



# 常滿控股有限公司

## Sheung Moon Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)*

STOCK CODE: 8523

## PUBLIC OFFER



Sole Sponsor



Sole Lead Manager



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## IMPORTANT

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



### Sheung Moon Holdings Limited 常滿控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

#### LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF HONG KONG PUBLIC OFFERING

**Number of Offer Shares : 100,000,000 Shares**

**Offer Price : Not more than HK\$0.50 per Offer Share and expected to be not less than HK\$0.40 per Offer Share (payable in full on application in Hong Kong dollars plus brokerage of 1.00%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% and subject to refund)**

**Nominal Value : HK\$0.01 per Share**

**Stock Code : 8523**

#### Sole Sponsor



**LY Capital Limited**

#### Sole Lead Manager



**KGI Capital Asia Limited**

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

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

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

The Offer Price is currently expected to be determined by an agreement to be entered into between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter) on the Price Determination Date, which is expected to be on or around Tuesday, 6 February 2018 or such later date as the Sole Lead Manager (for itself and on behalf of the Underwriter) and our Company may agree. The Offer Price will be not more than HK\$0.50 and is currently expected to be not less than HK\$0.40 unless otherwise announced. If our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter) are unable to reach an agreement on the Offer Price on the Price Determination Date or such later date as may be agreed between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter), the Hong Kong Public Offering will not become unconditional and will lapse immediately. In such event, an announcement will be made immediately by our Company on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.smcl.com.hk](http://www.smcl.com.hk). The Sole Lead Manager (for itself and on behalf of the Underwriter) may with our consent reduce the indicative Offer Price Range below such indicative Offer Price Range as stated in this prospectus at any time prior to the Price Determination Date. If this occurs, a notice of reduction of the indicative Offer Price Range will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.smcl.com.hk](http://www.smcl.com.hk).

Prospective investors of the Offer Shares should note that the Sole Sponsor and the Sole Lead Manager (for itself and on behalf of the Underwriter) may in their absolute discretion, upon giving notice in writing to our Company, terminate the Underwriting Agreement if any of the events set out in "Underwriting — Underwriting arrangements and expenses - Grounds for termination" of this prospectus occurs at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. It is important that you carefully read that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or outside the United States in offshore transactions in accordance with Regulation S under the Securities Act.

31 January 2018

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## CHARACTERISTICS OF GEM

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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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are generally not required to issue paid announcements in gazette newspapers. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) in order to obtain up-to-date information on GEM-listed issuers.

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## EXPECTED TIMETABLE

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(Note 1)

We will issue an announcement in Hong Kong to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.smcl.com.hk](http://www.smcl.com.hk) if there is any change in the following expected timetable of the Hong Kong Public Offering.

Hong Kong Public Offering commences and **WHITE** and

**YELLOW** Application Forms available from . . . . . 9:00 a.m. on Wednesday, 31 January 2018

Latest time for completing electronic applications under

the **HK eIPO White Form** service through the designated

website at [www.hkeipo.hk](http://www.hkeipo.hk) (Note 2) . . . . . 11:30 a.m. on Monday, 5 February 2018

Application lists open (Note 3) . . . . . 11:45 a.m. on Monday, 5 February 2018

Latest time to give **electronic application instructions**

to HKSCC (Note 4) . . . . . 12:00 noon on Monday, 5 February 2018

Latest time to lodge **WHITE** and **YELLOW**

Application Forms . . . . . 12:00 noon on Monday, 5 February 2018

Latest time to complete payments for **HK eIPO White Form**

applications by effecting internet banking transfers

or PPS payment transfer(s) . . . . . 12:00 noon on Monday, 5 February 2018

Application lists close (Note 3) . . . . . 12:00 noon on Monday, 5 February 2018

Expected Price Determination Date

on or about (Note 5) . . . . . Tuesday, 6 February 2018

Announcement of the final Offer Price, the basis of allotment

and the results of applications in the Hong Kong Public

Offering to be published (a) on the Stock Exchange's

website at [www.hkexnews.hk](http://www.hkexnews.hk); and (b) on our Company's

website at [www.smcl.com.hk](http://www.smcl.com.hk) on or before . . . . . Friday, 9 February 2018

Announcement of results of allocations in the Hong Kong

Public Offering (with successful applicants' identification

document numbers, where appropriate) to be available

through a variety of channels including the Company's

website at [www.smcl.com.hk](http://www.smcl.com.hk) and the website of the Stock

Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) (for further details,

please see "How to apply for Hong Kong Offer Shares —

11. Publication of Results" in this prospectus) from . . . . . Friday, 9 February 2018

Results of allocations in the Hong Kong Public Offering

will be available at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with

a "search by ID Number/Business Registration Number"

function from . . . . . Friday, 9 February 2018



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## EXPECTED TIMETABLE

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Despatch/Collection of **HK eIPO White Form** e-Auto Refund  
payment instructions/refund cheques in respect of wholly or  
partially 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 Hong Kong Public Offering on or before <sup>(Notes 7 to 9)</sup> . . . . . Friday, 9 February 2018

Despatch/Collection of share certificates or deposit  
of the Share certificates for the Offer Shares  
into CCASS in respect of wholly or partially  
successful applications pursuant to the  
Hong Kong Public Offering on or about <sup>(Notes 6 to 8)</sup> . . . . . Friday, 9 February 2018

Dealings in the Shares on the Stock Exchange  
expected to commence at 9:00 a.m. on . . . . . Monday, 12 February 2018

*Notes:*

1. All times and dates refer to Hong Kong local time and date, except as otherwise stated. Details of the structure of the Hong Kong Public Offering, including its conditions, are set out in the section headed “Structure and Conditions of the Hong Kong Public Offering” in this prospectus.
2. You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider 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 the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “**black**” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 5 February 2018, the application lists will not open and close on that day. For details, please see “How to Apply for Hong Kong Offer Shares — 10. Effect of bad weather on the opening of the application lists” in this prospectus.
4. Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to “How to Apply for Hong Kong Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is expected to be on or around Tuesday, 6 February 2018 (or such later date as may be agreed between our Company and the Sole Lead Manager (for itself and on behalf of the other Underwriter). If the Sole Lead Manager (for itself and on behalf of the other Underwriter) and our Company are unable to reach an agreement on the Offer Price on the Price Determination Date, the Hong Kong Public Offering will not become unconditional and will lapse immediately.
6. Share certificates for the Offer Shares are expected to be issued on or before Friday, 9 February 2018 but will only become valid certificates of title at 8:00 a.m. on Monday, 12 February 2018 provided that (a) the Hong Kong Public Offering has become unconditional in all respects; and (b) the Underwriting Agreement has not been terminated in accordance with its terms.

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## EXPECTED TIMETABLE

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7. Applicants for 1,000,000 Hong Kong Offer Shares or more on **WHITE** Application Forms or through the **HK eIPO White Form** service may collect refund cheques (where relevant) and/or Share certificates (where relevant) in person from our Hong Kong Branch Share Registrar from 9:00 a.m. to 1:00 p.m. on Friday, 9 February 2018 or any other day that we announce as the date of despatch/collection of Share certificates/refund cheques/e-Auto Refund payment instructions.

Individuals who opt for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

8. Applicants for 1,000,000 Hong Kong Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not elect to collect their Share certificates personally, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' 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 and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to "How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

9. Refund cheques or e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications, and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. 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 may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.

Applicants who apply through the **HK eIPO White Form** service and paid their applications monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Auto Refund payment instructions. Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **HK eIPO White Form** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

For details of the structure of the Hong Kong Public Offering, including the conditions thereof, please refer to the section headed "Structure and Conditions of the Hong Kong Public Offering" in this prospectus. If there is any change to the above expected timetable, an appropriate announcement will be published by our Company on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and on our Company's website at [www.smcl.com.hk](http://www.smcl.com.hk).

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering 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 Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.*

*You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sole Sponsor, the Sole Lead Manager and the Underwriter 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 in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Lead Manager, the Underwriter, any of our/their respective directors, officers, employees, agents, representatives or any other person or party involved in the Hong Kong Public Offering. The contents on the official website of our Company at [www.smcl.com.hk](http://www.smcl.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 of the information which may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in the Offer Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are summarised in the section headed “Risk Factors” in this prospectus. You should read such section carefully before you decide to invest in the Offer Shares.*

*Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary of Technical Terms” in this prospectus.*

### OVERVIEW

Established in 1997, we are a local contractor in the civil engineering construction industry, principally engaged in the provision of site formation works, road and drainage works and structural works in both public and private sectors in Hong Kong. We are an approved contractor of the Government. We have been admitted on probation on the Approved List for Contractors in the categories of Site Formation (Group B) and Roads and Drainage (Group A) and registered as a general building contractor and a specialist contractor (site formation works) with the Buildings Department. We believe our proven track record and reputation in the civil engineering construction industry position us well in maintaining sustainable business development.

Our revenue amounted to approximately HK\$40,298,000 and HK\$89,977,000, respectively for the years ended 31 March 2016 and 2017, representing a growth of approximately 123.28% of our total revenue from the year ended 31 March 2016 to 31 March 2017. And our revenue amounted to approximately HK\$17,215,000 and HK\$62,827,000, respectively for the four months ended 31 July 2016 and 31 July 2017, representing a growth of approximately 264.95% of our total revenue by comparing the four months ended 31 July 2016 and 2017. During the Track Record Period, we were principally engaged as a subcontractor for civil engineering construction works in the public sector, and to a lesser extent, as a main contractor for civil engineering construction works in the private sector.

### Approvals and certificates held by us

The following table sets out the current principal approvals and certificates held by us as at the Latest Practicable Date:

<i>Authority</i>	<i>Approval / certificate</i>	<i>Effective date</i>	<i>Expiry date</i>
Buildings Department	Certificate of Registration of General Building Contractor GBC 7/2004	19 July 2016	23 September 2019
Buildings Department	Certificate of Registration of Specialist Contractor SC(SF) 11/2005 — (site formation works)	23 February 2015	19 March 2018
WBDB	List of Approved Contractors — Roads and Drainage — Group A on probation	26 May 2003	N/A <sup>(Note)</sup>
WBDB	List of Approved Contractors — Site Formation — Group B on probation	15 April 2004	N/A <sup>(Note)</sup>
Construction Industry Council	Subcontractor Registration Scheme (Primary Register)	2 March 2016	1 March 2018

*Note: These approvals granted by WBDB do not have specified expiry dates and their retention is subject to fulfillment of criteria provided in the Contractor Management Handbook and regulatory actions taken by WBDB.*

The Company will apply for the renewal of the relevant approval/certificate one month prior to the expiry date.

## SUMMARY

### BUSINESS MODEL

We source our projects mainly by direct invitation for tenders by our customers. We generally adopt a cost-plus pricing model with markups determined with reference to various factors on a project-by-project basis. During the Track Record Period, we had a primary focus on civil engineering construction works in the public sector in Hong Kong.

The table below sets out a breakdown of our revenue attributable to public and private sector projects during the Track Record Period:

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000 (Unaudited)	%	HK\$'000	%
Public sector	34,341	85.22	79,306	88.14	15,764	91.57	62,406	99.33
Private sector	5,957	14.78	10,671	11.86	1,451	8.43	421	0.67
Total	40,298	100.00	89,977	100.00	17,215	100.00	62,827	100.00

The duration of our public sector projects ranged from 1 year to 3 years, subject to the nature and complexity of the relevant project. Projects undertaken by us for the public sector included site formation works, road and drainage works and structural works. Projects undertaken by us for the private sector included site formation works and structural works for property developers. Going forward, we intend to capture the market growth in both public and private sectors by, among others, expanding our project team and providing additional training to our staff.

### Revenue

The table below sets out a breakdown of our revenue by nature of construction works during the Track Record Period:

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000 (Unaudited)	%	HK\$'000	%
Site formation works	29,743	73.81	45,584	50.67	10,008	58.14	40,245	64.06
Road and drainage works	8,494	21.08	8,675	9.64	1,037	6.02	3,025	4.81
Structural works	2,018	5.01	27,455	30.51	6,007	34.89	19,557	31.13
Other works <sup>Note</sup>	43	0.10	8,263	9.18	163	0.95	—	—
Total	40,298	100.00	89,977	100.00	17,215	100.00	62,827	100.00

*Note: Other works generally refer to civil engineering construction management services, building works, alterations and additions works.*

In addition to providing our services to customers in Hong Kong, during the Track Record Period, we had also been involved in a site formation project in Macau through provision of machine leasing services and off-site technical support in Hong Kong. As at the Latest Practicable Date, we did not involve in any projects in Macau. The following table sets out a breakdown of our revenue during the Track Record Period based on the geographical locations of projects:

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000 (Unaudited)	%	HK\$'000	%
Hong Kong	34,669	86.03	89,046	98.97	16,284	94.59	62,827	100.00
Macau	5,629	13.97	931	1.03	931	5.41	—	—
Total	40,298	100.00	89,977	100.00	17,215	100.00	62,827	100.00

## SUMMARY

The machine leasing business in Macau during the Track Record Period was one-off in nature and it is unlikely that our Group will engage business in Macau in the foreseeable future.

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

Contract sum	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	Number of contracts	HK\$'000	Number of contracts	HK\$'000	Number of contracts	HK\$'000	Number of contracts	HK\$'000
					(Unaudited)			
HK\$10 million or above	4	25,337	6	56,779	4	11,267	6	49,706
HK\$5 million to less than HK\$10 million	3	14,123	5	19,470	4	4,948	4	6,638
HK\$1 million to less than HK\$5 million	1	286	6	12,735	2	837	8	5,986
Below HK\$1 million	3	552	5	993	2	163	4	497
Total	11	40,298	22	89,977	12	17,215	22	62,827

We have recorded an increase in revenue from all our principal construction works during the Track Record Period. We expect to continue to focus on our principal construction works.

### Gross profit

The following table sets out a breakdown of our gross profit by the nature of construction works during the Track Record Period:

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(Unaudited)			
Site formation works	11,372	93.60	15,395	65.11	5,290	84.49	6,906	63.64
Road and drainage works	510	4.20	1,912	8.09	225	3.59	842	7.76
Structural works	224	1.85	3,340	14.13	583	9.32	3,103	28.60
Other works	43	0.35	2,998	12.67	163	2.60	—	—
Total	12,149	100.00	23,645	100.00	6,261	100.00	10,851	100.00

During the Track Record Period, our overall gross profit was approximately HK\$12,149,000, HK\$23,645,000 and HK\$10,851,000, respectively and our overall gross profit margin was approximately 30.15%, 26.28% and 17.27%, respectively.

