscription in Hong Kong of, initially, 45,000,000 Public Offer Shares at the Offer Price (representing 30% of the total number of the Offer Shares initially available under the Share Offer). Subject to the reallocation of Offer Shares between the Placing and the Public Offer described below, the Public Offer Shares will represent 7.5% of our enlarged issued share capital immediately after completion of the Capitalisation Issue and the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation

The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The allocation of the Public Offer Shares to investors will be based solely on the level of valid applications received under the Public Offer at the sole discretion of the Joint Bookrunners.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Placing Shares in the Placing, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue, as the case may be.

The total number of Public Offer Shares available under the Public Offer (after taking into account any adjustment as referred to below) is to be divided equally (to the nearest board lot) into two pools for allocation purposes: 22,500,000 Offer Shares for pool A and 22,500,000 Offer Shares for pool B. The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) or less. The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) and up to the total value in pool B. Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Public Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Public Offer and any application for more than 22,500,000 Public Offer Shares, being 50% of the 45,000,000 Public Offer Shares initially available under the Public Offer are liable to be rejected.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to adjustment. Our Directors have made reference to the clawback mechanism provided in paragraph 4.2 of Practice Note 18 (“**PN 18**”) of the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange Limited (the “**Main Board Listing Rules**”), which would have the effect of increasing the number of public offer shares under a public offer to a certain percentage of the total number of offer shares offered in the share offer if certain prescribed total demand levels are reached, and devised the reallocation mechanism (the “**Reallocation Mechanism**”) for the Share Offer as described below.

In the event of over-applications in the Public Offer, the Joint Lead Managers (for themselves and on behalf of the Underwriters) shall apply the Reallocation Mechanism after the closing of the application lists on the following basis:

- (a) if the number of Public Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 30 times the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 60,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and
- (b) if the number of Public Offer Shares validly applied for under the Public Offer represents 30 times or more the number of Offer Shares initially available for subscription under the Public Offer, then Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of Offer Shares available for subscription under the Public Offer will be 75,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.

In each case, the additional Offer Shares reallocated to the Public Offer will be allocated between pool A and pool B and the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Joint Lead Managers (for themselves and on behalf of the Underwriters) deems appropriate.

In addition, the Joint Lead Managers (for themselves and on behalf of the Underwriters) may in their sole and absolute discretion reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. If the Public Offer Shares are not fully subscribed, the Joint Lead Managers (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares to the Placing in such amount as the Joint Lead Managers (for themselves and on behalf of the Underwriters) deem appropriate. If the Placing are not fully subscribed or purchased, the Joint Lead Managers (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed or un-purchased Placing Shares to the Public Offer in such amount as the Joint Lead Managers (for themselves and on behalf of the Underwriters) deem appropriate.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The table below sets out the comparison between the Reallocation Mechanism and the mechanism as set out in the PN 18 to the Main Board Listing Rules (“**PN 18 Mechanism**”):

Under PN 18 Mechanism

Number of times (x) of subscription under the Public Offer over number of Public Offer Shares initially available	Initial	15x to <50x	50x to <100x	≥100x
Number of Offer Shares validly applied for under the Public Offer	15,000,000 to less than 225,000,000	225,000,000 to less than 750,000,000	750,000,000 to less than 1,500,000,000	1,500,000,000 or more
% of Offer Shares allocating to Public Offer tranche	10%	30%	40 %	50%

Under the Reallocation Mechanism

Number of times (x) of subscription under the Public Offer over number of Public Offer Shares initially available	Initial to <15x	15x to <30x	≥30x
Number of Offer Shares validly applied for under the Public Offer	45,000,000 to less than 675,000,000	675,000,000 to less than 1,350,000,000	1,350,000,000 or more
% of Offer Shares allocating to Public Offer tranche	30%	40%	50%

Our Directors believe that the Reallocation Mechanism is more favourable to retail investors than, if not the same as, the PN 18 Mechanism, in view of the following:

1. the proposed initial allocation of 30% of the shares offered in the Share Offer to the Public Offer tranche would enable our Company to offer more Offer Shares to the retail public at the initial stage as compared with the 10% initial allocation under PN 18 Mechanism;
2. the proposed offering structure has earlier over-subscription clawback-trigger multiples as compared with those under PN 18 Mechanism; and
3. the trigger points are easy to understand and implement.

PLACING

Number of the Placing Shares

The number of the Offer Shares to be initially offered for subscription under the Placing will be 105,000,000 New Shares representing 70% of the Offer Shares initially available under the Share Offer. The Placing is expected to be fully underwritten by the Placing Underwriters.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation

The Placing will include selective marketing of Offer Shares to institutional and professional investors and/or other investors expected to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Pursuant to the Placing, the Placing Shares will be conditionally placed on our behalf by the Placing Underwriters or through selling agents appointed by them. The Placing is subject to the Public Offer becoming unconditional.

Allocation of the Placing Shares to investors under the Placing will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not the relevant investor is likely to buy further, and/or hold or sell its Placing Shares after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of an appropriate shareholder base to our benefit and the benefit of the Shareholders as a whole.

The Joint Bookrunners (for themselves and on behalf of the Underwriters), may require any investor who has been offered Offer Shares under the Placing and who has made an application under the Public Offer to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that such investor is excluded from any application of Offer Shares under the Public Offer.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of our Group, the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of their respective directors, agents or advisors or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

HONG KONG REGISTER OF MEMBERS

Our principal register of members will be maintained by our principal share registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained in Hong Kong by Tricor Investor Services Limited, our Hong Kong Share Registrar.

STAMP DUTY

Dealings in our Shares registered in our Hong Kong Register of Members will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. Therefore a total stamp of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for the Public Offer Shares, then you may not apply for or indicate an interest for the Placing Shares.

To apply for the Public Offer Shares, you may:

- (a) use a **WHITE** or **YELLOW** Application Form;
- (b) apply online via **HK eIPO White Form** service at www.hkeipo.hk; or
- (c) electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application. Our Company, the Joint Bookrunners and their respective agents and nominees may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you (or the person(s) for whose benefit you are applying):

- (a) are 18 years of age or older;
- (b) have a Hong Kong address;
- (c) are outside the United States, and are not a United States Person (as defined in Regulation S); and
- (d) are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Joint Bookrunners or their respective agents and nominees may accept or reject it at its discretion, and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares and/or any of our subsidiaries;
- are a Director or chief executive officer of our Company and/or any of our subsidiaries;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- are a connected person of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- are a close associate of any of the above; and/or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR THE PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on 30 September 2016 until 12:00 noon on 5 October 2016 from:

- (a) any of the following address of the Underwriters:

Alliance Capital Partners Limited	Unit 318, 3/F, Shui On Centre 6-8 Harbour Road Wanchai, Hong Kong
Upbest Securities Company Limited	2/F, Wah Kit Commercial Centre 302 Des Voeux Road Central Hong Kong
Innovax Capital Limited	Room 2002, 20/F, Chinachem Century Tower 178 Gloucester Road Wanchai, Hong Kong
Caitong International Securities Co. Limited	Unit 2401-03, 24/F, Grand Millennium Plaza 181 Queen's Road Central Hong Kong

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (b) or any of the following sub-branches of Bank of Communications Co., Ltd. Hong Kong Branch:

	Sub-Branch Name	Address
Hong Kong Island	Central District Sub-Branch	G/F., Far East Consortium Building 125A Des Voeux Road C., Central
	Taikoo Shing Sub-Branch	Shop 38, G/F., CityPlaza 2 18 Taikoo Shing Road
Kowloon	Mongkok Sub-Branch	G/F. and 1/F., Shun Wah Building Nos.735 & 735A Nathan Road Mongkok
	Shamshuipo Sub-Branch	Shop G1-G3, G11-G13, G19-G21 G/F., Golden Centre 94 Yen Chow Street Sham Shui Po
New Territories	Yuen Long Sub-Branch	Shop 2B, G/F., Man Yu Building 2-14 Tai Fung Street Yuen Long
	Tiu Keng Leng Sub-Branch	Shops Nos. L2-064 and L2-065, Level 2 Metro Town Tiu Keng Leng

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on 30 September 2016 until 12:00 noon on 5 October 2016 from:

- (i) the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- (ii) your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. — Kwong Man Kee Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the sub-branches of the receiving bank listed above, at the following times:

Friday, 30 September 2016 – 9:00 a.m. to 5:00 p.m.
Monday, 3 October 2016 – 9:00 a.m. to 5:00 p.m.
Tuesday, 4 October 2016 – 9:00 a.m. to 5:00 p.m.
Wednesday, 5 October 2016 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 5 October 2016, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, you:

- undertake to execute all relevant documents and instruct and authorise our Company, the Joint Bookrunners, the Sponsor, and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;
- agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- agree that none of our Company, the Joint Bookrunners, the Sponsor, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- agree to disclose to our Company, the Hong Kong Branch Share Registrar, receiving bank, the Joint Bookrunners, the Sponsor, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Bookrunners, the Sponsor, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- agree that your application will be governed by the laws of Hong Kong;
- represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- warrant that the information you have provided is true and accurate;
- agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- understand that our Company, our Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and their respective agents and nominees will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply for the Public Offer Shares” section, may apply through the **HK eIPO White Form** service for the Public Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the HK eIPO White Form

You may submit your application online to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 30 September 2016 until 11:30 a.m. on Wednesday, 5 October 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 5 October 2016 or such later time under the “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No multiple applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System at <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Lead Managers and the Hong Kong Branch Share Registrar.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
 - declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and their respective agents and nominees will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
 - agree that none of our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Share Offer is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for the Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- (a) instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- (b) instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the final Offer Price is less than the Offer Price per Public Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- (c) instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 6,000 Public Offer Shares. Instructions for more than 6,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Friday, 30 September 2016 – 9:00 a.m. to 8:30 p.m.⁽¹⁾
Monday, 3 October 2016 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 4 October 2016 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 5 October 2016 – 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, 30 September 2016 until 12:00 noon on Wednesday, 5 October 2016 (24 hours daily, except on the last application day).

