

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 document”.

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 document.

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 [REDACTED] 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.

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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.

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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.

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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.

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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.

[REDACTED] Investments

We have introduced a number of [REDACTED] 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 [REDACTED] Investors and 83.5% by Mr. Kwong. The above [REDACTED] Investors’ aggregate interests are expected to be diluted to [REDACTED]% following the Listing. In relation to the [REDACTED] investment agreements between Sage City and the [REDACTED] 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 [REDACTED] investments:

<u>Name of [REDACTED] 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

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<u>Name of</u> <u>[REDACTED]</u>	<u>Silver Thrive</u>	<u>Speedtown</u>	<u>Marine Assets</u>	<u>United Solutions</u>
Investors				
Basis for determining the consideration	The consideration was determined based on arm’s length negotiation between Sage City and the [REDACTED] 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 [REDACTED] Investor	None	In the event there was no Listing within 18 months from date of agreement, the [REDACTED] 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	In the event there was no Listing within 18 months from date of agreement, the [REDACTED] 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	In the event there was no Listing within 18 months from date of agreement, the [REDACTED] 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
Shareholding in our Company before Listing	5.5%	3.66%	3.67%	3.67%
Shareholding in our Company after Listing	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%
Lock-up after Listing	6 months	6 months	6 months	6 months

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<u>Name of</u> <u>[REDACTED]</u>	<u>Silver Thrive</u>	<u>Speedtown</u>	<u>Marine Assets</u>	<u>United Solutions</u>
<u>Investors</u>				
Strategic benefits that the [REDACTED] 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:

- 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.
- Calculated based on amount of consideration paid and [REDACTED] Shares expected to be in issue upon the Listing. The consideration per Share paid represents a discount of approximately [REDACTED]% and [REDACTED]% to the expected [REDACTED] range of between [REDACTED] and [REDACTED] per [REDACTED].

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The proceeds of the [REDACTED] 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 [REDACTED] 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 [REDACTED] 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 [REDACTED] 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 [REDACTED] 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 [REDACTED] as [REDACTED] 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 [REDACTED] 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 (stockcode: 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.

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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 (stockcode: 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.

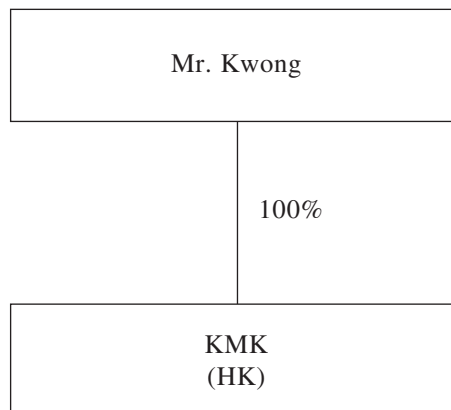
Confirmation from the Sponsor

The Sponsor has confirmed that the investments by the [REDACTED] Investors are in compliance with the Interim Guidance on [REDACTED] 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.

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2. Incorporation of Sage City

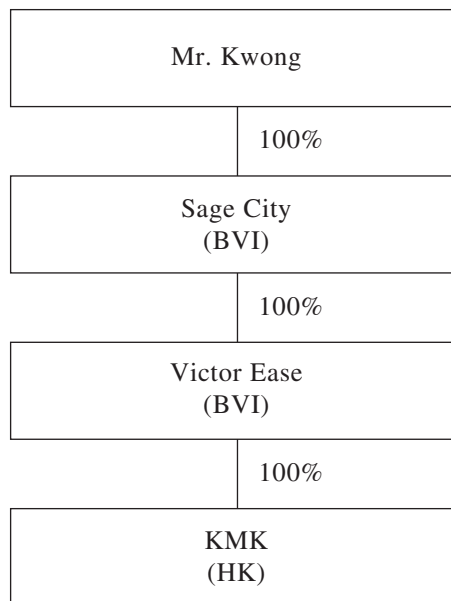
On 10 July 2015, Sage City was incorporated in BVI as a limited liability company with a maximum of 50,000 authorised shares of US\$1.00 each. On 14 August 2015, 1 share was allotted and issued to Mr. Kwong for a consideration of US\$1.00.