The table below sets out our gross profit and gross profit margin for the periods indicated:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
			(Unaudited)	
Gross profit (HK\$'000)	12,149	23,645	6,261	10,851
Gross profit margin	30.15%	26.28%	36.37%	17.27%

## SUMMARY

The following table sets forth our gross profit margin by the nature of construction works during the Track Record Period:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	%	%	%	%
	<i>(Unaudited)</i>			
Site formation works	38.23	33.77	52.85	17.16
Road and drainage works	6.00	22.04	21.67	27.84
Structural works	11.10	12.17	9.72	15.87
Other works	<u>100.00</u>	<u>36.28</u>	<u>100.00</u>	<u>—</u>

The gross profit margin decreased by approximately 3.87%, from approximately 30.15% for the year ended 31 March 2016 to approximately 26.28% for the year ended 31 March 2017. The decrease in the gross profit margin was due to (i) changes to the mix of our civil engineering construction projects; and (ii) involvement in projects with a higher profit margin such as the site formation project in Macau and projects that demanded a tight delivery schedule during the year ended 31 March 2016.

The gross profit margin decreased by approximately 19.10%, from approximately 36.37% for the four months ended 31 July 2016 to approximately 17.27% for the four months ended 31 July 2017. The decrease in the gross profit was due to the profit margin for the sizable project in Tseung Kwan O Area 137, which is estimated at approximately 5% only, is relatively lower than other projects undertook by us.

The gross profit margin of other works decreased from 100.00% in the financial year of 2016 (the revenue generated amounted to approximately HK\$43,000) to approximately 36.28% in the financial year of 2017 (the revenue generated amounted to approximately HK\$8,263,000) since the civil engineering construction management services we provided as other works during the year ended 31 March 2016 which did not require us to incur any direct costs whilst in contrast, the major project in other works, namely Tuen Mun Town Hall project, was undertaken during the year ended 31 March 2017 which incurred the usual direct costs. The gross profit margin of other works decreased from 100.00% for the four months ended 31 July 2016 to nil for the four months ended 31 July 2017 since the civil engineering construction management services we provided as other works during the four months ended 31 July 2016 which did not require us to incur any direct costs and no other work was undertaken during the four months ended 31 July 2017.

## CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

### Customers

We have customers in both public and private sectors. During the Track Record Period, our customers in the public sector were principally main contractors in the civil engineering construction industry, whilst our customers in the private sector were principally property developers. We are generally invited to submit our tenders for contracts to main contractors (for public sector projects) and to property developers or their consultants (for private sector projects). The following table sets out the number of tenders submitted, number of tenders won and our success rate during the Track Record Period and up to the Latest Practicable Date:

	Year ended 31 March		From 1 April 2017 to the Latest Practicable Date
	2016	2017	
Number of tenders submitted	55	88	77
Number of tenders won	8	15	11
Success rate (%)	14.55%	17.05%	14.28%

It is our Group's tendering strategies (i) to focus on tenders for civil engineering construction works which are relating to the same project in which we have participated, and (ii) to tender for project with substantial contract value. Notwithstanding the nature of the contracts which are specific to particular projects, non-recurrent and entered into on a project-by-project basis, we have been able

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## SUMMARY

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to maintain stable relationship with our major customers and continued to be invited to submit tenders and secure projects from our major customers throughout the Track Record Period. Please refer to the paragraph headed “Business Strategies — Implement our tendering strategy to allow efficient deployment of resources and enhance our profitability” for the further details.

During the Track Record Period, our tender success rate was relatively low mainly because we were occupied with various civil engineering projects and we were close to our full-service capacity and thus we had taken a conservative approach in our costs calculation by adopting a higher profit margin. Please refer to the paragraph headed “Operation Flow — Tendering — Tenders submitted during the Track Record Period” of the “Business” section for further details.

### ***Customer concentration***

During the Track Record Period, our total revenue attributable to the five largest customers in aggregate amounted to approximately 97.92%, 95.48% and 97.01%, respectively; and our total revenue attributable to our largest customer amounted to approximately 46.46%, 66.08% and 49.12%, respectively. It is common for a civil engineering contractor in Hong Kong to rely on a few customers. Our Directors consider that despite customer concentration, our Group’s business model is sustainable as there has been a strong demand for our services from a wide range of customers in both public and private sectors, and our ability to continue to broaden our customer base through our established relationships with main contractors and subcontractors in Hong Kong.

### **Suppliers**

Our suppliers mainly provide us with cement, steel reinforcement bars, precast concrete units, timbers, diesel fuel and site equipment rental. As at the Latest Practicable Date, there were approximately 22 suppliers on our list of approved suppliers. We review and update the list regularly. For details of our suppliers, please refer to the section headed “Business — Suppliers” in this prospectus.

During the Track Record Period, we had arrangement on contra-charge with some of our customers who were main contractors for the relevant projects. The main contractors would pay for our purchases of construction materials, rental of site equipment, utilities and other miscellaneous costs, and such costs would then be deducted from the customer’s payments to us in settling the service fees for the project. In this context, we regard such customers as our suppliers. Please refer to the section headed “Business — Suppliers — Arrangement on contra-charge” for details.

### ***Supplier concentration***

During the Track Record Period, our total direct costs incurred (excluding direct labour and MPF, depreciation and subcontracting fees) from our largest supplier amounted to approximately 32.10%, 43.00% and 27.73% of our total direct costs incurred (excluding direct labour and MPF, depreciation and subcontracting fees), respectively, while the percentage of our total direct costs incurred (excluding direct labour and MPF, depreciation and subcontracting fees) from our five largest suppliers combined amounted to approximately 94.12%, 78.77% and 75.05% of our total direct costs incurred (excluding direct labour and MPF, depreciation and subcontracting fees), respectively. The reason for the concentration is that some of the largest suppliers were among the top five main contractors with whom we had arrangement on contra-charge. Given that the projects with these main contractors were sizeable, the purchases from them as suppliers were of relatively large quantities and in a greater contract amount. Despite such concentration, our Directors consider that we have not placed undue reliance on any single supplier, which is discussed in detail in the section headed “Business — Suppliers” in this prospectus.

### **Subcontractors**

To ensure our work quality and timely delivery of our works, we aim to carry out the works ourselves. However, for certain components of civil engineering construction works, we would subcontract them. During the Track Record Period, we have subcontracted certain components of our works such as rebar fixing, formboard erecting, concreting and drainage works. During the Track Record Period, our subcontracting fee amounted to approximately HK\$17,386,000, HK\$24,445,000 and HK\$8,878,000, respectively, representing approximately 61.76%, 36.86% and 17.08% of our total direct costs, respectively. The increase in subcontracting fee during the Track Record Period was primarily due to an increase in the volume of our business, whilst the addition of workforce and site equipment led to a decrease in the percentage of subcontracting fee to our total direct costs.



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## SUMMARY

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### ***Subcontractor concentration***

For the two years ended 31 March 2017 and four months ended 31 July 2017, the percentage of our Group's subcontracting fee incurred attributable to our Group's largest subcontractor amounted to approximately 67.32%, 24.03% and 47.12% of our Group's total subcontracting fee incurred, respectively, while the percentage of our Group's subcontracting fee incurred attributable to our Group's five largest subcontractors combined amounted to approximately 92.61%, 84.33% and 92.95% of our Group's total subcontracting fee incurred, respectively. Despite such concentration, our Directors consider that we have not placed undue reliance on any subcontractor, which is discussed in detail in the section headed "Business — Subcontractors" in this prospectus.

### **PROJECT BACKLOG DURING THE TRACK RECORD PERIOD**

The following table sets out the number of contracts awarded to and completed by us and the aggregate contract sum during the Track Record Period and as at the Latest Practicable Date:

	<b>Number of contracts</b>	<b>Aggregate contract sum<sup>(Note)</sup> HK\$'000</b>
<b><i>As at 1 April 2015</i></b>		
Existing contracts	5	37,301
<b><i>During the financial year ended 31 March 2016</i></b>		
Contracts completed	2	43
New contracts awarded	8	137,137
<b><i>As at 31 March 2016</i></b>		
Existing contracts	11	174,395
<b><i>During the financial year ended 31 March 2017</i></b>		
Contracts completed	6	27,268
New contracts awarded	15	48,081
<b><i>As at 31 March 2017</i></b>		
Existing contracts	20	195,208
<b><i>During the four months ended 31 July 2017</i></b>		
Contract completed	1	722
New contracts awarded	6	203,744
<b><i>As at 31 July 2017</i></b>		
Existing contracts	25	398,230
<b><i>For the period from 1 August 2017 and up to the Latest Practicable Date</i></b>		
Contracts completed	0	0
New contracts awarded	5	61,527
<b><i>As at the Latest Practicable Date</i></b>		
Existing contracts	30	459,757

*Note: The aggregate contract sum is based on a total of all contract sums stated in the initial agreements between our customers and us and may not include additions and modifications due to subsequent variation orders. The final revenue recognised from a contract may differ from the contract sum initially agreed between the contracting parties.*

As at the Latest Practicable Date, we had 30 contracts in progress with an aggregate contract sum of approximately HK\$459,757,000.

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## SUMMARY

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### COMPETITIVE LANDSCAPE

According to the CHFT Report, the civil engineering subcontracting industry in Hong Kong is fragmented; and for the year ended 31 March 2017, our total revenue of approximately HK\$89,977,000 represented approximately 0.94% of the total estimated revenue in the civil engineering construction industry generated by civil engineering subcontractors in Hong Kong. For further details, please refer to the section headed “Industry Overview — Competitive Landscape of the Civil Engineering Construction Industry in Hong Kong”.

### COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

Our Directors believe that our Group possesses the following competitive strengths which have contributed to our success and differentiated us from our competitors:

- we are well established in the civil engineering construction industry in Hong Kong with operation since 1997 coupled with a proven track record;
- we have been involved in a wide range of civil engineering construction projects showcasing our technical capacity;
- we have held certain approvals and certificates for our business operations;
- we own a broad range of site equipment for different types of civil engineering construction works;
- our management team has project experience and our workforce is competent for the tasks;
- we are committed to and give top priority to safety, quality control and environmental protection; and
- we have established long-term and stable relationships with our major customers, suppliers and subcontractors.

Our principal business objectives are to capture more business opportunities in the market, to further strengthen our position as an established and reliable contractor for civil engineering construction works in Hong Kong and to create long-term value for our Shareholders. We plan to adopt the following strategies:

- expand our manpower by hiring more workforce;
- acquire additional site equipment to facilitate our group to capture more sizeable and profitable projects;
- implement our tendering strategy to allow efficient deployment of resources and enhance our profitability; and
- exercise prudent financial management to ensure liquidity and sustainable growth in the long run.

For more details, please refer to the section headed “Business — Business Strategies” in this prospectus.

### PRE-IPO INVESTMENT AND CONTROLLING SHAREHOLDERS

On 22 December 2016, Sigma Square (a company wholly owned by Mr. Tang Siu Fung Calvin, the son of Mr. SW Tang) and Sheung Moon Construction entered into the Investment Agreement, pursuant to which Sigma Square agreed to provide a loan in the principal amount of HK\$10 million to Sheung Moon Construction. Pursuant to the terms of the Investment Agreement, the principal amount of the loan can be converted into the Shares. Upon the exercise of the conversion rights attached to the Investment Agreement, Sigma Square or its nominee(s) will hold 10% of the total number of the issued Shares immediately following completion of the Hong Kong Public Offering and the Capitalisation Issue.

Immediately following completion of the Hong Kong Public Offering and the Capitalisation Issue (without taking into account any Shares that may be issued upon exercise of any options which may be granted under the Share Option Scheme), our Company will be owned as to approximately (i) 65% by Chrysler Investments, which is wholly owned by Mr. SW Tang, an executive Director and a Controlling Shareholder; (ii) approximately 10% by Altivo Ventures, which is wholly owned by Sigma

## SUMMARY

Square, which in turn is owned by Mr. Tang Siu Fung Calvin, the son of Mr. SW Tang; and (iii) 25% by the public. For the purpose of the GEM Listing Rules, Chrysler Investments and Mr. SW Tang are our Controlling Shareholders. Please refer to the section headed “Relationship with our Controlling Shareholders” in this prospectus for further details of our Controlling Shareholders.

Each of the Controlling Shareholders confirms that it or he does not, directly or indirectly, carry on, participate or engage in, nor is interested in, any business which is or may be in competition with our business.

### SUMMARY OF FINANCIAL AND OPERATING INFORMATION

The following table sets out the key financial information as extracted from the consolidated statements of profit and loss and other comprehensive income, consolidated statements of financial position and consolidated cash flow statements during the Track Record Period:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
<b>Revenue</b>	<b>40,298</b>	<b>89,977</b>	<b>17,215</b>	<b>62,827</b>
Direct costs	(28,149)	(66,332)	(10,954)	(51,976)
<b>Gross profit</b>	<b>12,149</b>	<b>23,645</b>	<b>6,261</b>	<b>10,851</b>
Other income	109	31	5	10
Other gains and losses	—	(1,989)	—	80
Administrative expenses	(4,338)	(5,654)	(1,621)	(2,272)
Finance costs	(395)	(1,317)	(320)	(1,074)
Listing expenses	—	(2,320)	—	(5,311)
<b>Profit before taxation</b>	<b>7,525</b>	<b>12,396</b>	<b>4,325</b>	<b>2,284</b>
Taxation	(2,199)	(2,652)	(774)	(1,348)
<b>Profit for the year/period</b>	<b>5,326</b>	<b>9,744</b>	<b>3,551</b>	<b>936</b>
Other comprehensive income for the year/period:				
Item that will not be subsequently reclassified to profit or loss:				
Surplus on transfer from property, plant and equipment to investment property	—	2,695	—	—
<b>Total comprehensive income for the year/period</b>	<b>5,326</b>	<b>12,439</b>	<b>3,551</b>	<b>936</b>

Our direct costs primarily consist of subcontracting fee, rental of site equipment, construction materials, direct labour and MPF, transportation and depreciation. For the two years ended 31 March 2017, our total revenue amounted to approximately HK\$40,298,000, HK\$89,977,000, respectively, representing a growth of approximately 123.28%, and approximately HK\$62,827,000 for the four months ended 31 July 2017, representing a growth of approximately 264.95% compared with the four months ended 31 July 2016; and our profit amounted to approximately HK\$5,326,000 and HK\$9,744,000, respectively, representing a growth of approximately 82.95%, and the total comprehensive income was approximately HK\$936,000 for the four months ended 31 July 2017, representing a decline of approximately 73.64% compared with the four months ended 31 July 2016. For reasons of the fluctuation of our historical results of operations, please refer to the section headed “Financial Information — Results of Operations of our Group” in this prospectus.