HOW TO APPLY FOR PUBLIC OFFER SHARES

The latest time for inputting your electronic application instructions will be 12:00 noon on Wednesday, 5 October 2016, the last application day or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving banker, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through **HK eIPO White Form** service is also only a facility provided by **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Bookrunners, the Joint Lead Managers, the Sponsor and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or persons applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 5 October 2016.

HOW TO APPLY FOR PUBLIC OFFER SHARES

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- (a) the principal business of that company is dealing in securities; and
- (b) you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange. “Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Public Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through **HK eIPO White Form** service in respect of a minimum of 6,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 6,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website www.hkeipo.hk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- (a) a tropical cyclone warning signal number 8 or above; or
- (b) a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 5 October 2016. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 5 October 2016 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the indication of the level of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Wednesday, 12 October 2016 (a) in The Standard (in English) and Hong Kong Economic Journal (in Chinese); (b) on our Company’s website at www.kwongmankee.com.hk and (c) the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- (a) in the announcement to be posted on our website at www.kwongmankee.com.hk and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, 12 October 2016;
- (b) from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, 12 October 2016 to 12:00 midnight on Tuesday, 18 October 2016;
- (c) by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 12 October 2016 to Monday, 17 October 2016 (excluding Saturday, Sunday and Public Holiday); and

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (d) in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 12 October 2016 to Friday, 14 October 2016 at all the receiving bank's designated sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application may withdraw their applications.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions, such acceptance will be subject to the satisfaction of such conditions.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(b) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Joint Bookrunners, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of the Public Offer Shares is void:

The allotment of the Public Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- (i) within three weeks from the closing date of the application lists; or
- (ii) within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- (i) you make multiple applications or suspected multiple applications;
- (ii) you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- (iii) your Application Form is not completed in accordance with the stated instructions;
- (iv) your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- (v) your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- (vi) the Underwriting Agreements do not become unconditional or are terminated;
- (vii) our Company or the Joint Bookrunners believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- (viii) your application is for more than 50% of the Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.50 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure of the Share Offer — Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 12 October 2016.

HOW TO APPLY FOR PUBLIC OFFER SHARES

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- (b) refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the final Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the final Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, 12 October 2016. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 13 October 2016 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting — Public Offer underwriting arrangements and expenses — Grounds for termination” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(a) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Wednesday, 12 October 2016 or such other date as notified by us.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 12 October 2016, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 12 October 2016, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 12 October 2016, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(i) If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

(ii) If you are applying as a CCASS investor participant

We will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 12 October 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(c) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Wednesday, 12 October 2016, or such other date as notified by our Company as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, 12 October 2016 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(d) If you apply via Electronic Application Instructions to HKSCC

Allocation of the Public Offer Shares

For the purposes of allocating the Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 12 October 2016 or on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer Shares in the manner specified in "Publication of Results" above on Wednesday, 12 October 2016. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 12 October 2016 or such other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 12 October 2016. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 12 October 2016.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report received from the Company's Reporting Accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

30 September 2016

The Board of Directors
Kwong Man Kee Group Limited

Alliance Capital Partners Limited

Dear Sirs,

We report on the financial information of Kwong Man Kee Group Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”), which comprises the combined statements of financial position as at 31 March 2015 and 2016, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 March 2015 and 2016 (the “**Relevant Periods**”), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 30 September 2016 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 30 May 2016 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 2 of Section II headed “Reorganisation” below, which was completed on 16 June 2016, the Company became the holding company of the subsidiaries now comprising the Group (the “**Reorganisation**”).

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 2 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No audited financial statements have been prepared by the Company as it is newly incorporated and has not been involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of the other companies now comprising the Group as at the date of this report, for which there are statutory audit requirements, have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 2 of Section II.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) (the “**Underlying Financial Statements**”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “**HKSAs**”) issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereto and on the basis set out in Note 3 of Section II below.

Directors’ Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant’s Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

Opinion

In our opinion, the combined financial information gives, for the purpose of this report and presented on the basis set out in Note 3 of Section II below, a true and fair view of the combined financial position of the Group as at 31 March 2015 and 2016 and of the Group’s combined financial performance and cash flows for the Relevant Periods.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 March 2015 and 2016 and for each of the years ended 31 March 2015 and 2016 (the “**Financial Information**”):

(A) COMBINED STATEMENTS OF FINANCIAL POSITION

	Section	As at 31 March	
	II	2015	2016
	Note	HK\$	HK\$
ASSETS			
Non-current assets			
Property, plant and equipment	8	594,044	472,522
Deferred income tax assets	15	–	9,456
		<u>594,044</u>	<u>481,978</u>
Current assets			
Inventories	9	4,094,905	5,942,646
Trade and retention receivables	10	8,565,108	17,203,858
Prepayments and other receivables	11	1,059,725	2,135,026
Amounts due from customers			
for contract work	12	369,261	1,200,660
Amount due from a related party	25	203,653	–
Cash and cash equivalents	13	16,917,081	14,172,321
		<u>31,209,733</u>	<u>40,654,511</u>
Total assets		<u>31,803,777</u>	<u>41,136,489</u>
EQUITY			
Share capital	14	100	77,500
Capital reserve	14	–	(77,392)
Shareholder contribution	14	8,800,000	8,800,000
Retained earnings		<u>4,861,559</u>	<u>15,158,377</u>
Total equity		<u>13,661,659</u>	<u>23,958,485</u>

	Section	As at 31 March	
	II	2015	2016
	Note	HK\$	HK\$
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	15	10,449	–
Current liabilities			
Trade payables	16	8,019,215	9,527,025
Accruals and other payables	17	1,328,895	4,068,151
Amounts due to customers for contract work	12	3,809,977	1,141,896
Amount due to the director	25	4,285,454	–
Current income tax liabilities		688,128	2,440,932
		18,131,669	17,178,004
Total liabilities		18,142,118	17,178,004
Total equity and liabilities		31,803,777	41,136,489

(B) COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Section	Year ended 31 March	
	II	2015	2016
	Note	HK\$	HK\$
Revenue	7	42,807,818	68,575,030
Cost of sales	18	(23,943,971)	(35,917,504)
Gross profit		18,863,847	32,657,526
Other income		43,000	25,500
General and administrative expenses	18	(5,829,785)	(11,771,927)
Profit before income tax		13,077,062	20,911,099
Income tax expense	20	(1,991,283)	(4,114,281)
Profit and total comprehensive income for the year attributable to owner of the Company		<u>11,085,779</u>	<u>16,796,818</u>
Dividend	21	<u>6,500,000</u>	<u>6,500,000</u>
Earnings per share	22	<u>N/A</u>	<u>N/A</u>

(C) COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital (Note 14) HK\$	Capital Reserve (Note 14) HK\$	Shareholder contribution (Note 14) HK\$	Retained earnings HK\$	Total HK\$
Balance 1 April 2014	100	–	8,800,000	275,780	9,075,880
Profit and total comprehensive income for the year	–	–	–	11,085,779	11,085,779
Dividend (Note 21)	–	–	–	(6,500,000)	(6,500,000)
At 31 March 2015	<u>100</u>	<u>–</u>	<u>8,800,000</u>	<u>4,861,559</u>	<u>13,661,659</u>
At 1 April 2015	100	–	8,800,000	4,861,559	13,661,659
Profit and total comprehensive income for the year	–	–	–	16,796,818	16,796,818
Additional paid in capital	77,500	–	–	–	77,500
Capital reserve arising on Reorganisation	(100)	(77,392)	–	–	(77,492)
Dividend (Note 21)	–	–	–	(6,500,000)	(6,500,000)
At 31 March 2016	<u>77,500</u>	<u>(77,392)</u>	<u>8,800,000</u>	<u>15,158,377</u>	<u>23,958,485</u>

(D) COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March	
	2015 HK\$	2016 HK\$
Cash flows from operating activities		
Profit before income tax	13,077,062	20,911,099
Adjustments for:		
– Depreciation of plant and equipment	491,748	574,639
– Bad debt written off as uncollectible	181,980	–
– Provision for inventory obsolescence	142,557	94,499
Operating profit before working capital changes	13,893,347	21,580,237
Changes in working capital:		
– Increase in inventories	(1,439,261)	(1,942,240)
– Decrease/(increase) in trade and retention receivables	1,742,948	(8,638,750)
– Increase in prepayments and other receivables	(3,190)	(30,656)
– Decrease/(increase) in amounts due from customers for contract work	723,464	(831,399)
– Increase/(decrease) in amounts due to customer for contract work	1,664,094	(2,668,081)
– Increase in trade payables	2,841,995	1,507,810
– Increase in accruals and other payables	250,921	2,739,256
– (Increase)/decrease in amount due from the director	(19,064)	28,027
– Decrease in amount due from a related party	1,389,459	203,653
Net cash generated from operations	21,044,713	11,947,857
Hong Kong profits tax paid	(2,339,556)	(2,381,382)
Net cash generated from operating activities	18,705,157	9,566,475
Cash flows from investing activities		
Purchase of plant and equipment	(511,338)	(453,117)
Net cash used in investing activities	(511,338)	(453,117)

	Year ended 31 March	
	2015 HK\$	2016 HK\$
Cash flows from financing activities		
Dividends paid	–	(6,500,000)
Amount paid to the director	(1,822,570)	(4,313,481)
Issuance of ordinary share capital	–	8
Prepayment for listing expenses	(930,720)	(1,044,645)
	<u> </u>	<u> </u>
Net cash used in financing activities	(2,753,290)	(11,858,118)
	<u> </u>	<u> </u>
Net increase/(decrease) in cash and cash equivalents	15,440,529	(2,744,760)
Cash and cash equivalents at beginning of the year	1,476,552	16,917,081
	<u> </u>	<u> </u>
Cash and cash equivalents at end of the year	<u>16,917,081</u>	<u>14,172,321</u>

Non-cash transaction

An interim dividend of HK\$6,500,000 was declared during the year ended 31 March 2015 which was settled through the current account with the director.