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 ([REDACTED] 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.

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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 document.

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 [REDACTED], Sage City will own [REDACTED] Shares, representing [REDACTED]% interest in our Company. Consequently, Mr. Jason Yip, through his 30% interest in Sage City, will indirectly own [REDACTED] 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 [REDACTED] per Share.

7. Transfer of 1,100 shares in Victor Ease to other [REDACTED] 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.

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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.

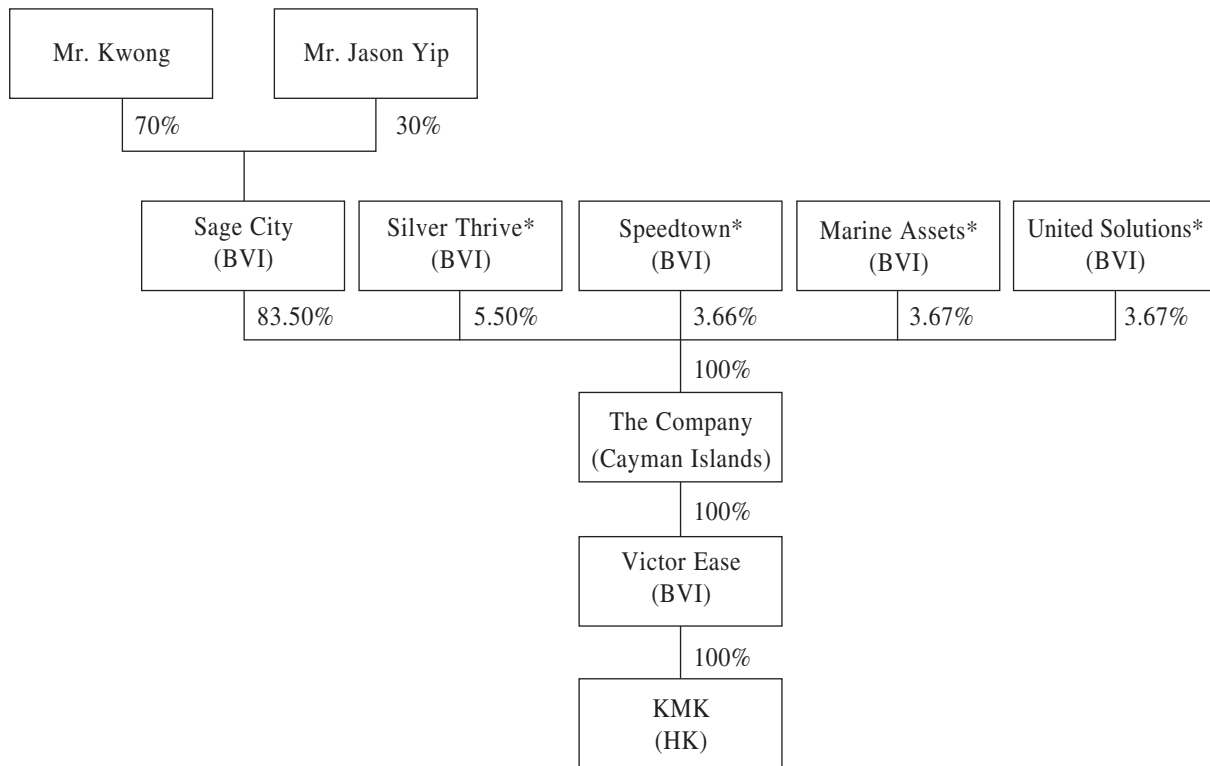
On 16 June 2016, Marine Assets transferred their entire interest, namely 367 shares in Victor Ease to our Company and our Company allotted and issued 367 fully paid Shares to Marine Assets as consideration.

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.