## SUMMARY

### *Highlights of consolidated statements of financial position*

	As at 31 March		As at 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	31,348	32,348	43,430
Current assets	18,770	51,477	82,192
Current liabilities	20,505	31,188	59,574
Net current (liabilities) assets	(1,735)	20,289	22,618
Non-current liabilities	8,227	18,812	21,287
Net assets	21,386	33,825	44,761

As at 31 March 2016, we had net current liabilities amounted to approximately HK\$1,735,000 which was attributable to an increase in bank borrowings for working capital purposes.

### *Highlights of consolidated cash flows statements*

	Year ended 31 March		Four months ended	
	2016	2017	2016	31 July
	HK\$'000	HK\$'000	HK\$'000	2017
			(Unaudited)	HK\$'000
Operating cash flows before movement in working capital	9,518	18,322	5,515	4,234
Net cash from/(used in) operating activities	5,936	(1,564)	(1,432)	(1,095)
Net cash from/(used in) investing activities	(1,802)	2,337	(133)	(6,060)
Net cash from/(used in) financing activities	3,022	3,806	(1,256)	19,186
Net increase/(decrease) in cash and cash equivalents	7,156	4,579	(2,821)	12,031
Cash and cash equivalents at the beginning of the year/period	1,423	8,579	8,579	13,158
Cash and cash equivalents at the end of the year/period	8,579	13,158	5,758	25,189

Our Group recorded a net cash used in operating activities of approximately HK\$1,564,000 for the year ended 31 March 2017 and approximately HK\$1,095,000 for the four months ended 31 July 2017 primarily due to an increase in trade and other receivables of HK\$12,860,000 for the year ended 31 March 2017 and approximately HK\$21,688,000 for the four months ended 31 July 2017, respectively, arising from the substantial value of civil engineering construction works completed near the year end of 2017. As at the Latest Practicable Date, 97.23% of our trade receivables as at 31 July 2017 have been settled within the credit period granted to our customers. For further details and analysis of our financial information, please refer to the section headed “Financial Information” in this prospectus.

### *Summary of Financial Ratios*

	Year ended or as at 31 March		Four months ended or as at 31 July
	2016	2017	2017
<b>Profitability ratios</b>			
Return on total assets	10.63%	11.62%	N/A <sup>Note 2</sup>
Return on equity	24.90%	28.81%	N/A <sup>Note 2</sup>
<b>Liquidity ratios</b>			
Current ratio	0.92	1.65	1.38
<b>Capital adequacy ratios</b>			
Gearing ratio <sup>(Note 1)</sup>	86.65%	83.86%	93.02%
Interest coverage	20.05 times	10.41 times	3.13 times

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## SUMMARY

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*Note 1: The gearing ratio is calculated based on the total debt at the end of the period divided by the total equity at the end of the same period. The total debt represents bank borrowings, obligations under finance leases and convertible loan notes.*

*Note 2: Not applicable as the ratios are not meaningful to compare the profit for four months ended 31 July 2017 with the profit for the years ended 31 March 2016 and 2017.*

### RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the date of this prospectus, we continued to focus on developing our business of undertaking site formation works, road and drainage works and structural works in both public and private sectors in Hong Kong.

The overall gross profit margin is expected to decrease subsequent to the Track Record Period due to the sizable project at Tseung Kwan O Area 137. Works involved in this project are non-technical in nature such as the relocation and internal transportation of materials within the site, and the corresponding gross profit margin is lower. On the other hand, our gross profit is expected to increase subsequent to the Track Record Period as the variation orders and additional ad-hoc works, which requested by main contractors in urgency, usually provides higher margin and substantially contributed.

As at the Latest Practicable Date, we had a total of 30 contracts in progress. Please refer to the section headed “Business — Our Civil Engineering Construction Contracts” in this prospectus for a full list of our contracts in progress as at the Latest Practicable Date. Subsequent to the Track Record Period and up to the Latest Practicable Date, we have been awarded and commenced 5 new contracts.

As far as we are aware, as at the date of this prospectus our business operation remained relatively stable after the Track Record Period, with no material adverse change in the general economic and market conditions in Hong Kong or the civil engineering construction industry in which we operate that had affected or would affect our business operations or financial condition materially and adversely. From 1 August 2017 and up to the date of this prospectus, we did not experience any significant decline in revenue or increase in costs of services or other costs (apart from Listing expenses incurred) as there were no significant changes to the general business or operation model of our Group. Subsequent to Track Record Period and up to Latest Practicable Date, we have submitted 46 tenders out of which 5 tenders were won, 15 tenders were unsuccessful and 26 tenders are still pending award results with an estimated total contract value of HK\$470 million. As the one-off Listing expenses of approximately HK\$12,594,000 will be charged to profit or loss of our Group for the year ending 31 March 2018, it is expected that (i) our net profit will record a significant decline, and (ii) we will also record negative cash flow from operating activities for the year ending 31 March 2018.

### DIVIDEND

Our Group did not declare or distribute any dividend during the Track Record Period.

We do not have a fixed dividend policy and our Company does not have any predetermined dividend payout ratio. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend on the future operations and earnings, capital requirements and surplus, general financial condition and other factors that our Directors deem relevant. Investors should note that historical dividend distributions are not indicative of our Company’s future dividend distribution policy. Our Company did not have any distributable reserve available for distribution to our Shareholders as at 31 July 2017.

Our financial performance for the year ending 31 March 2018 will be affected by the expenses incurred in relation to the Listing, which are one-off in nature. It is estimated that the Listing expenses as to approximately HK\$12,594,000 will be recognised as expenses during the year ending 31 March 2018.

### LEGAL AND COMPLIANCE

To the best of our Directors’ knowledge, during the Track Record Period and up to the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and our Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance against our Group which, in the opinion of our Directors, would have a material adverse effect on our financial condition or results of operations.

As at the Latest Practicable Date, save as disclosed in the paragraph headed “Business — Failure to Register with the Macau Finance Bureau” in this prospectus, we had been in compliance in all material respects with the applicable laws and regulations in Hong Kong and Macau where the projects



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## SUMMARY

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were located and had obtained all necessary approvals, permits, licences and certificates that were material to our business operations from the relevant government authorities. We did not record any reportable accidents and accidents involving fatal injuries during the Track Record Period and up to the Latest Practicable Date.

### MATERIAL ADVERSE CHANGE

Our Directors confirm that save as disclosed in the paragraph headed “Listing Expenses” in the section headed “Financial Information” in this prospectus, there has been no material adverse change in our financial or trading position since 31 July 2017, being the date to which the latest audited financial statements of our Group were made up, and up to the date of this prospectus.

### LISTING EXPENSES

Our Directors expected that our total Listing expenses are non-recurring in nature. Assuming that the Offer Price of HK\$0.45 per Offer Share (being the mid-point of the indicative Offer Price Range stated in this prospectus), the total Listing expenses are estimated to be approximately HK\$20,000,000. Among the Listing expenses, (i) approximately HK\$5,086,000 is directly attributable to the issue of the Offer Shares which is to be accounted for as a deduction from equity; (ii) approximately HK\$2,320,000 have been charged to profit or loss of our Group for the year ended 31 March 2017; and (iii) approximately HK\$12,594,000 will be charged to profit or loss of our Group for the year ending 31 March 2018, approximately HK\$5,311,000 have been charged to profit or loss of our Group for the four months ended 31 July 2017. Such expenses are an estimate and for reference only. The final total amount to be recognised in profit or loss of our Group or to be capitalised is subject to adjustment based on audit and the changes in variables and assumptions.

In addition, there will be an expected increase in administrative expenses which is primarily attributable to an increase in Directors’ remuneration and other professional fees for the year ending 31 March 2018 arising from an increase in remuneration of our Directors and the appointment of the newly appointed independent non-executive Directors and professional parties prior to and after the Listing.

### HONG KONG PUBLIC OFFERING STATISTICS

Market capitalisation at Listing <sup>(Note 1)</sup>	:	HK\$160 million to HK\$200 million
Offer size	:	25% of the enlarged issued share capital of the Company
Offer Price per Offer Share	:	HK\$0.40 to HK\$0.50
Number of Offer Shares	:	100,000,000 Shares
Board lot	:	5,000
Unaudited pro forma adjusted net tangible assets per Share <sup>(Note 2)</sup>	:	HK\$0.20 based on an Offer Price of HK\$0.40 per Offer Share; and HK\$0.23 based on an Offer Price of HK\$0.50 per Share

Notes:

1. Based on 400,000,000 Shares in issue immediately after completion of the Hong Kong Public Offering.
2. Arrived at after the adjustments referred to the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus and on the basis of 400,000,000 Shares in issue at the Offer Price of HK\$0.40 and HK\$0.50 per Share, respectively immediately following completion of the Hong Kong Public Offering.

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## SUMMARY

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### REASONS FOR LISTING AND USE OF PROCEEDS

Our Directors believe that the Listing could enhance our capital base and the net proceeds from the Hong Kong Public Offering will strengthen our financial position and enable us to implement our business objectives set out in this section. Furthermore, a public listing status on GEM will allow us to access to capital market for future corporate finance exercises, which will assist in our future business development and strengthen our competitiveness. The proceeds from the Hong Kong Public Offering will be applied, among others, for the acquisition of site equipment, recruit of staff and repayment of loans.

Based on the Offer Price of HK\$0.45 per Offer Share, being the mid-point of the indicative Offer Price Range of HK\$0.40 to HK\$0.50 per Offer Share, the net proceeds from the Hong Kong Public Offering, after deducting the underwriting commission and estimated expenses payable by us in connection with the Hong Kong Public Offering, are estimated to be HK\$25 million. We currently intend to apply such proceeds as follows:

	<b>Total</b> (HK\$'000)	<b>Approximate percentage</b> (%)
To expand and increase our service capacity	12,500	50
To capture the market growth in the public and private sectors	6,250	25
To expand the accounting and administrative teams	2,500	10
To reduce financial cost and increase profit return	1,750	7
General working capital	2,000	8

The estimated total costs for (i) expanding and increasing our service capacity; (ii) capturing the market growth in the public and private sectors; (iii) expanding the accounting and administrative teams, are HK\$12.5 million; HK\$6.25 million; and HK\$2.5 million, respectively. In the event that the amount of proceeds allocated to the expansion plan does not satisfy the costs involved, the Company will apply retained earnings and obtain finance from banks and other financial institutions.

### MAJOR RISK FACTORS

We believe that there are certain risks involved in our business and operations, some of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to Hong Kong; (iv) risks relating to the Hong Kong Public Offering; and (v) risks relating to this prospectus.

We believe that our major risks include:

- we rely on a limited number of major customers which accounted for approximately 84.92% of our revenue during the Track Record Period;
- we rely on the availability of public sector civil engineering construction projects in Hong Kong and reduction of Government expenditure on civil engineering construction works would adversely affect our operations and financial results;
- we need to maintain our competitiveness in tendering process and any failure of our Group to secure tender contracts would affect our operations and financial results; and
- we need to maintain qualifications, approvals and licences for the operation of our civil engineering constructions works.

A detailed discussion of the risk factors is set out in the section headed “Risk Factors” in this prospectus and investors should read the entire section before deciding to invest in the Offer Shares.

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## DEFINITIONS

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

“Altivo Ventures”	Altivo Ventures Limited, a company incorporated in the BVI on 25 April 2017 and wholly-owned by Sigma Square, details of which are set forth in the section headed “History, Reorganisation and Corporate Structure — Pre-IPO Investment” of this prospectus
“Application Form(s)”	the <b>WHITE</b> Application Form(s) and <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s) or, where the context so requires, any of them
“Application Lists”	the application lists for the Hong Kong Public Offering
“Articles of Association”	the articles of association of our Company conditionally adopted on 24 January 2018 to take effect on the Listing Date, a summary of which is set out in Appendix IV to this prospectus, as amended or supplemented from time to time
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Attaway Developments”	Attaway Developments Limited, a company incorporated in the BVI on 28 February 2017 and a wholly owned subsidiary of our Company
“AUD”	Australian dollar, the lawful currency of Australia
“Audit Committee”	the audit committee of our Board
“Board” or “Board of Directors”	the board of Directors of our Company
“Business Day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 299,970,000 Shares to be made upon the completion of capitalisation of the amount standing to the credit of the share premium account of our Company as referred to in the section headed “Resolutions in writing of all our Shareholders passed on 24 January 2018” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

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## DEFINITIONS

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“CCASS Clearing Participant(s)”	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)
“CCASS Custodian Participant(s)”	person(s) admitted to participate in CCASS as custodian participant(s)
“CCASS Investor Participant(s)”	person(s) admitted to participate in CCASS as investor participant(s), who may be an individual, joint individual(s) or corporation(s)
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant(s)”	CCASS Clearing Participant(s), a CCASS Custodian Participant(s) or CCASS Investor Participant(s)
“China” or “PRC”	the People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, the Macau and Taiwan
“Chrysler Investments”	Chrysler Investments Limited, a company incorporated in the BVI on 28 April 2017 and one of our Controlling Shareholders
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies (WUMP) Ordinance” or “Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as amended, consolidated or supplemented from time to time) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Sheung Moon Holdings Limited 常滿控股有限公司, company incorporated in the Cayman Islands on 31 May 2017 with limited liability and references to “we”, “us” or “our” refer to our Group or, where the context requires, our Company
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and unless the context requires otherwise, refers to Mr. SW Tang and Chrysler Investments