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

Kwong Man Kee Group Limited (the “**Company**”) was incorporated in the Cayman Islands on 30 May 2016 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business is Office J, 11th Floor, No. 3 On Kwan Street, Shek Mun, Sha Tin, New Territories, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) provide engineering services in flooring, screeding, anti-skid surfacing and concrete repairing (the “**Listing Business**”). The controlling shareholder of the Listing Business is Mr. Kwong Chi Man (“**Mr. Kwong**”) and the parent company of the Company is Sage City Investments Limited.

The Financial Information is presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

2 REORGANISATION

Prior to the incorporation of the Company and the completion of the reorganisation (the “**Reorganisation**”) as described below, the Listing Business was carried out by Kwong Man Kee Engineering Limited (“**KMK**”), a company incorporated in Hong Kong. Before the Reorganisation, KMK was 100% owned by Mr. Kwong.

The Group underwent the following reorganisation steps in preparation for the listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**Listing**”):

- (i) Victor Ease Limited (“**Victor Ease**”) was incorporated on 10 July 2015 in the British Virgin Islands (“**BVI**”). On 14 August 2015, 1 share was allotted and issued to Mr. Kwong at par.
- (ii) On 14 August 2015, Victor Ease acquired the entire issued share capital of KMK from Mr. Kwong by issuing and allotting 9,999 shares in Victor Ease, credited as fully paid, to Mr. Kwong.
- (iii) Sage City Investments Limited (“**Sage City**”) was incorporated on 10 July 2015 in the BVI. On 14 August 2015, 1 share was allotted and issued to Mr. Kwong at par.
- (iv) On 14 August 2015, Sage City acquired the entire issued share capital of Victor Ease from Mr. Kwong by issuing and allotting 9,999 shares of Sage City, credited as fully paid, to Mr. Kwong.
- (v) On 14 August 2015, Silver Thrive Investments Limited (“**Silver Thrive**”), Speedtown Limited (“**Speedtown**”), Marine Assets Holding Limited (“**Marine Assets**”) and United Solutions International Limited (“**United Solutions**”) entered into share transfer agreements with Sage City to acquire 550, 366, 367 and 367 shares of Victor Ease, at considerations of HK\$5,142,500, HK\$3,422,100, HK\$3,431,450 and HK\$3,431,450 respectively.
- (vi) On 14 August 2015, Sage City transferred 550 shares to Mr. Jason Yip from his exercise of share option pursuant to a share option agreement dated on 18 December 2003.
- (vii) The Company was incorporated in the Cayman Islands with liability and authorised share capital of HK\$5,000,000 divided into 500,000,000 shares. On 30 May 2016, 1 share was allotted and issued as fully paid, to Sage City with par value of HK\$0.01.

- (viii) On 16 June 2016, Sage City, Silver Thrive, Speedtown, Marine Assets and United Solutions as vendors and the Company as purchaser entered into a share swap agreement, pursuant to which the Company acquired 8,350, 550, 366, 367 and 367 shares of Victor Ease from Sage City, Silver Thrive, Speedtown, Marine Assets and United Solutions respectively, and as consideration for which 8,349, 366, 367, 367 and 550 shares of the Company were allotted and issued as fully paid, to Sage City, Silver Thrive, Speedtown, Marine Assets and United Solutions respectively.

After the completion of the Reorganisation steps as described above, the Company became the holding company of the subsidiaries now comprising the Group.

Upon the completion of the Reorganisation steps and as of the date of this report, the Company had direct and indirect interests in the following subsidiaries, all being limited liability companies:

Name of subsidiary	Place of incorporation	Date of incorporation	Issued and fully paid up share capital	Equity interest held as at 31 March		As at the date of this report	Principal activities and place of operations	Notes
				2015	2016			
Directly held								
Victor Ease Limited	The BVI	10 July 2015	USD10,000	N/A	N/A	100%	Investment holding in Hong Kong	(i)
Indirectly held								
Kwong Man Kee Engineering Limited	Hong Kong	24 May 2002	HK\$100	N/A	N/A	100%	Business in Hong Kong	(ii)

Notes:

- (i) No audited statutory financial statements have been issued for this company as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.
- (ii) The statutory financial statements of this company for the years ended 31 March 2015 and 2016 were audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong.

3 BASIS OF PRESENTATION

Immediately prior to and after the Reorganisation, the Listing Business has been conducted by KMK. Pursuant to the Reorganisation, the entire equity interest of KMK is transferred to and held by the Company. The Company has not been involved in any other businesses prior to the Reorganisation and does not meet the definition of a business. The transaction is merely a reorganisation of the Listing Business with no change in management of such business and the Controlling Shareholder of the Listing Business remains the same. Accordingly, the Financial Information of the companies now comprising the Group has been prepared and presented using the carrying value of KMK for all periods presented.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") under the historical cost convention.

The preparation of the Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 6.

The following new standards, amendments to standards and annual improvement relevant to the Group have been issued but are not yet effective for the financial year beginning 1 April 2016 and have not been early adopted:

		Effective for annual periods beginning on
Annual Improvements Project	Annual Improvements 2012-2014 Cycle	1 April 2016
HKFRS 14	Regulatory Deferral Accounts	1 April 2016
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment Entities: Applying the Consolidation Exception	1 April 2016
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations	1 April 2016
HKAS 1 Amendment	Disclosure Initiative	1 April 2016
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation	1 April 2016
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants	1 April 2016
HKAS 27 Amendment	Equity Method in Separate Financial Statements	1 April 2016
HKFRS 15	Revenue from Contracts with Customers	1 April 2018
HKFRS 9	Financial Instruments	1 April 2018
HKFRS 16	Leases	1 April 2019
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined

The Company is in the process of making an assessment of the impact of these new standards, amendments to standards and annual improvement upon initial application but is not yet in a position to state whether these new standards and amendments to standards would have any significant impact on its results of operations and financial position.

4.2 Subsidiaries

(a) Consolidation

Subsidiaries are all entities (including a structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies merger accounting to account for the Reorganisation as described in note 2, where all assets and liabilities are recorded at predecessor carrying amounts, as if the combining entities have been consolidated from the date when they first came under the control of the controlling party, and differences between consideration payable and the net assets value are taken to the merger reserve.

Intra-group transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

4.3 Foreign currency translation

(i) Functional and presentation currency

Items included in the Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The Financial Information is presented in HK\$, which is the Company's functional currency and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income.

4.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the Company who make strategic decisions.

4.5 Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is 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. All other repairs and maintenance costs are charged in the combined statements of comprehensive income during the financial period in which they are incurred.

Depreciation on plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Shorter of remaining period of the lease or 3 years
Furniture and equipment	3 years
Motor vehicles	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 4.6).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the combined statements of comprehensive income.

4.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation are at least tested annually for impairment. Assets which are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

4.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost comprises costs of purchase and other costs incurred in bringing the inventories to the construction sites to be consumed in the provision of construction services.

4.8 Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period or after the normal operating cycle of the Group. These are classified as non-current assets. The Group's loans and receivables comprise "trade and retention receivables", "other receivables" and "cash and cash equivalents" in the combined statements of financial position (notes 4.10 and 4.12). Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs. They are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amount reported in the combined statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

4.9 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "**loss event**") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of asset is reduced and the amount of the loss is recognised in the combined statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the combined statements of comprehensive income.

4.10 Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the combined statements of comprehensive income within general and administrative expenses. When a trade and other receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the combined statements of comprehensive income.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If no, they are presented as non-current assets.

4.11 Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the “percentage-of-completion method” to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to costs incurred to date as a percentage of total contract costs.

All construction contract by the Group are warranted to be free of defects for a period of ten years. Expected cost for warranty repairs are accrued when necessary.

4.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less.

4.13 Share capital

Ordinary shares are classified as equity.

4.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

4.15 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the combined statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

4.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

4.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of construction services in the ordinary course of the Group's activities. Revenue is shown net of discounts.

Revenue from construction contracts is recognised based on the stage of completion of the contracts as detailed in note 4.11 above.

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivable is recognised using the original effective interest rate.

4.18 Employee benefits*(i) Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group operates a defined contribution plan in Hong Kong and pays contributions to privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Long service payment liabilities

The Group's net obligation in respect of long service accounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine the present value and reduced by entitlements accrued under the defined contribution scheme.

(vi) Bonus plan

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholder. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

4.19 Share-based payment

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from a consultancy service provider as considerations for equity instruments of the Group. The fair value of services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions;
- including the impact of any non-vesting conditions.

As the fair value of the consultancy service received cannot be reliably measured, the Group measures the services received, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, measured at the date the consultancy service provider renders service.

4.20 Operating lease (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the combined statements of comprehensive income on a straight-line basis over the period of the leases.

4.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's Financial Information in the period in which the dividends are approved by the Company's shareholders or directors, as appropriate.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management regularly manages the financial risks of the Group. Because of the simplicity of the financial structure and the current operations of the Group, no hedging activities are undertaken by management.

(a) Interest rate risk

The Group has no significant interest-bearing assets except for cash and cash equivalents, the income and operating cash flows of which are substantially independent of changes in market interest rates.

Interest rate risk mainly arises from bank deposits at variable interest rates which are subject to cash flow interest rate risk. The directors are of the opinion that any reasonable changes in interest rates would not result in a significant change in the Group's results. Accordingly, no sensitivity analysis is presented for interest rate risk.

(b) Credit risk

Credit risk mainly arises from trade receivables, retention receivables, deposits, other receivables, amount due from a related party and cash and cash equivalents. The carrying amounts of these balances except cash on hand in the statements of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets.