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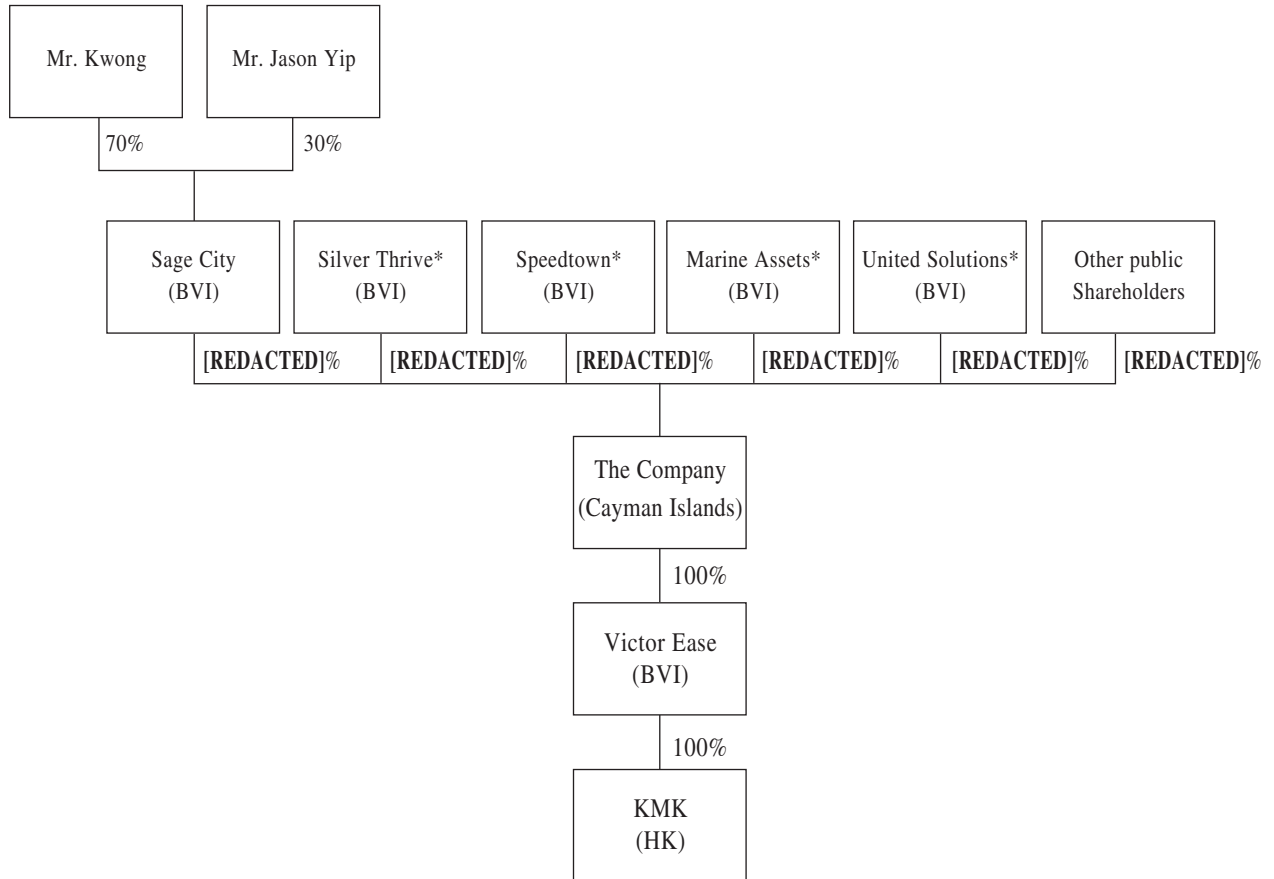
Our Group structure immediately after the Reorganisation is set out below:



* [REDACTED] Investors are regarded as public shareholders upon Listing under the GEM Listing Rules.

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Our Group structure immediately after completion of the [REDACTED] and the Capitalisation Issue is set out below:



* [REDACTED] Investors are regarded as public shareholders upon Listing under the GEM Listing Rules