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## DEFINITIONS

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“core connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“CHFT”	CHFT Advisory And Appraisal Ltd., an industry consultant and a valuer engaged by our Company to prepare the CHFT Report and the property valuation report as set out in Appendix III to this prospectus, and an independent third party
“CHFT Report”	an independent research report in respect of the civil engineering construction dated 31 January 2018, commissioned by us and prepared by CHFT for the purpose of this prospectus
“Deed of Non-competition”	a deed of non-competition dated 24 January 2018 and executed by the Controlling Shareholders in favour of our Company regarding the non-competition undertakings as more particularly set out in the paragraph headed “Non-competition Undertakings” under the section headed “Relationship with Controlling Shareholders” in this prospectus
“Director(s)”	the director(s) of our Company
“Eligible Applicants”	applicants who have made valid applications for the Hong Kong Offer Shares
“GDP”	an acronym for gross domestic product
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Government”	the government of Hong Kong
“ <b>GREEN</b> Application Form(s)”	the application forms(s) to be completed by <b>HK eIPO White Form</b> Service Provider, designated by our Company
“Group”, “we”, “our” or “us”	our Company and our subsidiaries or, where the context so requires with respect to the period before our Company became the holding company of our existing subsidiaries, such subsidiaries as if they were our Company’s subsidiaries at that time
“ <b>HK eIPO White Form</b> ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of <b>HK eIPO White Form</b> at <b>www.hkeipo.hk</b>



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## DEFINITIONS

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“ <b>HK eIPO White Form</b> Service Provider”	the <b>HK eIPO White Form</b> Service Provider designated by our Company, as specified on the designated website at <b>www.hkeipo.hk</b>
“HKFRSs”	Hong Kong Financial Reporting Standards promulgated by HKICPA, the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong dollars” or “HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Offer Shares” or “Offer Shares”	100,000,000 new Shares being offered by the Company for subscription pursuant to the Hong Kong Public Offering as described in the section headed “Structure and conditions of the Hong Kong Public Offering” in this prospectus
“Hong Kong Public Offering”	the offer by the Company of the Hong Kong Offer Shares to the public in Hong Kong for subscription at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms, as further described in the section headed “Structure and Conditions of the Hong Kong Public Offering” in this prospectus
“Independent Third Party(ies)”	party(ies) which are independent of and not connected with any Director, chief executive or Substantial Shareholder of our Company or any of its subsidiaries or any of their respective associates within the meaning of the GEM Listing Rules
“Investment Agreement”	the agreement dated 22 December 2016 entered into by Sigma Square and Sheung Moon Construction, details of which are set out in the paragraph headed “Pre-IPO Investment” of the section headed “History, Reorganisation and Corporate Structure” of this prospectus
“IPO”	initial public offering and listing of shares of companies on the Stock Exchange

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## DEFINITIONS

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“Latest Practicable Date”	22 January 2018, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date, expected to be on or about Monday, 12 February 2018, on which dealings in the Shares first commence on GEM
“Listing Division”	the listing division of the Stock Exchange
“LY Capital” or “Sole Sponsor”	LY Capital Limited, a corporation licensed under the SFO to carry on types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities, being the sole sponsor of the Listing
“Macau”	the Macau Special Administrative Region of the PRC
“Macau Legal Adviser”	Rato, Ling, Lei & Cortés, Advogados, our legal adviser as to Macau law
“MOP”	Macau Pataca, the lawful currency of Macau
“Mr. SW Tang”	Mr. Tang Sze Wo (鄧仕和先生), an executive Director, the chairman of our Board and one of our Controlling Shareholders
“Mr. YS Lai”	Mr. Lai Yung Sang (黎容生先生), an executive Director and our chief executive officer
“NT\$”	New Taiwan dollar, the lawful currency of Taiwan
“Nomination Committee”	the nomination committee of the Board
“Offer Price”	the final price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.50 and not less than HK\$0.40 at which the Offer Shares are to be subscribed for and issued pursuant to the Hong Kong Public Offering, such price fixed at or before the Price Determination Date
“Offer Price Range”	HK\$0.40 to HK\$0.50 per Offer Share
“person”	any individual, corporation, partnership, limited partnership, proprietorship, association, limited liability company, firm, trust, estate or other enterprise or entity
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the laws of Hong Kong) as in force from time to time before 3 March 2014

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## DEFINITIONS

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“Price Determination Date”	the date, which is expected to be on or around Tuesday, 6 February 2018, on which the Offer Price will be determined for the purposes of the Hong Kong Public Offering
“Remuneration Committee”	the remuneration committee of our Board
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, details of which are set out in the paragraph headed “Reorganisation” under the section headed “History, Reorganisation and Corporate Structure” in this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to the Directors by our Shareholders, further details of which are contained in the paragraph headed “A. Further information about our Company and its subsidiaries — 6. Repurchase of Shares by our Company” of the section headed “Statutory and General Information” in Appendix V to this prospectus
“Risk Management Committee”	the risk management committee of our Board
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 24 January 2018, the principal terms of which are set out in the paragraph headed “D. Other information — 1. Share Option Scheme” under the section headed “Statutory and General Information” in Appendix V to this prospectus
“Sheung Moon Construction”	Sheung Moon Construction Limited (常滿建設工程有限公司), a company incorporated in Hong Kong on 14 February 1997 and a wholly owned subsidiary of our Company
“Sigma Square”	Sigma Square Investment Management Limited (析方投資管理有限公司), a company incorporated in Hong Kong on 19 February 2016 and wholly owned by Mr. Tang Siu Fung Calvin, the son of Mr. SW Tang, details of which are set forth in the section headed “History, Reorganisation and Corporate Structure — Pre-IPO Investment” of this prospectus
“Sole Lead Manager”	KGI Capital Asia Limited

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the GEM Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules, and, for the purpose of this prospectus, refers to those individuals and corporations disclosed under the section headed “Substantial Shareholders” in this prospectus or, where the context so requires, any one of them
“Track Record Period”	the period comprising the two financial years ended 31 March 2016 and 2017 and the four months ended 31 July 2017
“Underwriter”	the underwriter of the Hong Kong Public Offering whose name is set out in the paragraph headed “Underwriter” under the section headed “Underwriting” in this prospectus
“Underwriting Agreement”	the conditional underwriting agreement dated 30 January 2018 and entered into between, among others, our Company, the executive Directors, the Controlling Shareholders, the Sole Sponsor, the Sole Lead Manager and the Underwriter in relation to the underwriting of the Offer Shares, further details of which are set out in the paragraph headed “Underwriting Arrangements and Expenses — Underwriting Agreement” under the section headed “Underwriting” in this prospectus
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollar” or “US\$” or “USD”	United States dollars, the lawful currency of the United States
“ <b>WHITE</b> Application Form(s)”	the form(s) of application for the Offer Shares for use by the public who require such Offer Shares to be issued in the applicants’ own name
“ <b>YELLOW</b> Application Form(s)”	the form(s) of application for the Offer Shares for use by the public who require such Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS
“%”	per cent.

*If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with “\*” and the Chinese translation of company names in English which are marked with “\*” are for identification purposes only.*

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary contains explanations of certain terms used in this prospectus in connection with us and our business. These terms and their given meanings may not correspond to those standard meanings and usage adopted in the industry.*

“Building Authority”	has the meaning ascribed to it under the Buildings Ordinance and, as at the Latest Practicable Date, means the Director of Buildings of the Government
“Buildings Department”	the Buildings Department of the Government
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“CEDD”	Civil Engineering and Development Department of the Government (土木工程拓展署)
“Contractor Management Handbook”	Contractor Management Handbook (Revision B-14) December 2016 (承建商管理手冊—修訂版B) issued by the Development Bureau, as amended, supplemented or otherwise modified from time to time
“Construction Industry Council”	the Construction Industry Council in Hong Kong, a statutory body established on 1 February 2007 pursuant to the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
“Employees’ Compensation Ordinance”	the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“ETWB”	Environment, Transport and Works Bureau of the Government (環境運輸及工務局), formerly a policy bureau of the Government, the duties of which are now taken over by the Environment Bureau, Transport and Housing Bureau and WBDB following the reorganisation of the Policy Bureau and Government Secretariat
“Group A”	Group A of the relevant works category in the List of Approved Contractors with tender limit for contracts of value up to HK\$100 million. A Group A contractor means an approved contractor who satisfies Group A’s qualifications. Please refer to the section headed “Regulatory Overview” in this prospectus for details

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## GLOSSARY OF TECHNICAL TERMS

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“Group B”	Group B of the relevant works category in the List of Approved Contractors with tender limit for contracts of value up to HK\$300 million. A Group B contractor means an approved contractor who satisfies Group B’s qualifications. Please refer to the section headed “Regulatory Overview” in this prospectus for details
“Group C”	Group C of the relevant works category in the List of Approved Contractors with tender limit for contracts of value exceeding HK\$300 million. A Group C contractor means an approved contractor who satisfies Group C’s qualifications. Please refer to the section headed “Regulatory Overview” in this prospectus for details
“ISO”	an acronym for a series of quality management and quality assurance standards published by the International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001:2008”	an internationally recognised standard for quality management system aiming at the effectiveness of the quality management system in meeting customer requirements and prescribing requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing
“ISO 14001:2015”	an internationally recognised standard for the environmental management of businesses aiming at recognising the desirable behavior of businesses concerning the environment and prescribing controls for an encompassing range of corporate activities which include the use of natural resources, handling and treatment of waste and energy consumption
“List of Approved Contractors”	the list of approved contractors for public works (認可公共工程承建商名冊) maintained by WBDB
“main contractor”	a contractor who enters into a contract directly with the employer of a project, and assumes full responsibility for the satisfactory completion of the construction works. A main contractor or a principal contractor operating at construction sites must be registered under the Buildings Ordinance for the capability and responsibility of undertaking new construction works, and in case of Government works, approved by WBDB



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## GLOSSARY OF TECHNICAL TERMS

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“OHSAS 18001:2007”	an internationally recognised specification for occupational health and safety management systems. It specifies requirements for an occupational health and safety management system to enable an organisation to develop and implement a policy and objectives which take into account of the legal requirements and information about occupational risks and to improve its occupational safety and health performance
“performance bond”	a guarantee, by way of performance bond, of financial institution is given by the contractor in favour of its customer for the due performance and observance of all the terms and conditions of the contract. It is normally released upon practical completion of the contract. The amount of performance bond, if any, varies contract by contract
“private sector projects”	works contracts that are not public sector projects
“public sector projects”	works contracts that originate from the Government or statutory bodies in Hong Kong
“quotation”	the type of contracts with our suppliers and/or subcontractors secured by request for quotation from the relevant suppliers and/or subcontractors
“road and drainage works”	in respect of our business, generally refer to extension of concrete structure at highways, modification of junctions, construction of underground drainage, manholes, cable trenches, installation of water mains, diversion of sewerage pipes and construction of temporary traffic arrangements
“site formation works”	in respect of our business, generally refer to demolition, site clearance, excavation, slope formation and installation of temporary works structures including sheet piling, shoring, ground treatment, concrete block placing and access deck
“structural works”	in respect of our business, generally refer to the construction of reinforced concrete structures in relation to construction of vehicular bridges, widening of bridges and installation and construction of portal beams for land viaducts, construction of elevator shafts, construction of concrete footing for noise barrier foundations and construction of retaining walls
“subcontractor”	in respect of a construction project, a contractor who is appointed by the main contractor or by another subcontractor involved in the construction and who generally carries out specific work tasks of the construction

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## GLOSSARY OF TECHNICAL TERMS

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“tender contract”	the type of contracts with customers obtained by tendering which usually require construction services for a specific period and details of which are set out in the section headed “Business — Customers — Major terms of engagement” in this prospectus
“WBDB”	Works Branch of the Development Bureau (發展局工務科) of the Government
“working capital”	the capital of a business which is used in its day-to-day trading operations, calculated as the current assets minus the current liabilities

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements including, without limitation, words and expressions such as “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “plan”, “seek”, “will”, “would”, in particular, in the sections headed “Business”, “Future Plans and Use of Proceeds” and “Financial Information” in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on various assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions including the risk factors described in this prospectus and the following:

- our business and operating strategies and the various measures to implement such strategies;
- our dividend policy;
- our operations and business prospects, including development plans for its existing and new businesses;
- the future competitive environment for the industries in which we operate;
- the regulatory environment as well as the general industry outlook for the industries in which we operate;
- future developments in the industries in which we operate;
- various business opportunities that we may pursue;
- the effect of the global financial markets and economic crisis; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations and the GEM Listing Rules, we do not have any obligation to 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 we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section as well as the risks and uncertainties discussed in the section headed “Risk Factors” in this prospectus. In this prospectus, unless otherwise stated, statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

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## RISK FACTORS

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*Prospective investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company. Our business, financial condition and results of operations could be adversely affected by the materialisation of any of the following risks. Trading prices of the Shares could decline due to any of the following risks, and you may lose part or all of your investment.*

We believe that there are certain risks involved in our business and operations. They can be classified into (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to Hong Kong; (iv) risks relating to the Hong Kong Public Offering; and (v) risks relating to this prospectus. You should consider our business and the information set out in this prospectus in light of the challenges we face, including the ones discussed in this section.

### RISKS RELATING TO OUR BUSINESS

**We rely on a limited number of major customers which accounted for approximately 84.92% of our revenue during the Track Record Period**

Since most civil engineering construction projects are scalable, we usually cannot diversify our business at a specific period of time. A significant portion of our revenue was derived from a small number of customers during the Track Record Period. For the two years ended 31 March 2017 and the four months ended 31 July 2017, revenue generated from our largest customer accounted for approximately 46.46%, 66.08% and 49.12% of our total revenue, respectively. For the same period, our five largest customer' revenue contribution for the two years ended 31 March 2017 and the four months ended 31 July 2017 accounted for approximately 97.92%, 95.48% and 97.01% of our total revenue, respectively.

During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term service agreement with our customers. Our relationship with our major customers are non-exclusive and at arm's length. Furthermore, our contracts for all civil engineering construction works are entered into on a project-by-project basis. As such, there is no assurance that we will be able to secure new projects or that our customers will maintain their current level of business with us in the future. Upon completion of the current projects, if there is a significant decrease in the number of projects or size of projects in terms of contract sums awarded by our major customers for whatever reasons, and if we are unable to obtain suitable projects of a comparable size and quantity as replacement, our financial condition and operating results will be materially and adversely affected.