The majority of the Group's bank balances are placed in banks and financial institutions which are independently rated with high credit ratings. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

The credit quality of the debtors is assessed based on their financial positions, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. The Group's historical experience in collection of receivables falls within recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivable has been made.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from external parties.

The Group's primary cash requirements have been for payments for trade payables, other creditors, accrued liabilities and operating expenses. The Group mainly finances its working capital requirements through internal resources.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances to meet its liquidity requirements in the short and long-term.

As at 31 March 2015 and 2016, all of the Group's financial liabilities were due within 12 months and equal their carrying amounts as the impact of discounting is not significant.

5.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Total capital of the Group is calculated as total equity less total borrowings, if any. Management considers that the Group's capital risk is minimal as there was no borrowing as at 31 March 2015 and 2016.

5.3 Fair value estimation

The carrying values of trade receivables, retention receivables, deposits, other receivables, amount due from/to a related party, trade payables, and accruals and other payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provision for trade and retention receivables

Management determines the provision for impairment of trade and retention receivables based on the credit history of customers and the current market condition by business segment. Significant judgement is exercised on the assessment of the collectability of receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The final outcome of the recoverability of these receivables will impact the amount of impairment required.

(b) Warranty provision

The Group offers up to ten year warranties for its engineering work performed. Under these warranties, the Group is obliged to provide maintenance service and rectify any defects at its own costs. Based on historical information, it is rare to incur future warranty claims after all work is completed. The Group is therefore of the opinion that no warranty provision is required. Should there be any changes to the actual claim pattern, an amount of provision may be necessary, which will impact the financial performance of the Group.

(c) Income taxes

The Group is subject to income taxes in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(d) Construction contracts

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimates may have an impact on the profit recognised in each period.

(e) Share-based payments

The valuation of the fair value of the share options granted requires judgment in determining the expected volatility of the share price, the dividends expected on the shares, the risk-free interest rate during the life of the options and the number of share options that are expected to vest. Where the outcome of the number of options that are vested is different, such difference will impact the combined statements of comprehensive income in the subsequent remaining vesting period of the relevant share options.

7 REVENUE AND SEGMENT INFORMATION

	Year ended 31 March	
	2015 HK\$	2016 HK\$
Flooring	42,062,377	66,366,928
Ancillary services	745,441	2,208,102
	<u>42,807,818</u>	<u>68,575,030</u>

The Executive Directors have been identified as the chief operating decision-makers of the Group who review the Group's internal reporting in order to assess performance and allocate resources. The directors regard the Group's business as a single operating segment and review financial information accordingly.

The Group is principally engaged in the provision of engineering services in flooring, screeding, anti-skid surfacing and concrete repairing.

The Group primarily operates in Hong Kong with all of its non-current assets located in and capital expenditure incurred in Hong Kong. During the Relevant Periods, revenue was also earned from customers located in Hong Kong.

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 March	
	2015 HK\$	2016 HK\$
Billion Development & Project Management Limited	N/A	12,089,572
Customer B	N/A	10,609,786
Size Cheong Engineering Company Limited	N/A	7,003,162
Customer D	8,145,395	N/A
Hien Lee Engineering Company Limited	4,500,170	N/A
Customer F	4,391,299	N/A
Customer G	4,293,497	N/A

8 PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment HK\$	Leasehold improvements HK\$	Motor vehicles HK\$	Total HK\$
At 1 April 2014				
Cost	928,613	131,037	1,117,263	2,176,913
Accumulated depreciation	(707,130)	(128,066)	(767,263)	(1,602,459)
Net book amount	<u>221,483</u>	<u>2,971</u>	<u>350,000</u>	<u>574,454</u>
Year ended 31 March 2015				
Opening net book amount	221,483	2,971	350,000	574,454
Additions	80,665	–	430,673	511,338
Depreciation	(171,704)	(1,486)	(318,558)	(491,748)
Closing net book amount	<u>130,444</u>	<u>1,485</u>	<u>462,115</u>	<u>594,044</u>
At 31 March 2015				
Cost	1,009,278	131,037	1,547,936	2,688,251
Accumulated depreciation	(878,834)	(129,552)	(1,085,821)	(2,094,207)
Net book amount	<u>130,444</u>	<u>1,485</u>	<u>462,115</u>	<u>594,044</u>
Year ended 31 March 2016				
Opening net book amount	130,444	1,485	462,115	594,044
Additions	453,117	–	–	453,117
Depreciation	(254,596)	(1,485)	(318,558)	(574,639)
Closing net book amount	<u>328,965</u>	<u>–</u>	<u>143,557</u>	<u>472,522</u>
At 31 March 2016				
Cost	1,462,395	131,037	1,547,936	3,141,368
Accumulated depreciation	(1,133,430)	(131,037)	(1,404,379)	(2,668,846)
Net book amount	<u>328,965</u>	<u>–</u>	<u>143,557</u>	<u>472,522</u>

During the year ended 31 March 2015 and 2016, depreciation of HK\$117,664 and HK\$149,932 was charged to “cost of sales” in the combined statements of comprehensive income.

During the year ended 31 March 2015 and 2016, depreciation of HK\$374,084 and HK\$424,707 was charged to “general and administrative expenses” in the combined statements of comprehensive income.

9 INVENTORIES

	As at 31 March	
	2015	2016
	<i>HK\$</i>	<i>HK\$</i>
Flooring materials	4,094,905	5,942,646

During the year ended 31 March 2015 and 2016, the costs of sales amounted to HK\$15,031,628 and HK\$19,863,522 respectively.

As at 31 March 2015 and 2016, a batch of inventories was considered as obsolete. A provision of HK\$142,557 and HK\$237,056 was made as at 31 March 2015 and 2016.

10 TRADE AND RETENTION RECEIVABLES

	As at 31 March	
	2015	2016
	<i>HK\$</i>	<i>HK\$</i>
Trade receivables	5,911,306	14,300,844
Retention receivables	2,653,802	2,903,014
	8,565,108	17,203,858

The credit period granted to trade customers other than for retention receivables is within 30 days. The terms and conditions in relation to the release of retentions varies from contract to contract, which may be subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. The Group does not hold any collateral as security.

The ageing analysis of trade receivables based on invoice date is as follows:

	As at 31 March	
	2015	2016
	<i>HK\$</i>	<i>HK\$</i>
1 – 30 days	1,716,998	4,146,818
31 – 60 days	1,572,033	2,583,717
61 – 90 days	524,445	4,494,165
Over 90 days	2,097,830	3,076,144
	5,911,306	14,300,844

In the combined statements of financial position, retention receivables were classified as current assets based on operating cycle. The ageing of the retention receivables based on invoice date is as follows:

	As at 31 March	
	2015	2016
	<i>HK\$</i>	<i>HK\$</i>
Within 1 year	1,265,457	1,530,108
Between 1 to 5 years	1,388,345	1,372,906
	<u>2,653,802</u>	<u>2,903,014</u>

As of 31 March 2015 and 2016, trade receivables of HK\$4,194,308 and HK\$10,154,026 were past due but not impaired. These relate to certain independent customers for whom there is no recent history of default. The Group does not hold any collateral as security. The ageing of these trade receivables is as follows:

	As at 31 March	
	2015	2016
	<i>HK\$</i>	<i>HK\$</i>
1 – 30 days	1,572,033	2,583,717
31 – 60 days	524,445	4,494,165
61 – 90 days	987,279	147,450
Over 90 days	1,110,551	2,928,694
	<u>4,194,308</u>	<u>10,154,026</u>

During the years ended 31 March 2015 and 2016, trade receivables of HK\$181,980 and HK\$nil were written off as uncollectible. As of 31 March 2015 and 2016, the remaining trade receivables were not impaired.

As of 31 March 2015 and 2016, retention receivables of HK\$666,125 and HK\$490,767 were past due but not impaired. These relate to certain independent customers for whom there is no recent history of default. The Group does not hold any collateral as security. The ageing of these retention receivables is as follows:

	As at 31 March	
	2015	2016
	<i>HK\$</i>	<i>HK\$</i>
Within 1 year	294,468	350,343
Between 1 to 2 years	358,612	71,660
Over 2 years	13,045	68,764
	<u>666,125</u>	<u>490,767</u>

The carrying amounts of trade and other receivables approximate their fair values due to their short maturities.

The carrying amounts of the Group's trade and retention receivables are denominated in HK\$.

11 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 March	
	2015	2016
	<i>HK\$</i>	<i>HK\$</i>
Prepayments	88,405	110,548
Other receivables	40,600	12,900
Prepaid listing expense	930,720	2,011,578
	<u>1,059,725</u>	<u>2,135,026</u>

The carrying amounts of the Group's other receivables are denominated in HK\$.

As at 31 March 2015 and 2016, the carrying amounts of other receivables approximate their fair values.

12 CONTRACTING WORK IN PROGRESS

	As at 31 March	
	2015	2016
	<i>HK\$</i>	<i>HK\$</i>
Contract costs incurred plus attributable profits		
less foreseeable losses to date	5,517,223	9,830,990
Progress billings to date	(8,957,939)	(9,772,226)
	<u>(3,440,716)</u>	<u>58,764</u>

Included in current assets/(liabilities) as the following:

	As at 31 March	
	2015	2016
	<i>HK\$</i>	<i>HK\$</i>
Due from customers for contract work	369,261	1,200,660
Due to customers for contract work	(3,809,977)	(1,141,896)
	<u>(3,440,716)</u>	<u>58,764</u>

13 CASH AND CASH EQUIVALENTS

	As at 31 March	
	2015	2016
	<i>HK\$</i>	<i>HK\$</i>
Cash at bank and on hand	<u>16,917,081</u>	<u>14,172,321</u>
Maximum exposure to credit risk	<u>16,914,081</u>	<u>14,169,321</u>

Cash and cash equivalents are denominated in HK\$.

14 SHARE CAPITAL AND RESERVES

(a) Share capital

Share capital as at 31 March 2015 and 2016 represents the share capital of KMK and Victor Ease, the then holding companies of the Group.

(b) Capital reserve

Capital reserve as presented in the combined statements of financial position during the Relevant Periods represented the difference between the aggregation of the nominal value of the share capital of KMK acquired over the nominal value of the share capital of Victor Ease issued in exchange thereof pursuant to the reorganisation completed in 2016.

(c) Shareholder contribution

The Group operated an equity-settled share-based compensation plan, under which the Group receives services from Mr. Jason Yip, a consultancy service provider and a then senior management of the Group. Under the share-based compensation plan, Mr. Jason Yip provided technical and marketing consultancy services to the Group in return for share options to acquire a 30% equity interest of Sage City at nominal consideration. The options are granted on 18 December 2003 and became exercisable on 31 March 2012, before being exercised on 14 August 2015. The amount in shareholder contribution represents the fair value of services received, valuation of which was performed by an independent qualified valuer using income approach by reference to the fair value of the equity instruments granted. The share-based compensation expenses for such service were recognised in combined statements of comprehensive income from the date when the options were granted on 18 December 2003 until the date when the non-market vesting conditions were met and the options became exercisable on 31 March 2012.

15 DEFERRED INCOME TAX (LIABILITIES)/ASSETS

	As at 31 March	
	2015	2016
	HK\$	HK\$
Deferred income tax assets to be recovered after 12 months	–	9,456
Deferred income tax liabilities to be settled after 12 months	(10,449)	–
	<u>(10,449)</u>	<u>9,456</u>

Movements in deferred income tax liabilities are as follows:

	Year ended 31 March	
	2015	2016
	HK\$	HK\$
Beginning of the year	(13,087)	(10,449)
Credited to the combined statements of comprehensive income (Note 20)	<u>2,638</u>	<u>19,905</u>
End of the year	<u>(10,449)</u>	<u>9,456</u>

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	(Accelerated)/ decelerated tax depreciation HK\$
At 1 April 2014	(13,087)
Credited to the combined statements of comprehensive income (<i>Note 20</i>)	2,638
At 31 March 2015	(10,449)
Credited to the combined statements of comprehensive income (<i>Note 20</i>)	19,905
At 31 March 2016	9,456

16 TRADE PAYABLES

The ageing analysis of trade payables based on invoice date is as follows:

	As at 31 March 2015 HK\$	2016 HK\$
1 – 30 days	2,248,474	3,481,020
31 – 60 days	1,613,014	1,886,017
61 – 90 days	164,400	79,165
Over 90 days	3,993,327	4,080,823
	8,019,215	9,527,025

Trade payables are denominated in HK\$.

The carrying amounts of trade payables approximate their fair values due to their short maturities.

17 ACCRUALS AND OTHER PAYABLES

	As at 31 March 2015 HK\$	2016 HK\$
Accrued expenses	589,396	875,092
Customer deposits	448,223	1,863,601
Other payables	291,276	376,348
Accrued listing expense	–	953,110
	1,328,895	4,068,151

Accruals and other payables are denominated in HK\$.

The carrying amounts of accruals and other payables, net of accrued salary, approximate their fair values.

18 EXPENSES BY NATURE

Expenses included in cost of sales and general and administrative expenses are analysed as follows:

	Year ended 31 March	
	2015 HK\$	2016 HK\$
Cost of flooring materials used	15,031,628	19,842,622
Subcontractor cost	6,422,083	13,012,935
Employee benefit expenses (<i>Note 19</i>)		
– Direct labour	2,128,682	2,516,400
– Administrative staff	2,774,052	4,588,217
Depreciation of plant and equipment	491,748	574,638
Operating lease rentals in respect of rented premises	312,400	444,794
Repair and maintenance expenses	245,616	237,580
Motor vehicle expenses	424,345	346,535
Auditor's remuneration	330,000	300,000
Provision for inventory obsolescence	142,557	94,499
Bad debt written off as uncollectible	181,980	–
Listing expenses	–	4,114,110
Other expenses	1,288,665	1,617,101
	<u>29,773,756</u>	<u>47,689,431</u>
Representing:		
Cost of sales	23,943,971	35,917,504
General and administrative expenses	<u>5,829,785</u>	<u>11,771,927</u>
	<u>29,773,756</u>	<u>47,689,431</u>

19 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 March	
	2015	2016
	HK\$	HK\$
Wages, salaries, bonuses and allowances	4,761,366	6,876,877
Pension cost – defined contribution scheme	141,368	227,740
	<u>4,902,734</u>	<u>7,104,617</u>

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 March 2015 and 2016 include one and one director respectively whose emoluments are reflected in Note 23. The emoluments payable to the remaining four and four individuals during the years ended 31 March 2015 and 2016 are as follows:

	Year ended 31 March	
	2015	2016
	HK\$	HK\$
Wages, salaries, bonuses and allowances	2,496,096	2,999,690
Pension cost – defined contribution scheme	69,812	82,158
	<u>2,565,908</u>	<u>3,081,848</u>

The emoluments fell within the following bands:

	Number of individuals	
	2015	2016
Emolument band		
HK\$0 – HK\$1,000,000	<u>4</u>	<u>4</u>

During the year ended 31 March 2016, the emolument of one of the five highest paid individuals included a consultancy fee which were excluded from the employee benefit expenses.

20 INCOME TAX EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit for the Relevant Periods.

The amount of income tax expense charged to the combined statements of comprehensive income represents:

	Year ended 31 March	
	2015	2016
	<i>HK\$</i>	<i>HK\$</i>
Current income tax:		
– Hong Kong profits tax	2,141,114	4,134,186
– Over-provision in prior year	(147,193)	–
Total current tax	1,993,921	4,134,186
Deferred income tax relating to the origination and reversal of temporary differences (<i>Note 15</i>)	(2,638)	(19,905)
Income tax expense	<u>1,991,283</u>	<u>4,114,281</u>

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	Year ended 31 March	
	2015	2016
	<i>HK\$</i>	<i>HK\$</i>
Profit before income tax	13,077,062	20,911,099
Calculated at a taxation rate of 16.5%	2,157,715	3,450,331
Expenses not deductible for taxation purposes	761	683,950
Over-provision in prior year	(147,193)	–
Tax deduction	(20,000)	(20,000)
Income tax expense	<u>1,991,283</u>	<u>4,114,281</u>

21 DIVIDEND

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

Dividends disclosed during each of the years ended 31 March 2015 and 2016 represented dividends declared and paid or payable by companies now comprising the Group to their then respective shareholders. The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

22 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful due to the Reorganisation and the presentation of the results for the each of the years ended 31 March 2015 and 2016 on a combined basis as disclosed in Note 3 above.

23 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G)

(a) Directors' emoluments (equivalent to key management compensation)

The remuneration of the directors is set out below:

For the year ended 31 March 2016:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking									Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Name	Fees HK\$	Salary HK\$	Discretionary bonuses HK\$	Housing allowance HK\$	Estimated money value of other benefits HK\$	Employer's contribution to a retirement benefit scheme HK\$	Remunerations paid or receivable in respect of office as director HK\$			
Mr. Kwong Chi Man (Chief Executive Officer)	-	720,000	60,000	-	-	18,000	-	-	798,000	
Mr. Yip Wai Man	-	340,016	173,000	-	-	15,530	-	-	528,546	
Total	-	1,060,016	233,000	-	-	33,530	-	-	1,326,546	

For the year ended 31 March 2015:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking									
Name	Fees HK\$	Salary HK\$	Discretionary bonuses HK\$	Housing allowance HK\$	Estimated money value of other benefits HK\$	Employer's contribution to a retirement benefit scheme HK\$	Remunerations paid or receivable in respect of office as director HK\$	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK\$	Total HK\$
Mr. Kwong Chi Man (Chief Executive Officer)	-	720,000	200,000	-	-	17,400	-	-	937,400
Mr. Yip Wai Man	-	292,142	143,000	-	-	13,285	-	-	448,427
	-	949,142	343,000	-	-	30,685	-	-	1,385,827

During the Relevant Periods, none of the directors of the Company waived their emoluments nor agreed to waive their emoluments for the Relevant Periods.

Subsequent to 31 March 2016, Mr. Kwong Chi Man and Mr. Yip Wai Man were appointed executive director of the Company on 1 June 2016 and 13 June 2016 respectively. Ms. Yu Wan Wah Amparo, Mr. Law Pui Cheung and Mr. Wat Danny Hiu Yan, independent non-executive directors of the Company, were appointed on 24 September 2016.

(b) Directors' retirement benefits and termination benefits

Save as disclosed in Note 23(a), the directors did not receive any other retirement benefits or termination benefits during the Relevant Periods.

(c) Consideration provided to third parties for making available directors' services

During the Relevant Periods, the Group did not pay consideration to any third parties for making available the directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of the directors, bodies corporate controlled by and connected entities with such directors.

As at 31 March 2015 and 2016, except for the amount due from/(to) the director, there are no loans, quasi-loans and other dealing arrangements in favour of the directors, bodies corporate controlled by and controlled entities with such directors.

(e) Director's material interests in transactions, arrangements or contracts

Save as disclosed in Note 25(a), no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Relevant Periods.

24 COMMITMENTS

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Year ended 31 March	
	2015	2016
	HK\$	HK\$
Within 1 year	33,600	37,100
Later than 1 year and no later than 5 years	5,600	–
	<u>39,200</u>	<u>37,100</u>

25 RELATED PARTY TRANSACTIONS

The directors of the Company are of the view that the following companies or individuals were related parties that had transactions or balances with the Group.

Related parties	Relationship with the Group
Mr. Kwong	Controlling Shareholder and director of the Group
Ms. Li Chuen Chun (“Mrs. Kwong”)	Spouse of Mr. Kwong
Ms. Kwong Wing Yan (“Ms. Kwong”)	Daughter of Mr. Kwong
Ms. Li Mei Ying (“Ms. Li”)	Sister-in-law of Mr. Kwong
Kwong Man Kee Engineering (<i>note</i>)	A related company wholly owned by Mr. Kwong

Note: The Business Registration of Kwong Man Kee Engineering was cancelled on 29 March 2016.