**We generate a significant portion of our revenue from a limited number of projects. We derived approximately 71% of our total revenue from the project at Liantang/Heung Yuen Wai Boundary Control Point during the Track Record Period. If no further contracts were awarded, it could adversely and substantially affect our operations and financial conditions**

Our Group in the past derived a significant portion of our revenue from our limited number of project. During the Track Record Period, we only undertaken 34 civil engineering construction contracts which accounted for our Group's total revenue.

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## RISK FACTORS

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During the Track Record Period and up to the Latest Practicable Date, 14 of the 34 contracts undertaken by the Group in Hong Kong related to the infrastructure project at Liantang/Heung Yuen Wai Boundary Control Point, which generated approximately HK\$109 million (or 71%) of the Group's total revenue during the Track Record Period.

However, our contracts for all civil engineering construction works are entered into on a project-by-project basis. Upon completion of the current projects, if there is a significant decrease in the number of projects or size of projects in terms of contract sums awarded to us for whatever reasons, and if we are unable to obtain suitable projects of a comparable size and quantity as replacement, our financial condition and operating results will be materially and adversely affected.

**We rely on the availability of public sector civil engineering construction projects in Hong Kong and reduction of Government expenditure on civil engineering construction works would adversely affect our operations and financial results**

We have relied and will continue to focus on public sector civil engineering construction projects which by their nature are procured by our customers from projects originated from the Government or statutory bodies in Hong Kong. The number of such projects is limited and may be reduced if the Government reduces expenditure on civil engineering construction works. For the two years ended 31 March 2017 and the four months ended 31 July 2017, our revenue attributable to public sector projects amounted to approximately HK\$34,341,000, HK\$79,306,000 and HK\$62,406,000, respectively, representing approximately 85.22%, 88.14% and 99.33% of our total revenue, respectively.

Our results of operations in relation to our civil engineering construction projects will continue to rely on the following: (i) the Government policy in relation to infrastructure and civil engineering construction projects; (ii) other factors that generally affect the Hong Kong construction industry; and (iii) our ability to continue to secure public sector projects from our customers. Any material delay, suspension, termination or reduction of number or contract value of public sector projects may adversely affect our revenue, hence our results of operations.

**We need to maintain our competitiveness in tendering process and any failure of our Group to secure tender contracts would affect our operations and financial results**

During the Track Record Period and up to the Latest Practicable Date, our revenue is derived from contracts awarded through competitive tendering and is not recurring in nature. Our tender success rate for each of the two years ended 31 March 2017 and the four months ended 31 July 2017 was 14.55%, 17.05% and 19.35%, respectively. There is no assurance that (i) we would be invited to or are made aware of the tendering or bidding process for new projects; (ii) the terms and conditions of the new contracts would be comparable to the existing contracts; and (iii) our tenders would be selected by customers. If we are unable to maintain our competitiveness in, among others, standards of management, industrial expertise, financial capability, reputation, regulatory compliance and terms and conditions of our tender, our results of operations would be adversely affected. Furthermore, there is no assurance that we will meet our customers' tendering requirements in which case we may not be granted the tender and our business operations, financial condition and results of operations may be adversely affected.

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## RISK FACTORS

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**We need to maintain qualifications, approvals and licences for the operation of our civil engineering construction works**

We have to maintain our operating qualifications, approvals and licences to conduct our civil engineering construction works. To maintain such qualifications, approvals and licences, we must comply with the relevant restrictions and conditions. If we fail to comply with any of these regulations, the relevant authorities could temporarily revoke, suspend or revoke our qualifications, approvals and licences, or delay or refuse the renewal of our qualifications, approvals and licences upon expiry of their original terms. In such event, our capability to undertake relevant works may be directly impacted, which adversely affects our results of operations and financial position.

**We failed to register on a timely basis with the Macau Finance Bureau for taxation purposes during the Track Record Period and if the relevant authority imposes penalty on us, our financial condition may be negatively affected**

During the Track Record Period, Sheung Moon Construction was engaged by a Macau customer to provide machines leasing services and off-site technical support to the leased machines relating to a site formation project in Macau. Although we did not have a physical presence in Macau and the services were principally rendered outside Macau, according to the Macau Legal Adviser, Sheung Moon Construction was required to register with the Macau Finance Bureau for taxation purposes under Article 9 of the Macau Industrial Contribution Regulation. On 27 June 2017, Sheung Moon Construction was duly registered with the Macau Finance Bureau for taxation purposes. According to the Macau Legal Adviser, we may be subject to penalty for late registration, and the maximum amount of penalty payable by us is MOP680,000. Please refer to the section headed “Business — Failure to Register with the Macau Finance Bureau” of this prospectus for details of this failure to register.

**We recorded net current liabilities during the Track Record Period; if we record net current liabilities in the future, our ability to make necessary expenditures or develop business opportunities could be materially impaired**

As at 31 March 2016, we recorded net current liabilities of approximately HK\$1,735,000, which were primarily attributable to an increase in bank borrowings for working capital purposes. A net current liability position may impair our ability to make necessary capital expenditures or develop business opportunities. There is no assurance that we will not record net current liabilities in the future.

In the event that there is a continuous substantial increase in our direct costs which include price of construction materials and labour costs, and in our administrative costs or that we fail to raise sufficient equity or long-term funds to refinance our short-term bank borrowings or finance our capital commitments, our Group’s financial position and liquidity could be adversely affected.



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## RISK FACTORS

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**Any of our failure to properly estimate the unit costs involved in the implementation of any project may adversely affect our profitability or result in substantial loss incurred by us**

We generally adopt a cost-plus pricing model and determine the tender price by taking into account factors comprising the scope and complexity of the project, site conditions, project time frame, estimated construction materials costs, labour and site equipment requirements, extent of subcontracted works required and prevailing market conditions. Once we and the customers agreed on the unit costs, we generally will have to bear any unforeseen increase in unit costs. If we fail to properly estimate the unit costs or if there is any unforeseen factor leading to any substantial increase in unit costs, our profitability in a project might be adversely affected or we may be bound by contract to undertake the project at a substantial loss.

**Our financial performance is subject to fluctuations and our past performance may not be indicative of our future performance**

The historical financial information on our Group is a mere indicator of our past performance only and does not have any positive implication. Our financial performance is subject to fluctuations and largely depends on our capability to secure new business opportunities and to control our costs. Profit margins for our civil engineering construction works may fluctuate from project to project due to factors such as type of civil engineering construction techniques, type and amount of site equipment employed and amount of labour resources required. For the two years ended 31 March 2017 and the four months ended 31 July 2017, our revenue amounted to approximately HK\$40,298,000, HK\$89,977,000 and HK\$62,827,000, respectively. Our gross profit amounted to approximately HK\$12,149,000, HK\$23,645,000 and HK\$10,851,000, respectively (representing a gross profit margin of approximately 30.15%, 26.28% and 17.27%, respectively), while our net profit for the year amounted to approximately HK\$5,326,000, HK\$9,744,000 and HK\$936,000, respectively (representing a net profit margin of approximately 13.22%, 10.83% and 1.49%, respectively). In April 2017, we have been awarded with a contract with an aggregate contract sum of approximately HK\$184.7 million for handling surplus public fill of the Tseung Kwan O Area 137 Fill Bank, and the gross margin of such contract was estimated to be approximately 5.00%. There is no assurance that our financial performance in the future will remain at a level comparable to those recorded during the Track Record Period.

**We place heavy reliance on the use of site equipment. Disruption of our site equipment could materially and adversely affect our business, financial condition and results of operations**

Our civil engineering construction works rely heavily on site equipment. Our site equipment may be damaged or lost as a result of, among others, improper operation, accidents, fire, adverse weather conditions, theft or robbery. In addition, site equipment may break down or fail to function normally due to wear and tear or mechanical or other issues. If any failed, damaged or lost site equipment cannot be repaired and/or replaced (whether under warranty or insurance coverage) in a timely manner, our operations and financial performance could be adversely affected. In addition, market developments in and demand for different construction techniques and different types of site equipment may change continuously. If (i) we fail to remain attentive to and invest in suitable site

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## RISK FACTORS

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equipment to cope with any latest development in such market trends or demands and to cater to different needs and requirements of different customers; or (ii) we cannot secure the site equipment through any other methods including rental arrangement with suppliers, our overall competitiveness and thus our financial performance and operation results may be adversely affected.

### **Our Group's operations are subject to adverse weather conditions and civil engineering construction risks**

We conduct most of our business operations outdoors and are vulnerable to adverse weather. If adverse weather persists or natural disaster occurs, we may halt the works at our civil engineering construction sites and may fail to meet specified time schedule. If we have to halt operations during adverse weather or natural disaster, we may continue to incur operating expenses while we experience reduced revenue and profitability. Besides, our business is subject to outbreak of severe communicable diseases (such as swine flu, avian flu and severe respiratory syndrome), natural disasters or other acts of God which are beyond our control. These incidents may also adversely affect the economy, infrastructure, livelihood and society in Hong Kong. Acts of wars and terrorism may also injure our employees, cause loss of lives, damage our facilities, disrupt our operations and destroy our works performed. Such incidents would adversely affect our revenue, costs, financial condition and growth potential. It is also difficult to predict the potential effect of these incidents and their materiality to our business as well as those of our customers, suppliers and subcontractors.

### **Increase in wages and costs of materials and shortage of labour may affect our projects and our performance**

Generally, our construction works are labour and materials intensive. For any given project, a large number of workers with different skills and various types of materials may be required. Construction projects are more susceptible to labour shortage, and our subcontracting costs including labour costs of our subcontractors may escalate. If there is a significant increase in the costs of labour and/or materials, our staff cost and/or subcontracting cost, and materials costs will increase and thus lower our profitability. On the other hand, if we or our subcontractors fail to retain our existing labour and/or recruit sufficient labour (especially experienced and skilled labour) in a timely manner to cope with our existing or future projects, we may not be able to timely complete our projects, resulting in liquidated damages and/or financial losses. There is no assurance that the supply of labour (especially experienced and skilled labour) will be sufficient during the forthcoming years when the peak load of construction activities is ongoing.

### **If progress payment or retention money is not paid to us on time or in full, our liquidity position and financial performance may be adversely affected**

We generally do not receive any sums as prepayment from our customers for our civil engineering construction works. Nonetheless, we have to incur various costs and expenses following commencement of our projects. We normally receive progress payment from our customers. Progress payment is generally made monthly by reference to the value of works done in that month. A portion of contract value (which generally is subject to a maximum of 5% of the total contract value) is usually withheld by our customers as retention money. Please refer to the section headed "Business — Customers — Major terms of engagement" in this prospectus for further details. As at 31 March 2016,

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## RISK FACTORS

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31 March 2017 and 31 July 2017, retention money receivables of approximately HK\$3,652,000, HK\$7,630,000 and HK\$10,020,000, respectively, were retained by our customers. Any disputes between us and our customers as to the value of work properly done in a particular period, or failure by our customers to make progress payment or retention money on time or in full would have an adverse effect on our liquidity position and financial performance.

**We may be required by our customers to arrange for performance bonds to secure our due performance of contracts, which may adversely affect our cash flows and financial position**

It is a common practice in the civil engineering construction industry that contractors are required by their customers to take out performance bonds at a fixed sum or a certain percentage of the contract sum to secure due performance and compliance with the contracts. If the contractor fails to comply with the requirements in the contracts, the customer is guaranteed the compensation for monetary loss up to the amount of the performance bonds.

The performance bonds represented insured sums that may only be released upon the expiration of the contract period. We cannot guarantee we will not undertake projects which have performance bonds requirements in the future, and should we fail to satisfactorily complete our contracted works, our future premiums may increase or we may not be able to obtain insurance for future performance bonds, which may adversely affect our cash flows and financial position.

**Certain risks involved in our business operations are generally not insured**

There are certain types of losses for which insurance coverage is not generally available (such as risks in relation to collectability of our trade and retention receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest, terrorist attacks and certain loss or damage to our site equipment) on commercial terms acceptable to us, or at all. If we suffer any losses, damages or liabilities in the course of our business operations arising from events for which we do not have any or adequate insurance cover, we will have to bear such losses, damages or liabilities by ourselves. In such a case, our business operations, financial condition and results of operations may be adversely affected.

During the Track Record Period, we engaged third party logistics service providers to transport our site equipment between civil engineering construction sites. We do not purchase any insurance for the transportation of the site equipment by third party and we cannot assure that such service providers have sufficient insurance coverage for loss or damage to our site equipment. As such, we may not be able to claim for any loss or damage to our site equipment during the transportation process, which could materially and adversely affect our business, financial condition and results of operations.

**Mismatch of cash inflows and outflows in connection with civil engineering construction projects may affect our net cash flow position**

In a civil engineering construction project, cash outflows to pay certain operating expenditures may not align with cash inflows arising from the progress payments to be received at the relevant period. Progress payments will be paid after our construction works is completed up to the extent certified by our customers. Accordingly, the cash inflow and outflow for a particular project may

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## RISK FACTORS

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fluctuate as the civil engineering construction works proceeds. If during any particular period of time, the cash outflow for civil engineering construction projects undertaken by us are substantially higher than the cash inflows during that period, our cash flow position may be adversely affected. We had cashflow mismatch during the Track Record Period and net cash outflow from operating activities for the year ended 31 March 2017 and the four months ended 31 July 2017. The cashflow mismatch was due to the difference between our credit turnover days and debtor's turnover days. For the two years ended 31 March 2017 and the four months ended 31 July 2017, our creditors' turnover days were approximately 17.16 days, 25.85 days and 22.32 days, respectively and our debtors' turnover days were approximately 38.94 days, 39.35 days and 42.54 days, respectively. Please refer to the section headed "Business — Cashflow Mismatch" for further details. We may not have sufficient working capital to meet our current liabilities or expand our operations as anticipated. In such circumstances, our liquidity, business operations, financial condition and prospects may be materially and adversely affected.