- (a) During the Relevant Periods, KMK, a wholly owned subsidiary of the Company, had the following significant transactions with its related parties:

	Year ended 31 March	
	2015	2016
	HK\$	HK\$
Office rental expense paid to Mr. Kwong	216,000	240,000
Car park rental expense paid to Mrs. Kwong and Ms. Kwong	26,400	33,600
Car park rental expense paid to Ms. Li	–	31,000
	<u>242,400</u>	<u>304,600</u>

These transactions were entered into at terms agreed with the director or the related party in the ordinary course of the Group's business.

- (b) Particulars of amounts due from/(to) the related parties are as follows:

	Balance as at 31 March 2015 HK\$	Balance as at 31 March 2016 HK\$
Mr. Kwong	(4,285,454)	–
Kwong Man Kee Engineering	203,653	–
	<u>(4,081,801)</u>	<u>–</u>

- (c) Amounts due to the director and from a related party are unsecured, interest-free, repayable on demand and are denominated in HK\$.

- (d) Save as disclosed in Note 23(a), no other key management personnel compensation was paid or payable by the Group during the Relevant Period.

26 CONTINGENT LIABILITIES

As at 31 March 2015 and 2016, the Company and the Group did not have any material contingent liabilities.

27 SUBSEQUENT EVENTS

Save as disclosed in the report, the following significant events took place subsequent to 31 March 2016:

- (a) On 20 May 2016, Victor Ease declared a dividends of HK\$3,500,000 in respect of the results for the year ended 31 March 2016 to its shareholders.
- (b) The Reorganisation was completed on 16 June 2016 and the details are set out in note 2.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2016 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2016.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the Accountant's Report prepared by PricewaterhouseCoopers, Certified Public Accountants, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the "Accountant's Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 7.31 of the GEM Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Share Offer on the net tangible assets of the Group attributable to the owners of the Company as of 31 March 2016 as if the Share Offer had taken place on 31 March 2016.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 31 March 2016 or at any future dates following the Share Offer. It is prepared based on the combined net assets of the Group as at 31 March 2016 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2016 (Note 1) HK\$'000	Estimated net proceeds from the Share Offer (Note 2) HK\$'000	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company as at 31 March 2016 (Note 3) HK\$'000	Unaudited pro forma adjusted net tangible assets per Share (Note 4) HK\$
Based on an Offer Price of HK\$0.40 per Share	23,958	42,034	65,992	0.11
Based on an Offer Price of HK\$0.50 per Share	23,958	56,509	80,467	0.13

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited combined net tangible assets attributable to the owners of the Company as at 31 March 2016 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 March 2016 of approximately HK\$23,958,000.
- (2) The estimated net proceeds from the Share Offer are based on 150,000,000 Offer Share and the Offer Price of HK\$0.40, and HK\$0.50 per Offer Share after deduction of the underwriting fees and other related expenses amounting to approximately HK\$22,342,000 (excluding listing expenses of approximately HK\$4,114,000 which have been accounted for in the combined statements of comprehensive income prior to 31 March 2016) payable by the Company but takes no account of any Shares which may be issued upon the exercise of the options granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate as described in the section headed "Share Capital" in this prospectus.
- (3) The unaudited pro forma net tangible assets per Shares is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 600,000,000 Shares were in issue assuming that the Share Offer has been completed on 31 March 2016 but takes no account of any Shares which may be issued upon the exercise of the options granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the General Mandate and the Repurchase Mandate as described in the section headed "Share Capital" in this prospectus.
- (4) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 31 March 2016. In particular, the unaudited pro forma adjusted net tangible assets of the Group has not taken into account the declaration of a dividend of HK\$3,500,000 which was approved by the Board of Directors on 20 May 2016. The unaudited pro forma net tangible assets per Share would have been HK\$0.10 and HK\$0.13 per Share based on the Offer Price of HK\$0.40 and HK\$0.50 respectively if the effect of such dividend had been accounted for.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Kwong Man Kee Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Kwong Man Kee Group Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 March 2016, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages II-1 to II-2 of the Company’s prospectus dated 30 September 2016, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group’s financial position as at 31 March 2016 as if the proposed initial public offering had taken place at 31 March 2016. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s financial statements for the year ended 31 March 2016, on which an accountant’s report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 March 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 September 2016

SUMMARY OF THE CONSTITUTION OF THE COMPANY**1 Memorandum of Association**

The Memorandum of Association of the Company was conditionally adopted on 24 September 2016 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed “Documents Available for Inspection”.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on 24 September 2016 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is HK\$20,000,000 divided into 2,000,000,000 shares of HK\$0.01 each.

*2.2 Directors**(a) Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

- (f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

- (i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution – majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 May 2016 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking is for a period of twenty years from 14 June 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 30 May 2016. We have been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 7 July 2016 and our principal place of business in Hong Kong is at Office J, 11th Floor, Kings Wing Plaza 1, No. 3 On Kwan Street, Shek Mun, Sha Tin, New Territories, Hong Kong. Mr. Kwong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the Cayman Islands law and to our constitution, which comprises the Memorandum and the Articles. A summary of various provisions of our constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation, our Company has an authorised share capital of HK\$5,000,000 divided into 500,000,000 Shares with a par value of HK\$0.01 per share. One (1) Share was allotted and issued as fully paid share to the subscriber to the memorandum and articles of association of the Company, which was later transferred to Sage City on 30 May 2016.
- (b) Pursuant to the written resolutions of the sole shareholder of the Company passed on 13 June 2016, the authorised share capital of the Company was increased from HK\$5,000,000 to HK\$20,000,000 by the creation of an additional 1,500,000,000 Shares.
- (c) On 16 June 2016, Sage City, Speedtown, Marine Assets, United Solutions and Silver Thrive as vendors and the Company as purchaser entered into a share swap agreement, pursuant to which the Company acquired 8,350, 366, 367, 367 and 550 shares of Victor Ease from Sage City, Speedtown, Marine Assets, United Solutions and Silver Thrive respectively, and as consideration for which 8,349, 366, 367, 367 and 550 Shares will be allotted and issued to Sage City, Speedtown, Marine Assets, United Solutions and Silver Thrive respectively, all credited as fully paid.
- (d) Upon Listing, the Company will issue 599,990,000 new Shares to the institutional and professional investors and the public under the Placing and the Public Offer, and certain new Shares to the existing shareholders of the Company by way of capitalisation issue.

- (e) Conditional upon the share premium account of the Company being credited as a result of the issue of the new Shares with the Placing and the Public Offer, the Company will allot and issue an aggregate of 449,990,000 new Shares, of which 375,741,650, 16,469,634, 16,514,633, 16,514,633 and 24,749,450 new Shares will be allotted and issued to Sage City, Speedtown, Marine Assets, United Solutions and Silver Thrive respectively, credited as fully paid, by way of capitalisation of HK\$4,499,900 standing to the credit of the share premium account of the Company.
- (f) Immediately upon completion of the capitalisation issue and the Placing and the Public Offer, 600,000,000 Shares will be issued fully paid up or credited as fully paid up and 1,400,000,000 Shares will remain unissued.
- (g) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Further Information about our Company – Repurchase of our Shares by our Company” in this appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (h) Save as disclosed in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of the Shareholders passed on 24 September 2016

On 24 September 2016, resolutions in writing were passed by the Shareholders pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum and the Articles, the terms of which are summarised in Appendix III to this prospectus;
- (b) conditional on the Listing Division granting listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme) and on the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank *pari passu* with the then existing Shares in all respects;

- (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” below in this appendix, were approved and adopted and our 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 subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
 - (iii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise an amount of HK\$4,499,900 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 449,990,000 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on 23 September 2016 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions and the Capitalisation Issue was approved;
- (c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Placing and the Public Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

- (d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Placing and the Public Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (e) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Placing and the Public Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. The Reorganisation involved the following major steps:

- (a) Victor Ease was incorporated on 10 July 2015 in the BVI with a maximum number of authorised shares of 50,000 shares of US\$1.00 each. On 14 August 2015, one (1) share of US\$1.00 was allotted and issued to Mr. Kwong at a consideration of US\$1.00.
- (b) On 14 August 2015, Victor Ease as transferee and Mr. Kwong as transferor entered into instrument of transfer and bought and sold notes, pursuant to which Victor Ease acquired 100 ordinary shares (100%) of KMK from Mr. Kwong and as consideration for which 9,999 consideration shares of Victor Ease were allotted and issued to Mr. Kwong, all credited as fully paid.

- (c) Sage City was incorporated on 10 July 2015 in the BVI with a maximum number of authorised shares of 50,000 shares of US\$1.00 each. On 14 August 2015, one (1) share of US\$1.00 was allotted and issued to Mr. Kwong at a consideration of US\$1.00.
- (d) On 14 August 2015, Sage City as transferee and Mr. Kwong as transferor entered into instrument of transfer and bought and sold notes, pursuant to which Sage City acquired 10,000 shares (100%) of Victor Ease from Mr. Kwong and as consideration for which 9,999 consideration shares of Sage City were allotted and issued to Mr. Kwong, all credited as fully paid.
- (e) On 14 August 2015, Mr. Jason Yip as transferee and Mr. Kwong as transferor entered into instrument of transfer and bought and sold notes, pursuant to which Mr. Jason Yip acquired 3,000 shares of Sage City from Mr. Kwong at a consideration of US\$3,000.00.
- (f) Silver Thrive was incorporated on 13 July 2015 in the BVI with a maximum number of authorised shares of 50,000 shares of US\$1.00 each. On 14 August 2015, 3,550, 3,000, 2,550 and 900 shares of US\$1.00 each were allotted and issued to Leung Nim Hing, Tang Ho Yan Teresa, Kong Po Yee and Shek Lai Ying at the considerations of US\$3,550.00, US\$3,000.00, US\$2,550.00 and US\$900.00, respectively.
- (g) On 14 August 2015, Silver Thrive as transferee and Sage City as transferor entered into instrument of transfer and bought and sold notes, pursuant to which Silver Thrive acquired 550 shares (5.50%) of Victor Ease from Sage City at a consideration of HK\$5,142,500.
- (h) On 14 August 2015, Speedtown as purchaser and Sage City as vendor entered into a share transfer agreement, pursuant to which Speedtown acquired 366 shares (3.66%) of Victor Ease from Sage City at a consideration of HK\$3,422,100.00.
- (i) On 14 August 2015, Marine Assets as purchaser and Sage City as vendor entered into a share transfer agreement, pursuant to which Marine Assets acquired 367 shares (3.67%) of Victor Ease from Sage City at a consideration of HK\$3,431,450.00.
- (j) On 14 August 2015, United Solutions as purchaser and Sage City as vendor entered into a share transfer agreement, pursuant to which United Solutions acquired 367 shares (3.67%) of Victor Ease from Sage City at a consideration of HK\$3,431,450.00.
- (k) The Company was incorporated on 30 May 2016 in the Cayman Islands with an authorised share capital of HK\$5,000,000 divided into 500,000,000 ordinary Shares with a par value of HK\$0.01 per share. One (1) Share was allotted and issued as fully paid share to the subscriber to the memorandum and articles of association of the Company, which was later transferred to Sage City on 30 May 2016.

- (1) On 16 June 2016, Sage City, Speedtown, Marine Assets, United Solutions and Silver Thrive as vendors and the Company as purchaser entered into a share swap agreement, pursuant to which the Company acquired 8,350, 366, 367, 367 and 550 shares of Victor Ease from Sage City, Speedtown, Marine Assets, United Solutions and Silver Thrive respectively, and as consideration for which 8,349, 366, 367, 367 and 550 Shares were allotted and issued to Sage City, Speedtown, Marine Assets, United Solutions and Silver Thrive respectively, all credited as fully paid.

Immediately after completion of the share transfer referred to in item (1) above, our Company then became the holding company of our Group.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant's Report of our Company, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the paragraph headed "History, Development, Reorganisation and Corporate Structure – Reorganisation" in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of the Shares by our Company.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, a summary of which is set out below:

(i) Shareholders' approval

The GEM Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary listing on GEM must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by the Shareholders on 24 September 2016, a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors authorising them to exercise all powers of our Company to repurchase on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Placing and the Public Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

(ii) *Source of Funds*

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. Our Company may not repurchase its own Shares on 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.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company’s share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) *Connected parties*

The GEM Listing Rules prohibit our Company from knowingly repurchasing the Shares on GEM from a “core connected person” (as defined in the GEM Listing Rules), which includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company on GEM.

(b) *Exercise of the Repurchase Mandate*

On the basis of 600,000,000 Shares in issue immediately after completion of the Placing and the Public Offer and the Capitalisation Issue, our Directors would be authorised under the Repurchase Mandate to repurchase up to 60,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

(c) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) *Funding of repurchases*

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) *General*

None of our Directors or to the best of their knowledge, having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable law and regulations from time to time in force in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers and Share Repurchases (the "**Takeovers Code**"). In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of the Shares pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules). No core connected person (as defined in the GEM Listing Rules) has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:

- (a) an instrument of transfer dated 14 August 2015 entered into between Mr. Kwong and Victor Ease for the transfer of 100 ordinary shares of KMK from Mr. Kwong to Victor Ease, representing 100% of the then total issued share capital of KMK, at a consideration for which 9,999 consideration shares of Victor Ease were allotted and issued to Mr. Kwong, all credited as fully paid;
- (b) bought and sold notes dated 14 August 2015 entered into between Mr. Kwong and Victor Ease for the transfer of 100 ordinary shares of KMK from Mr. Kwong to Victor Ease, representing 100% of the then total issued share capital of KMK, at a consideration for which 9,999 consideration shares of Victor Ease were allotted and issued to Mr. Kwong, all credited as fully paid;
- (c) an instrument of transfer dated 14 August 2015 entered into between Mr. Kwong and Sage City for the transfer of 10,000 ordinary shares of Victor Ease from Mr. Kwong to Sage City, representing 100% of the then total issued share capital of Victor Ease, at a consideration for which 9,999 consideration shares of Sage City were allotted and issued to Mr. Kwong, all credited as fully paid;
- (d) bought and sold notes dated 14 August 2015 entered into between Mr. Kwong and Sage City for the transfer of 10,000 ordinary shares of Victor Ease from Mr. Kwong to Sage City, representing 100% of the then total issued share capital of Victor Ease, at consideration for which 9,999 consideration shares of Sage City were allotted and issued to Mr. Kwong, all credited as fully paid;
- (e) an instrument of transfer dated 14 August 2015 entered into between Mr. Kwong and Mr. Jason Yip for the transfer of 3,000 ordinary shares of Sage City from Mr. Kwong to Mr. Jason Yip, representing 30% of the then total issued share capital of Sage City, at a consideration of US\$3,000;


- (f) bought and sold notes dated 14 August 2015 entered into between Mr. Kwong and Mr. Jason Yip for the transfer of 3,000 ordinary shares of Sage City from Mr. Kwong to Mr. Jason Yip, representing 30% of the then total issued share capital of Sage City, at a consideration of US\$3,000;
- (g) a share sales and purchase agreement dated 14 August 2015 entered into between Sage City and Silver Thrive whereby Silver Thrive as purchaser acquired 550 ordinary shares of Victor Ease from Sage City, representing 5.5% of the then total issued share capital of Victor Ease, at a consideration of HK\$5,142,500;
- (h) a share sales and purchase agreement dated 14 August 2015 entered into between Sage City and Speedtown whereby Speedtown as purchaser acquired 366 ordinary shares of Victor Ease from Sage City, representing 3.66% of the then total issued share capital of Victor Ease, at a consideration of HK\$3,422,100;
- (i) a share sales and purchase agreement dated 14 August 2015 entered into between Sage City and Marine Assets whereby Marine Assets as purchaser acquired 367 ordinary shares of Victor Ease from Sage City, representing 3.67% of the then total issued share capital of Victor Ease, at a consideration of HK\$3,431,450;
- (j) a share sales and purchase agreement dated 14 August 2015 entered into between Sage City and United Solutions whereby United Solutions as purchaser acquired 367 ordinary shares of Victor Ease from Sage City, representing 3.67% of the then total issued share capital of Victor Ease, at a consideration of HK\$3,431,450;
- (k) a share swap agreement dated 16 June 2016 entered into between Sage City, Silver Thrive, Speedtown, Marine Assets, United Solutions and the Company whereby the Company as purchaser acquired 8,350, 550, 366, 367 and 367 ordinary shares of Victor Ease from Sage City, Silver Thrive, Speedtown, Marine Assets and United Solutions respectively, in aggregate representing 100% of the then total share capital of Victor Ease, at considerations of for which 8,349, 550, 366, 367 and 367 consideration shares of were allotted to Sage City, Silver Thrive, Speedtown, Marine Assets and United Solutions respectively, all credited as fully paid;

- (l) a deed of indemnity dated 24 September 2016 and executed by Mr. Kwong and Sage City each in favour of our Company (for itself and on behalf of its subsidiaries) containing indemnities referred to in the paragraph headed “Tax and other indemnities” in this appendix;
- (m) a deed of non-competition dated 24 September 2016 and executed by Mr. Kwong and Sage City each in favour of our Company (for itself and on behalf of its subsidiaries), details of which are set out in the paragraph headed “Deed of Non-competition” under the section headed “Relationship with Controlling Shareholders” in this prospectus; and
- (n) Public Offer Underwriting Agreement.

2. Intellectual Property Rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group had applied for the following trademark in Hong Kong:

Applicant	Trademark	Application Number	Class	Application Date
Kwong Man Kee Engineering Limited		303629773	2, 19, 37	15 December 2015

The application for registration of the trademark is currently under official examination by the Trade Marks Registry of Hong Kong. Our legal advisers have advised that there should be no legal impediment in the registration of the trademark after the application is approved by the Trade Marks Registry if no grounds of refusal are found by the Trade Marks Registry and no oppositions against the application are filed by a third party during publication period, which in the ordinary course may take approximately six months or less from the Latest Practicable Date.

(b) Domain names

As at the Latest Practicable Date, our Group is the owner of the following domain names which as considered by our Directors, are material to the business of our Group:

Name of Registered Owner	Domain Name	Expiry Date
Kwong Man Kee Engineering Limited	kwongmankee.info	5 December 2021
Kwong Man Kee Engineering Limited	kwongmankee.com.hk	29 April 2021
Kwong Man Kee Engineering Limited	kmk.com.hk	29 April 2021

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of Interests

- (a) So far as our Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of option that may be granted under the Share Option Scheme), the interests and short positions of our Directors or chief executive officer of our Company in the Shares, underlying Shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the GEM, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, will be as follows:

Long position in our Shares

Name of Director	Capacity/Nature	Number of Shares held/ interested	Approximate percentage of shareholding
Mr. Kwong (Note)	Interest in controlled corporation (Note)	375,750,000	62.63%

Note: Mr. Kwong beneficially owns 70% of the issued share capital of Sage City, the beneficial owner holding 62.63% shareholding in our Company. Therefore, Mr. Kwong is deemed, or taken to be, interested in all our Shares which are beneficially owned by Sage City for the purpose of the SFO. Mr. Kwong is the chairman, an executive Director of our Company and a director of Sage City.