**We rely on the availability, performance and legal compliance by our subcontractors; if we fail to engage qualified and competent subcontractors, our financial performance and results of operations may suffer**

We subcontract part of our works to other subcontractors. Please refer to the section headed "Business — Subcontractors" in this prospectus for further details. For the two years ended 31 March 2017 and the four months ended 31 July 2017, subcontracting fees incurred by us amounted to approximately HK\$17,386,000, HK\$24,445,000 and HK\$8,878,000, respectively. Our inability to engage qualified and competent subcontractors in adverse circumstance could hinder our ability to complete a project within the prescribed deadline.

We are exposed to risks associated with the performance of our subcontractors. There is no assurance that we would be able to monitor the performance of our subcontractors as directly and efficiently as with our own staff. If our subcontractors fail to meet our requirements, we may experience deterioration in the quality, delay in completion of our civil engineering construction projects, quality issue concerning the works done, or non-performance by subcontractors. Consequently, we may incur additional costs due to the delays or a higher price in sourcing the services, equipment or supplies in default, which would in turn adversely affect the profitability, financial performance and reputation of our business, and result in litigation or damage claims against us.

Our subcontractors are required to comply with the relevant laws, rules and regulations. If our subcontractors violate any laws, rules or regulations, we may sometimes be subject to prosecutions by the relevant authorities. Our operations and hence our financial position may thereby be adversely affected if any of our subcontractors fail to comply with the relevant laws, rules and regulations.

**We are subject to underground condition risk in excavation works associated with site formation works**

Underground utilities surveys undertaken by authorised persons at the preliminary stages as instructed by us prior to any excavation works may not eliminate any death toll, personal injury or property damage. While safety is our top priority, underground condition risk is inherent in site formation works.

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## RISK FACTORS

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It is not unprecedented that difficult condition at the underground level which probably could not have been unveiled earlier is revealed after the excavation works has taken place. Such condition may lead to additional site preparation works which adds up to cost. Service utilities such as water mains, gas mains, voltage, electric cables and telephone lines laid underground in Hong Kong may be damaged during excavation works. Accidents causing loss of life and bodily injury may happen. We may be liable for the costs in the repair of such damaged utilities and compensation for any loss of lives and personal injury.

Adverse underground condition may result in unanticipated, hefty expenses, which we may have to bear alone if adjustment to the contract sum is not permitted under contract. Consequently, our profitability may be adversely affected.

**We rely on our key management personnel and skilled and qualified employees, and their departure would adversely affect our operations and financial results**

The success of our business has been, and will continue to be, heavily dependent upon the continuing service of Mr. SW Tang (executive Director); Mr. YS Lai (executive Director); and Mr. Kan Wai On Thomas (project manager), and other skilled and qualified employees. It is important to identify, hire, train and retain appropriate and suitable personnel with necessary industry expertise to serve our Group. Our Directors and members of senior management, in particular, our executive Directors are important to us. Details of their expertise and experience are set out in the section headed “Directors, Senior Management and Employees” of this prospectus. If any of our executive Directors is unable or unwilling to continue in their positions and appropriate persons could not be found to replace them in a timely manner there could be an adverse impact on our financial condition and operating results.

**We may be exposed to personal injuries, property damages or fatal accidents if safety measures are not followed at the civil engineering construction sites**

We require our employees and subcontractors to adhere to and implement all the safety measures and procedures as stipulated in our work and safety policy in the course of our operations. During execution of works, we closely monitor and supervise our employees and subcontractors in the implementation of all such safety measures and procedures. There is no assurance that our employees or subcontractors will fully comply with the applicable laws, rules, regulations and/or our safety measures at the civil engineering construction sites. As a result, personal injuries, fatal accidents or property damage may occur in greater number and may adversely affect the financial position of our Group to the extent not fully recoverable from our insurance policies. They may also cause our relevant licenses, approvals and/or certificates to be suspended or not renewed and thus our chance in winning bids and tenders may be affected.

**Our Group’s results may fluctuate due to decrease in fair value of the convertible loan notes**

Our Group is required by HKFRSs to reassess the fair value of the convertible loan notes (issued by the Group on 22 December 2016) at every reported statement of financial position date thereafter. The fair value of the convertible loan notes is constantly affected by factors, such as fluctuations in Share price. Accordingly, gains or losses arising from changes in the fair value of the convertible loan

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## RISK FACTORS

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notes will be reflected in the Group's results of operations in the period in which they arise. As a result, the Group's profitability and financial results may be adversely affected if the Group records a loss arising from changes in the fair value of the convertible loan notes. Please refer to the section headed "Financial Information — Indebtedness — Convertible Loan Notes" for further details.

### **RISKS RELATING TO OUR INDUSTRY**

#### **Market conditions and trends in the civil engineering construction industry and in the overall economy may affect our performance**

During the Track Record Period, all of our operations and management are located in Hong Kong. Thus, the number of projects awarded to us is highly dependent on the prevailing market conditions and trends in the civil engineering construction industry in Hong Kong. Such market conditions and trends are influenced by various factors, including but not limited to (i) economic fluctuations in Hong Kong; (ii) availability of new projects in both the private and public sector; (iii) shortage of skilled labour; (iv) changes in Government policies relating to the civil engineering construction industry; (v) the investment of property developers; and (vi) general conditions and prospects of Hong Kong's economy. There is no assurance that the Government would maintain its spending on infrastructure at the current level. If the Government reduces its spending on infrastructure works or reverses its housing policy, it may have a direct adverse impact on the market conditions of the civil engineering construction industry in Hong Kong, which would likely result in a drop in the number of projects awarded to us, and our operations and profitability would be adversely affected.

#### **We were involved in a civil engineering construction project in Macau and any future involvement in other similar project may be subject to economic, political and regulatory risks in Macau**

Our Group was involved in a site formation project in Macau during the Track Record Period and the aggregate revenue for such project amounted to approximately HK\$6,560,000. Although we do not actively seek new opportunities in Macau, we may participate in Macau's civil engineering construction industry in the future when suitable opportunities arise. Conducting business in Macau involves certain risks not typically associated with operations in Hong Kong. They include risks relating to changes in Macau's political, economic and social conditions, changes in Macau's government policies, laws or regulations or their interpretation, changes in regulatory requirements in relation to subcontracting construction works, tightening of regulations on foreign contractors and subcontractors, changes in exchange control regulations, changes in interest rate and changes in rates or method of taxation. In addition, the legal and judicial system in Macau is substantially different from that in Hong Kong. Rights and protection under Hong Kong laws that companies in Hong Kong expect may not exist in Macau.

#### **Civil engineering construction labours may launch industrial actions or strikes to demand for higher wages and/or shorter working hours**

There is no assurance that trade unions will not launch any industrial actions or strikes to demand for higher wages and/or shorter working hours in the future. If their demands are to be met, we may



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## RISK FACTORS

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incur additional subcontracting costs and/or experience delay in the completion of our projects where our customers may in turn claim against us for not being able to meet the completion schedule requirements of the contracts. These industrial actions or strikes may have adverse impact on our profitability and results of operations.

**We may be liable to pay liquidated damages if we fail to meet the completion schedule requirements of our contracts**

Some of our contracts are subject to specific completion schedule requirements and we will be liable to pay liquidated damages, if we do not meet the time schedules. Liquidated damages are typically levied at a rate provided in the relevant contract on a daily basis. Any failure to meet the schedule requirements of our contracts may result in our Group being liable to pay significant liquidated damages, which would adversely affect our liquidity and cash flows and have a material adverse effect on our business, financial condition, results of operations, reputation and prospect.

**We may be exposed to additional cost and burden due to changes in existing environmental regulations and guidelines**

Our business in Hong Kong is subject to the environmental regulations and guidelines, which apply to the operation of all construction projects in Hong Kong. For more details, please refer to the section headed “Regulatory Overview — Environmental Protection” of this prospectus. Such regulations and guidelines may be revised by the Government from time to time to reflect the latest environmental needs. Any changes to such regulations and guidelines can increase our cost and burden in complying with them.

**We operate in a relatively competitive environment; increased competition may result in lower profit margins and loss of market share**

Accordingly to the CHFT Report, the civil engineering subcontracting industry is fragmented, some of the major market players may have significantly more resources and are better positioned than our Group, including stronger brand names, better financial capabilities, longer operating history, and more established relationship with main contractors. In addition, new participants may wish to enter the industry if they have the appropriate skills, local experience, necessary machinery and equipment, capital and are granted the requisite licences by the relevant regulatory bodies. Increased competition may result in lower operating margins and loss of market share, which may adversely affect our profitability and results of operations.

### RISKS RELATING TO HONG KONG

**Our performance and financial condition may be adversely affected by the state of economy in Hong Kong**

During the Track Record Period, our revenue attributable to the Hong Kong market accounted for most of our Group’s total revenue. If there is any adverse economic conditions due to events beyond

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## RISK FACTORS

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our control, including a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, or the local authorities adopt regulations that place additional restrictions or burden on us or on our industry in general, our results of operations and financial position may be adversely affected.

### **RISKS RELATING TO THE HONG KONG PUBLIC OFFERING**

#### **An active trading market may not develop after the Hong Kong Public Offering**

Prior to the Hong Kong Public Offering, there has been no public market for any of the Shares. There is no guarantee that an active trading market for the Shares will develop or be sustained upon completion of the Listing. A listing on the GEM does not guarantee that an active trading market for the Shares will develop following the Hong Kong Public Offering, or that the Shares will be listed or traded on GEM. Our Group cannot assure that an active trading market will develop or be sustained following the Hong Kong Public Offering, or that the market price of the Shares will not fall below the Offer Price.

#### **The trading volume and price of our Shares may be volatile**

Upon Listing, the price and trading volume of our Shares may be volatile from time to time. Factors such as changes in our income or cash flows, new investments and strategic alliances could substantially affect the trading volume and price of the Shares. Any such developments may result in large and sudden changes in the volume and price at which the Shares will be traded. There is no guarantee that these developments will or will not occur in the future and it is difficult to quantify the impact on our Group and on the trading volume and market price of the Shares. Further, the market price of the Shares may change due to factors which may not be directly related to our financial or business performance. In addition, shares of other companies listed on GEM have experienced substantial price volatility in the past.

#### **The exercise of options granted under the Share Option Scheme may result in dilution to the Shareholders' equity interests**

Our Company has conditionally adopted the Share Option Scheme. The number of issued Shares will be increased upon the exercise of any options which may be granted pursuant to the Share Option Scheme. Consequently, there may be a dilution or reduction of shareholding of the Shareholders which results in a dilution or reduction of the net asset value per Share or earnings per Share. Additionally, the fair value of the options to be granted to the eligible participants, if any, under the Share Option Scheme will be charged to our consolidated income statements over the vesting periods of the options. The fair value of the options will be determined on the date of granting of the options. Therefore, this may adversely affect our financial results and profitability.

#### **Future sale of Shares by existing Shareholders may adversely affect the market price of our Shares**

The Shares held by Controlling Shareholders are subject to certain lock-up periods beginning on the Listing Date, details of which are set out in the section headed “Underwriting — Underwriting Arrangements and Expenses — Undertakings” in this prospectus. There is no assurance that our

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## RISK FACTORS

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Controlling Shareholders will not dispose the Shares held by them after the lock-up period. Our Group cannot predict the effect, if any, of any future sales of the Share by any substantial shareholders or Controlling Shareholders or the availability of Shares for sale by any substantial shareholders or Controlling Shareholders may have on the market price of the Shares. Sales of a substantial amount of Shares by any substantial shareholders or Controlling Shareholders or the issuance of a substantial amount of new Shares by our Company, or the market perception that such sales or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

### **RISKS RELATING TO THIS PROSPECTUS**

#### **Certain statistics and facts in this prospectus have not been independently verified**

This prospectus includes certain statistics and facts that are extracted from Government official sources and publications or other sources. We believe that such statistics and facts are prepared by the relevant sources after having taken reasonable care. Whilst our Company believes that it is prudent for us to rely on such statistics and facts, there is no assurance that such statistics and facts are free from error or mistake. The statistics and facts from these sources have not been independently verified by our Company, our Directors, the Sole Sponsor, the Sole Lead Manager, the Underwriter, or any of their respective directors, affiliates or advisers or any other party involved in the Hong Kong Public Offering and no representation is given as to their accuracy and completeness.

#### **Our future results could differ materially from those expressed in 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 in or implied by such forward-looking statements. For details of these statements and the associated risks, please see the section “Forward-Looking Statements” in this prospectus.

#### **We strongly caution you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding us, our industry or the Hong Kong Public Offering**

There may be press articles, media coverage and/or research analyst reports regarding us, our industry or the Hong Kong Public Offering, which may include certain financial information, financial projections and other information about us that do not appear in this prospectus. We wish to emphasize that neither we nor any of the Sole Sponsor, the Sole Lead Manager, the Underwriter, or any parties involved in the Hong Kong Public Offering has authorised the disclosure of any such information in the press, media or research analyst reports. We do not accept any responsibility for any such press articles, media coverage or research analyst reports or the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE HONG KONG PUBLIC OFFERING**

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### **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 (WUMP) 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 Company. 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, and all opinions expressed in this prospectus have been arrived at after due and careful consideration and are found on bases and assumptions that are fair and reasonable.

### **PROSPECTUS ISSUED IN CONNECTION WITH HONG KONG PUBLIC OFFERING ONLY**

This prospectus is published solely in connection with the Hong Kong Public Offering which is sponsored by the Sole Sponsor. The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Sponsor, the Sole Lead Manager, the Underwriter, any of their respective directors, agents, employees or advisors or any other party involved in the Hong Kong Public Offering.

### **OFFER SHARES ARE FULLY UNDERWRITTEN**

The Offer Shares will be fully underwritten by the Underwriter pursuant to the Underwriting Agreement subject to the Offer Price being fixed by agreement between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter) on the Price Determination Date or such later date as may be agreed between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter). For further information about the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

### **RESTRICTIONS ON THE SALE OF OFFER SHARES**

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. This prospectus and/or the related Application Forms 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 and/or the related Application Forms are deemed to have confirmed to the Company, the Sole Sponsor and the Underwriter that such restrictions have been observed.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE HONG KONG PUBLIC OFFERING

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The distribution of this prospectus or the related Application Forms and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly, in the PRC or the United States, except in compliance with the relevant laws and regulations of each of such jurisdictions.

Prospective applicants for the Offer Shares should consult their financial advisers and seek 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.

Each person subscribing for or purchasing the Offer Shares will be required or deemed by his/her/its subscription or purchase of Offer Shares to confirm that he/she/it is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he/she/it is not subscribing for and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

### STRUCTURE AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Further details of the structure and conditions of the Hong Kong Public Offering are set out in the section headed “Structure and conditions of the Hong Kong Public Offering” in this prospectus.

### APPLICATION FOR LISTING OF THE SHARES ON GEM

Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

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

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at all times after the Listing, our Company must maintain the “minimum prescribed percentage” of 25% or such applicable percentage of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

No part of the Shares or the loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE HONG KONG PUBLIC OFFERING**

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### **PROFESSIONAL TAX ADVICE RECOMMENDED**

If investors are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or exercise of any rights in relation to the Offer Shares, they should consult an expert. It is emphasized that none of our Company, our Directors, the Sole Sponsor, the Sole Lead Manager, the Underwriter, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Hong Kong Public Offering accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to the Offer Shares.

### **HONG KONG BRANCH SHARE REGISTER AND THE STAMP DUTY**

The principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited, and the branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The Shares are freely transferable. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees. All the Offer Shares will be registered on the branch register of members of our Company in Hong Kong. Dealings in the Shares registered on the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional advisers.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Monday, 12 February 2018. Shares will be traded in board lots of 5,000 Shares each. The stock code for the Shares is 8523. Our Company will not issue any temporary documents of title. Dealings in the Shares on GEM will be effected by participants of GEM whose bid and offer quotations will be available on the GEM's teletext page information system. Delivery and payment for Shares dealt on GEM will be effected on the second Business Day following the transaction date. Only certificates for Shares registered on the



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## INFORMATION ABOUT THIS PROSPECTUS AND THE HONG KONG PUBLIC OFFERING

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branch share register of our Company will be valid for delivery in respect of transactions effected on GEM. If you are unsure about the procedures for dealings and settlement arrangement on GEM on which the Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

### 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.

### ROUNDING

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

### EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in MOP and USD have been translated, for illustration purposes only, into HK\$ in this prospectus at the following rates:

- MOP1.01 = HK\$1.00; and
- US\$1.00 = HK\$7.80.

No representation is made that any amount in HK\$, MOP or USD can be or could have been at the relevant dates converted at the above rates or any other rates, or at all.

### WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE HONG KONG PUBLIC OFFERING

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### DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Tang Sze Wo (鄧仕和)	Flat C, 30/F Tower 2, South Court Festival City Phase 1 1 Mei Tin Road Tai Wai, Shatin New Territories Hong Kong	Chinese
Mr. Lai Yung Sang (黎容生)	Flat D, 15 <sup>th</sup> Floor Block 5 Jubilee Garden No. 2-18 Lok King Street Fo Tan, Shatin, New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Dr. Wong Kwok Yiu Chris (王國耀)	8 Devon Road Kowloon Hong Kong	Chinese
Mr. Wong Choi Chak (黃在澤)	A-7, 1/F New Fortune House 4-8 North Street Western District Hong Kong	Chinese
Mr. Leung Kim Hong (梁劍康)	Room 1026 Bay Bridge Hong Kong 123 Castle Peak Road Yau Kom Tau Tsuen Wan Hong Kong	Chinese

For further information on the profile and background of our Directors, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE HONG KONG PUBLIC OFFERING

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### PARTIES INVOLVED IN THE HONG KONG PUBLIC OFFERING

**Sole Sponsor****LY Capital Limited**

Rooms 1901-02

China Insurance Group Building

141 Des Voeux Road Central

Hong Kong

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

**Sole Lead Manager****KGI Capital Asia Limited**

41/F Central Plaza

18 Harbour Road

Wanchai

Hong Kong

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

**Underwriter****KGI Capital Asia Limited**

41/F Central Plaza

18 Harbour Road

Wanchai

Hong Kong

**Legal Advisers to our Company**

*As to Hong Kong law:*

**Watson Farley & Williams**

Suites 4610-4619

Jardine House

1 Connaught Place

Hong Kong

*As to Cayman Islands law:*

**Conyers Dill & Pearman**

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*As to Macau law:*

**Rato, Ling, Lei & Cortés — Advogados**

Avenida da Amizade

Macau Landmark

Office Tower 23

Macau

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## DIRECTORS AND PARTIES INVOLVED IN THE HONG KONG PUBLIC OFFERING

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<b>Legal Advisers to the Sole Sponsor, Sole Lead Manager and the Underwriter</b>	<i>As to Hong Kong law:</i> <b>YTL &amp; Co.</b> Suite 1905, Tower 2, Lippo Centre 89 Queensway, Hong Kong
<b>Auditors and Reporting Accountants</b>	<b>Deloitte Touche Tohmatsu</b> 35/F, One Pacific Place 88 Queensway, Hong Kong
<b>Industry consultant and property valuer</b>	<b>CHFT Advisory And Appraisal Ltd.</b> 8/F, 77 Wyndham Street Central Hong Kong
<b>Compliance adviser</b>	<b>LY Capital Limited</b> Rooms 1901-02 China Insurance Group Building 141 Des Voeux Road Central Hong Kong (A corporation licensed under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined in the SFO)

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## CORPORATE INFORMATION

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<b>Registered office in the Cayman Islands</b>	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
<b>Principal place of business in Hong Kong</b>	Room A, 15 <sup>TH</sup> Floor Kings Tower 111 King Lam Street Cheung Sha Wan Kowloon Hong Kong
<b>Company's website</b>	<b><a href="http://www.smcl.com.hk">www.smcl.com.hk</a></b> <i>(The contents of the website do not form a part of this prospectus)</i>
<b>Company secretary</b>	Ms. Chau Hing Ling ( <i>LLM, FCIS, FCS</i> ) 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
<b>Compliance officer</b>	Mr. Tang Sze Wo
<b>Authorised representatives (for the purpose of the GEM Listing Rules)</b>	Mr. Tang Sze Wo Flat C, 30/F Tower 2, South Court Festival City Phase 1 1 Mei Tin Road Tai Wai, Shatin New Territories Hong Kong  Ms. Chau Hing Ling 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
<b>Audit Committee</b>	Mr. Wong Choi Chak ( <i>Chairman</i> ) Dr. Wong Kwok Yiu Chris Mr. Leung Kim Hong

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## CORPORATE INFORMATION

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<b>Remuneration Committee</b>	Dr. Wong Kwok Yiu Chris ( <i>Chairman</i> ) Mr. Wong Choi Chak Mr. Leung Kim Hong
<b>Nomination Committee</b>	Mr. Leung Kim Hong ( <i>Chairman</i> ) Dr. Wong Kwok Yiu Chris Mr. Wong Choi Chak
<b>Risk Management Committee</b>	Mr. Wong Choi Chak ( <i>Chairman</i> ) Mr. Tang Sze Wo Dr. Wong Kwok Yiu Chris Mr. Leung Kim Hong
<b>Principal share registrar and transfer office in the Cayman Islands</b>	<b>Conyers Trust Company (Cayman) Limited</b> Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	<b>Tricor Investor Services Limited</b> Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal bankers</b>	<b>The Hongkong and Shanghai Banking Corporation Limited</b> 1 Queen's Road Central Hong Kong  <b>China Construction Bank (Asia) Corporation Limited</b> CCB Tower 3 Connaught Road Central Hong Kong
<b>Receiving banker</b>	<b>DBS Bank (Hong Kong) Limited</b> 11/F, The Center 99 Queen's Road Central Hong Kong

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## INDUSTRY OVERVIEW

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*Certain facts, statistics and data presented in this section and elsewhere in this prospectus have been derived, in part, from various government's official publications as well as the commissioned report from CHFT, an independent industry consultant. Whilst we have taken all reasonable care to ensure that the relevant facts, statistics and data are accurately reproduced from these government's official sources, such facts, statistics and data have not been independently verified by our Group, the Controlling Shareholders or any of its respective affiliates or advisers, nor by the Sole Sponsor, the Sole Lead Manager, the Underwriter or any of their directors, affiliates or advisers or any other party involved in the Hong Kong Public Offering. We have no reason to believe that such facts, statistics and data presented in this section are false or misleading or that any fact has been omitted that would render such facts, statistics and data false or misleading. In this section, other than the CHFT Report, information regarding the relevant industries has been recited or extracted from certain articles, reports or publications and their preparations were not commissioned or funded by our Group. We confirm that after taking reasonable care, there is no adverse change in the market information since the date of the CHFT Report which may qualify, contradict or have an impact on the information in this section.*

### SOURCES OF INFORMATION

We commissioned Crowe Horwath (HK) Consulting & Valuation Limited and CHFT to conduct a market analysis of and to prepare reports on, among others, the industry of building construction and civil engineering in Hong Kong and the construction and machine leasing industry in Macau for a period from 2011 to 2020 at an aggregate fee of HK\$300,000, of which HK\$210,000 was paid to Crowe Horwath (HK) Consulting & Valuation Limited for conducting market analysis which were transferred to CHFT, and HK\$90,000 was paid to CHFT for the reviewing the market analysis and preparation of the industry overview report. CHFT provide industry research and advisory services. The information and analysis contained in the CHFT Report was assessed independently by CHFT which is not connected to our Group in any way. The payment of the fee amount was not conditional on our Group's successful Listing or on the results of the CHFT Report.

The CHFT Report was prepared on the basis of a top-down approach. CHFT utilised both primary and secondary researches and attempted to cross check each significant finding with multiple sources. Their primary research included site visits, management interviews and consultation with industry experts to verify information from third party sources, data collection and scrubbing. Their secondary research included Internet research and articles, publications and knowledge base search. All projects in the CHFT Report were done utilising a mix of both qualitative and quantitative analyses. Whenever applicable, a set of historical data is used as a basis for its projections, and if necessary, adjustments are subsequently made for projection purposes and to ensure data relevancy.

The following assumptions are used in the CHFT Report:

- There will not be substantial incidents such as political, administrative developments or natural disasters causing the economic condition to differ significantly from the forecasts, or adversely affect the interior design and decoration industry and real estate market in Hong Kong; and



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## INDUSTRY OVERVIEW

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- The economy of Hong Kong will not experience significant and substantial recession in near future.

Except as otherwise noted, all the data and forecasts in this section are derived from the CHFT Report. We and the Sole Sponsor, having considered the data and intelligence-gathering methodology of CHFT adopted in preparing the CHFT Report, are satisfied that the above assumptions are not misleading.

### NO ADVERSE CHANGE IN MARKET INFORMATION

We confirm that, to the best of our knowledge, after taking reasonable care as at the Latest Practicable Date, there is no material adverse change in the market information since the date of the CHFT Report which may qualify, contradict or have an impact on the information in this section.

### MACRO-ECONOMIC ENVIRONMENT IN HONG KONG

The economy of Hong Kong experienced continuous growth in the past few years. This is reflected by successful increases of the GDP throughout the years, from HK\$2,037 billion in 2012 to HK\$2,489 billion in 2016, representing a CAGR of approximately 5.1%. It is anticipated that the GDP will reach HK\$3,003 billion in 2021 representing a CAGR of approximately 3.3%. The National 13<sup>th</sup> Five-Year Plan states that the central government of the PRC will advocate the upgrading of the closer economic partnership arrangements with Hong Kong and Macau. The central government of the PRC continues to fully support the Belt and Road Initiative. Leveraging “one country, two systems” and other advantages, the central government of the PRC strives to give full play to Hong Kong’s role as a “super-connector” and acts in concert with the strategy of the PRC enterprises to go global, thereby creating opportunities for the youth and boosting Hong Kong’s social and economic development in the coming decades. The major industries driving Hong Kong’s economy, namely, professional services, convention and exhibition, tourism and financial services will see further opportunity and stable growth by leveraging closer bonds with the PRC and the Belt and Road Initiative. Consequently, the economy of Hong Kong will be driven by the National 13th Five-Year Plan and the Belt and Road Initiative as a whole, leading to the further development of the real property market and growth of construction and civil engineering industries.

### MARKET OVERVIEW OF THE CONSTRUCTION INDUSTRY IN HONG KONG

Gross output value of construction works performed by main contractors at civil engineering construction sites increased from about HK\$104.0 billion in 2012 to HK\$159.0 billion in 2016, representing a CAGR of approximately 11.2%. The significant increase can be explained by the strong demand for office buildings and multi-purpose commercial buildings in the past years and execution of infrastructure projects. It is estimated that the gross output value of construction works performed by main contractors at civil engineering construction sites will grow steadily within the period from 2017 to 2021 and reach HK\$191.8 billion in 2021.

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## INDUSTRY OVERVIEW

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The growth of the gross output value of construction works performed is attributable to factors such as the “Ten Major Infrastructure Projects” mostly commenced in 2012, the growing cost of raw materials and labour, as well as the increasing contract fees to subcontractors.

From 2012 to 2016, the gross output value of construction works at civil engineering construction sites of main contractors in the public sector increased from approximately HK\$54.7 billion to approximately HK\$82.0 billion, at a CAGR of about 10.7%. The gross output value of civil engineering construction works at construction sites of main contractors in the private sector increased from approximately HK\$49.4 billion in 2012 to approximately HK\$77.0 billion in 2016, at a CAGR of about 11.7%.

According to the 2017-2018 Budget Speech, the Government planned to increase its total public expenditure on infrastructure to about HK\$86 billion in 2017-2018, which is similar to the expenditure on infrastructure in 2016-2017 at about HK\$85.8 billion.

### **Major civil engineering construction projects in the public sector**

#### ***Kai Tak Tourism Node***

According to the 2017 Policy Address, the number of ship calls at the Kai Tak Cruise Terminal grew by 70% year-on-year in 2016, and in 2017, the Government will invite a tender for the Kai Tak Tourism Node in the vicinity of the cruise terminal to develop a world-class tourist attraction.

#### ***Kai Tak Development***

The Government mentioned in the 2017 Policy Address that it had recently completed a review to further increase the development intensity and enhance the site planning of the Kai Tak Development Area. A total of approximately 16,000 additional residential flats and about 400,000 square metres of commercial floor area will be provided in two phases. In addition, the Government continues to take forward two planning and engineering studies related to the Kai Tak Fantasy project, and will consult the public this year on the design plan of the Kai Tak Runway Tip and the preliminary proposals for development of the Kwun Tong Action Area.