- (b) So far as our Directors are aware, the following persons will, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of option that may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in our Shares

Name	Capacity/Nature	Number of Shares held/interested	Approximate percentage of Shareholding
Sage City (Note 1)	Beneficial interest	375,750,000	62.63%
Mr. Kwong (Note 2)	Interested in controlled corporation	375,750,000	62.63%
Ms. Li Chuen Chun (Note 3)	Interest of spouse	375,750,000	62.63%

Notes:

1. Sage City is a company incorporated in the BVI and is owned by Mr. Kwong and Mr. Jason Yip as to 70% and 30%, respectively. Mr. Kwong is the chairman, an executive Director of our Company and a director of Sage City. Mr. Jason Yip is a senior management of our Company.
2. Mr. Kwong beneficially owns 70% of the issued share capital of Sage City, the beneficial owner holding 62.63% shareholding in our Company. Therefore, Mr. Kwong is deemed, or taken to be, interested in all our Shares which are beneficially owned by Sage City for the purpose of the SFO.
3. Ms. Li Chuen Chun is the spouse of Mr. Kwong and is deemed, or taken to be, interested in all our Shares in which Mr. Kwong is interested upon Listing for the purposes of the SFO.

2. Particulars of service contracts

None of our Directors has or is proposed to have any service agreement with our Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

3. Remuneration of Directors

- (a) The aggregate remuneration (including salaries, fees, discretionary bonuses and other allowances and benefits in kind) paid by our Group to Mr. Kwong (being our sole director during FY2015 and FY2016) for each of FY2014 and FY2015 was approximately HK\$920,000 and HK\$780,000 respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2017 will be approximately HK\$870,000.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors	HK\$
Mr. Kwong Chi Man	840,000
Mr. Yip Wai Man	330,000
 Independent non-executive Directors	 HK\$
Ms. Yu Wan Wah Amparo	100,000
Mr. Law Pui Cheung	100,000
Mr. Wat Danny Hiu Yan	100,000

4. Agency fees or commissions received

Save as disclosed in the section headed “Underwriting – Commission and expenses” of this prospectus, none of our Directors or the experts named in the paragraph headed “Consents of experts” in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under note 24 to the accountant’s report set forth in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- a. taking no account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Placing and the Public Offer and the Capitalisation Issue, have an interest or short position in the Shares or underlying Shares which will fall to be disclosed to our Company and the Stock Exchange pursuant to 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 or any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- b. none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the GEM;
- c. none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix is interested 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 our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- d. none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- e. none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- f. so far as is known to our Directors, none of our Directors, their respective associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;

- g. none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- h. no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 24 September 2016. The following is a summary of the principal terms of the Share Option Scheme but does not form, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date” 24 September 2016, the date on which the Share Option Scheme is conditionally adopted by our Shareholders by way of written resolutions

“Board” the board of Directors or a duly authorised committee of the board of Directors

“Group” our Company and any entity in which our Company, directly or indirectly, holds any equity interest

“Scheme Period” the period commencing on the Adoption Date and expiring at the close of business on the Business Day immediately preceding the tenth anniversary thereof

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 24 September 2016:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (fulltime and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and services providers of our Group and to promote the success of the business of our Group.

(ii) *Who may join and basis of eligibility*

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iii) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the 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 option, which must be a Business Day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided always that for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the new issue price shall be used as the closing price for any Business Day fall within the period before listing.

(iv) *Grant of options and acceptance of offers*

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.00.

(v) *Maximum number of Shares*

- (aa) subject to sub-paragraph (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 60,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 60,000,000 Shares from time to time) to the participants under the Share Option Scheme.

- (bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of our Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the GEM Listing Rules in this regard.
- (cc) our Company may seek separate approval of the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the GEM Listing Rules.
- (dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(vi) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) Grant of options to a Director, chief executive or Substantial Shareholder, or any of their respective associates

- (aa) Any grant of an option to a Director, chief executive or Substantial Shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the option).
- (bb) Where any grant of options to a Substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the GEM Listing Rules in this regard. The grantee, his associates and all core connected persons of our Company must abstain from voting (except where any connected person intends to vote against the proposed grant).

Any change in the terms of an option granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) Restrictions on the times of grant of options

- (aa) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
 - (i) the date of the Board meeting (such date to first be 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, quarterly or other interim period (whether or not required under the GEM Listing Rules); and

- (ii) the deadline for our Company to publish an announcement of the results for any year, half-year or quarterly under the GEM Listing Rules, or other interim period (whether or not required under the GEM Listing Rules).
- (bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of our Company are published and:
 - (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of 3 years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of six months following his death, then his personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(xv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already exercised) shall lapse on the expiry of 3 months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xvi) Effects of alterations to share capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the GEM Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification is required in case of adjustment made on a capitalisation issue), provided that

any alteration shall give a grantee the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and, or any persons controlled by the offeror and, or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xviii) Rights on winding-up

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than 2 Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) Rights on compromise or arrangement

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“**Suspension Date**”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue

the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of its officers.

(xx) *Lapse of options*

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xiv), (xv), (xvii), (xviii) or (xix) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by our Shareholders in general meeting.

(xxiii) Alteration to the Share Option Scheme

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 23.03 of the GEM Listing Rules shall not be made except with the prior approval of our Shareholders in general meeting.
- (bb) Any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the GEM Listing Rules and the notes thereto and the supplementary guidance on the interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time (including the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) or any guidelines issued by the Stock Exchange from time to time.

(xxiv) Termination to the Share Option Scheme

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon (i) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in the Shares may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; (ii) the passing of the necessary resolution(s) to approve and adopt the Share Option Scheme by the Shareholders in general meeting or by way of written resolution; and (iii) the commencement of trading of Shares on the GEM.

(c) Present status of the Share Option Scheme

Application has been made to the Listing Division for listing of and permission to deal in 60,000,000 Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION**1. Tax and other indemnities**

Each of Mr. Kwong and Sage City (the “**Indemnifiers**”) has, under a deed of indemnity referred to in item (l) of the section headed “B. Further information about the Business of our Group – Summary of material contracts” in this appendix, given indemnities to our Company for itself and as trustee for its subsidiaries in connection with, among other things,

- (a) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the Placing and the Public Offer becomes unconditional; or (ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which the Listing becomes unconditional;
- (b) any liability for Hong Kong estate duty which is or hereafter become payable by any member of our Group under or by virtue of the provisions of Section 35 and Section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Placing and the Public Offer becomes unconditional;
- (c) the implementation of the Reorganisation and/or disposal or acquisition of the equity interest in any member of our Group since the date of incorporation of each member of our Group and up to the date on which the Placing and the Public Offer becomes unconditional;

- (d) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Placing and the Public Offer becomes unconditional; and
- (e) any non-compliance with the applicable laws, rules or regulations by our Company and/or any member of our Group on or before the date on which the Placing and the Public Offer becomes unconditional.

The Indemnifiers will, however, not be liable under the deed of indemnity to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such liability in the audited combined accounts of our Company for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Placing and the Public Offer becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of any members of our Group after 31 March 2016 up to and including the date on which the Placing and the Public Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

2. Litigation

Our Directors confirmed that as at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Division for listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 6A.07 of the GEM Listing Rules.

We agreed to pay the Sponsor a fee of HK\$4,800,000, which relates solely to services provided by the Sponsor in the capacity of sponsor.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$20,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules.

6. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

Name	Qualification
Alliance Capital Partners 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 under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Frost and Sullivan	Industry Consultant
Maples and Calder	Attorneys-at-law of Cayman Islands
Queenie W.S. Ng	Barrister-at-law of Hong Kong

7. Consents of experts

Each of Alliance Capital Partners Limited, PricewaterhouseCoopers, Frost and Sullivan, Maples and Calder, Queenie W.S. Ng has given and has not withdrawn its written consents to the issue of this prospectus, with the inclusion of its letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which they respectively appear.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by Maple Fund Services (Cayman) Limited and a branch register of members of our Company will be maintained by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

10. No material adverse change

Save for the expenses expected to be incurred in connection with the Listing, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company or its subsidiaries since 31 March 2016 (being the date to which the latest audited financial statements of our Group were made up) and up to the date of this prospectus, and there is no event since 31 March 2016 which would materially affect the information shown in our combined financial information included in the Accountant's Report set forth in Appendix I to this prospectus.

11. Taxation of holders of Shares**(a) Hong Kong**

Dealings in Shares registered on our 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 our Company, our Directors or parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

12. Miscellaneous

- (a) Save as disclosed in this prospectus:
 - i) within the two years immediately preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
 - (cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any Shares or shares of any of our subsidiaries;
 - (dd) no founder, management or deferred shares or any debentures of our Company have been issued or agreed to be issued; and
 - (ee) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
 - ii) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;
 - iii) save in connection with the Underwriting Agreements none of the parties listed in the paragraph headed “E. Other Information – 6. Qualifications of experts” in this appendix is:
 - (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including our Shares; or
 - (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares;
 - iv) our Company and its subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;

- v) no company within our Group is presently listed on any stock exchange or traded on any trading system; and
 - vi) our Group has no outstanding convertible debt securities.
- (b) the English text of this prospectus shall prevail over the Chinese text.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (a) the written consents referred to in the paragraph headed “Consents of experts” in Appendix IV to this prospectus; and (b) copies of the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Louis K.Y. Pau & Co. at 4/F., The Chinese Club Building, Nos 21-22 Connaught Road Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountant’s Report of our Group dated the date of this prospectus from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the audited combined financial statements of our Company as have been prepared for the companies comprising our Group for the two years ended 31 March 2016;
- (d) the report on unaudited pro forma financial information from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;
- (e) the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix IV to this prospectus;
- (f) the service agreements referred to in the paragraph headed “Particulars of service contracts” in Appendix IV to this prospectus;
- (g) the written consents referred to in the paragraph headed “Consents of experts” in Appendix IV to this prospectus;
- (h) the Companies Law;
- (i) the letter of advice prepared by Maples and Calder summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (j) the legal opinion prepared by our Legal Counsel dated the date of this prospectus;
- (k) the industry report issued by Frost & Sullivan; and
- (l) the rules of Share Option Scheme.



鄭文記集團有限公司
KWONG MAN KEE GROUP LIMITED