#### ***Boundary Control Point at Liantang / Heung Yuen Wai***

The Government was pressing ahead a number of major transportation projects, among which is the Liantang/Heung Yuen Wai Boundary Control Point. According to the CEDD, the project mainly comprises site formation of about 23 hectares of land for provision of Boundary Control Point buildings and associated facilities, construction of about 11 km long dual 2-lane Connecting Road linking up the Boundary Control Point with Fanling Highway, design and construction of the Hong Kong portion of vehicular bridges and pedestrian bridge crossing Shenzhen River, associated diversion/modification works at existing local roads and junctions, drainage, sewerage, waterworks and landscaping works.

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## INDUSTRY OVERVIEW

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### *Hong Kong Disneyland Expansion*

On 2 May 2017, the Legislative Council of Hong Kong passed a HK\$5.45 billion funding proposal for the expansion of Hong Kong Disneyland with another HK\$5.45 billion to be funded by The Walt Disney Company. According to the Secretary for Commerce & Economic Development at that time, the move was a very important tourism infrastructure project intending to bring 3,500 construction jobs and up to 8,000 new job vacancies.

### *Shatin to Central Link (“SCL”)*

SCL is an under-construction expansion of the MTR rapid transit network in Hong Kong, with an initial grant from the Government of HK\$37.4 billion. Its route is divided into two sections. The first section (Phase 1) is from Tai Wai Station to Hung Hom Station and its operation is scheduled for 2019. The second section (Phase 2) of SCL is from Hung Hom Station to Admiralty Station on Hong Kong Island. This cross-harbour extension is scheduled to be completed in 2021.

### *Development of Anderson Road Quarry Site*

The Government has implemented development of the former Diamond Hill Squatter Areas (Tai Hom Village), Anderson Road Quarry (“ARQ”) and former Cha Kwo Ling Kaolin Mine, providing a total of nearly 16,000 housing units. In particular, development for ARQ is in progress. According to the CEDD, the project is to provide land and the associated infrastructure for the proposed land use at the existing ARQ site at the north-eastern of East Kowloon according to the approved Kwun Tong (North) Outline Zoning Plan. The development of the ARQ site will provide about 12 hectares of land for development of about 9,400 flats, to which major works would be site formation and infrastructure works within the ARQ site. In addition, a series of associated off-site road improvement works and pedestrian connectivity facilities is also proposed to enhance the pedestrian connectivity between the ARQ site and housing estates in the vicinity, the Kwun Tong town centre and the proposed bus to bus interchange, as well as to mitigate the potential cumulative traffic impact arising from the proposed ARQ development, which would provide further opportunities for site formation and infrastructure works.

### *Improvement Works at Tai O*

According to its design consultant, Mannings (Asia) Consultants Ltd., the Planning Department of the Government formulated a Recommended Revitalisation Strategy for Tai O back in 2002 to preserve the cultural heritage and natural attributes of Tai O. Phase 1 of the works has completed, while Phase 2 Stage 1 is under construction; Phase 2 Stage 2 is under detailed design and the Remaining Phase is under planning. Phase 2 Stage 2 involves development of footbridges at Po Chue Tam and Yim Tin, enhancement of the existing temple garden for Yeung Hau Temple and enhancement of the existing space for community and cultural events, while the Remaining Phase aims to improve and preserve local facilities for facilitating visitors’ appreciation of natural attributes and heritage of Tai O. It mainly includes improvement of the existing streetscape within the Tai O inner-core area, signage, inner loop heritage trail and the existing jetties etc. and is subject to further study.

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## INDUSTRY OVERVIEW

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### *Improvement Works at Mui Wo*

In late 2004, according to the consultant of the Government, Jacobs China Limited, the Government proposed a Concept Plan for Lantau to provide an overall planning framework so as to ensure a balanced and coordinated approach for the future development of Lantau. To examine the feasibility and implementation requirements of the proposal, the CEDD commissioned in June 2007 a feasibility study of the improvement works for Mui Wo Facelift. The study was completed in 2009, with the preliminary design of the improvement works formulated. Phase 1 works was completed by end of 2016. Phase 2 Stage 1 works commenced on 28 July 2016 and it is expected that such works will be completed by early 2019. Phase 2 Stage 1 includes realignment of a section of Mui Wo Ferry Pier Road and extension of the existing car parking area and ancillary works including geotechnical, landscaping, drainage and utility works. The remaining phase works comprise the following: (1) improvement to south waterfront promenade; (2) reprovisioning of cargo loading and unloading area; (3) reprovisioning of new cooked food market and covered cycle parking area; (4) enhancement of Entrance Plaza; and (5) improvement/provision of cycle tracks and heritage trails in Mui Wo.

### *Development of Hong Kong International Airport into a Three-runway System*

According to the Airport Authority (“AA”), to meet future air traffic growth and maintain Hong Kong’s competitiveness as an international aviation hub, the AA will expand Hong Kong International Airport into a three-runway system. The construction of the three-runway system will commence on 1 August 2017 require substantial site formation works. As it will take approximately ten years to complete the project, many opportunities for construction and site formation will be available to the industry.

### **Major participants in the construction industry in Hong Kong**

#### *Owner/Client*

The client is any entity that requires and commissions any construction works to be done on its behalf. Any natural or legal person may be a client. For example, an individual may own a plot of land and decides to erect a house or building on it; an owners’ corporation may need to carry out renovation and maintenance of its building; a company renting new office spaces may want to have the space fit-out to its desired specification before moving in; and a well-known example to the general public would be a developer converting an existing plot of land (either with or without existing building erected thereon) to that with new buildings and facility. In general, any natural or legal person may commission any construction works to be done to modify/demolish an existing building or build a new building, and thereby this natural or legal person is the client of such construction works. The client’s most important tasks are to decide on clear instructions with the assistance of the consultants, for the contractor to carry out their works on behalf of the client, and to pay the consultants and contractor in accordance with the consultant contract and works contract, respectively.

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## INDUSTRY OVERVIEW

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### *Consultant*

The consultants are responsible for drawing up the design, managing the tender process, advising on contract strategy and contractor selection and monitoring the progress and quality of the contractor's works, including certifying contractor's payment. A lead design consultant and a quantity surveyor are typically hired for most construction works.

### *Main Contractor*

The main contractor is typically a construction entity that contracts with the client such that the main contractor is responsible for carrying out the entire construction project. However, as is most often the case, the main contractor will outsource part or most of the works to other contractors, which become subcontractors of the project concerned. Such subcontractor working directly for the main contractor may also outsource part of its works to other contractors.

The subcontractor contracts with a main contractor to perform a specified portion of the construction works which is the subject of a contract in accordance with the plans and specifications by which the main contractor is bound. The subcontractor may well contract with another subcontractor for certain portion of such construction works.

### *Subcontractor*

Subcontracting is beneficial to the subcontractor, the main contractor or another subcontractor because it allows flexibility in procurement and promotes specialisation of trades. For example, a main contractor specialising in structural and building works may outsource building services and interior fit-out works to a subcontractor, each specialising in their own domains. It is often too costly or otherwise uneconomic to retain expertise, equipment, market information and suppliers in buildings services engineering and interior fit-out, for this particular contractor that has chosen to focus on structural and building works. A subcontractor may not actually carry out any actual construction as a part of the end product but will only execute certain key and specialised operations or installation of temporary facilities, such as erection of lifting hoists and installation of hoarding.

### *Supplier*

Any civil engineering or building construction works can be viewed as converting materials into finished building structure. Apart from the expertise required to accomplish this task, material is of utmost importance. The quality, availability, price, storage and timing of delivery of the material are all of vital importance to the successful construction in an economic manner. The supplier will provide such materials. Examples of these materials include reinforcement steel bars, cement and diesel fuel.

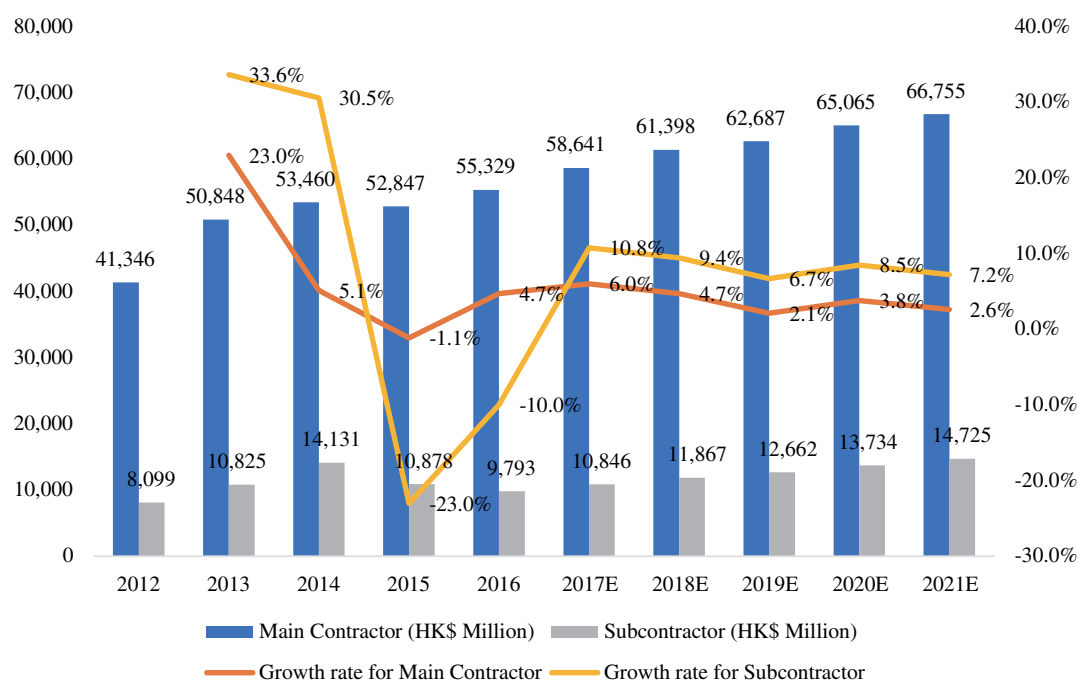
## INDUSTRY OVERVIEW

### Gross output value of construction works performed by main contractors and subcontractors in Hong Kong

The participants in the civil engineering construction industry in Hong Kong can generally be divided into main contractors and subcontractors. The main contractors are the ones which are in charge of the project and supervise the process of the whole project. These projects include without limitation civil engineering works, site formation, piling, demolition, erection of architectural superstructure and structural alteration. For a construction project, there are many specialised works which can be outsourced to subcontractors. The subcontractors are usually specialised in the specific sub-divided works in the project. The gross output value of construction works performed by subcontractors at construction sites increased from about HK\$20.4 billion in 2012 to HK\$28.0 billion in 2016, representing a CAGR of approximately 8.3%. The gross output value is expected to further increase from about HK\$31.1 billion to about HK\$42.8 billion between 2017 and 2021, at a CAGR of approximately 8.3%. The weight of subcontractors in the overall gross output value of construction works increased from 19.6% in 2012 to 26.4% in 2014, and decreased to 17.6% in 2016. From 2017 to 2021, the weight is expected to rebound and increase to 22.3% in 2021 due to an increasing number of large and complex construction projects.

### MARKET OVERVIEW OF THE CIVIL ENGINEERING CONSTRUCTION INDUSTRY IN HONG KONG

Gross output value of civil engineering construction works at construction sites  
(for Main Contractors and Subcontractors) (2012-2021E)



Source: Census and Statistics Department of Hong Kong; CHFT

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## INDUSTRY OVERVIEW

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The gross output value of civil engineering construction works performed by main contractors at construction sites increased from about HK\$41.3 billion in 2012 to HK\$55.3 billion in 2016, representing a CAGR of approximately 7.5%. It is expected that the gross output value will grow substantially from approximately HK\$58.6 billion in 2017 to HK\$66.7 billion in 2021, at a CAGR of approximately 3.3%. The trend will continue to grow mainly due to a strong demand for infrastructure projects such as the ongoing and upcoming Ten Major Infrastructure Projects.

The gross output value of civil engineering construction works performed by subcontractors at construction sites increased from about HK\$8.1 billion in 2012 to HK\$9.7 billion in 2016, representing a CAGR of approximately 4.7%. The weight of subcontractors in the overall revenue of civil engineering construction works increased from 19.6% in 2012 to 26.4% in 2014. Then, there was a downward trend in the next two years and the weight reached 17.6% in 2016. The trend is expected to rebound to increase from 18.4% in 2017 to 22.0% in 2021. The upward trend is expected due to an increase in the number of large and complex construction works such as the “Kai Tak development — reconstruction and upgrading of Kai Tak Nullah”, “Expansion of Tai Po water treatment works and ancillary raw water and fresh water transfer facilities — part works” and the ongoing and upcoming Ten Major Infrastructure Projects.

### **Sub-segments of civil engineering works in Hong Kong**

Based on the licenses in the Development Bureau, the sub-segments of the civil engineering construction works in Hong Kong are ports works, road and drainage, site formation and waterworks. Some iconic civil engineering works in Hong Kong include the Tsing Ma Bridge and Hong Kong International Airport.

#### ***Site formation works***

Site formation works required at construction sites refer to excavation to the design formation level and reduction and stabilization of construction sites. Examples of site formation projects in recent years include Liantang/Heung Yuen Wai Boundary Control Point, development of the ARQ Site, and development of Hong Kong International Airport into a three-runway system. Site formation works are important to both general buildings and civil engineering construction projects. Prior to the start of any construction works, site formation works are needed to first stabilise the construction site. The growth of site formation works is expected to align with the increasing construction activities taking place in Hong Kong.

#### ***Road and drainage works***

Road and drainage works refer to the construction and widening of roads, construction of footbridges and other drainage-related infrastructures such as the sewage pipes, storm drains, water mains and other maintenance works. Examples of major civil engineering road and drainage works in recent years include the Boundary Control Point at Liantang / Heung Yuen Wai, development of the ARQ Site, realignment of Mui Wo Ferry Pier Road, and development of Hong Kong International Airport into a three-runway system.



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## INDUSTRY OVERVIEW

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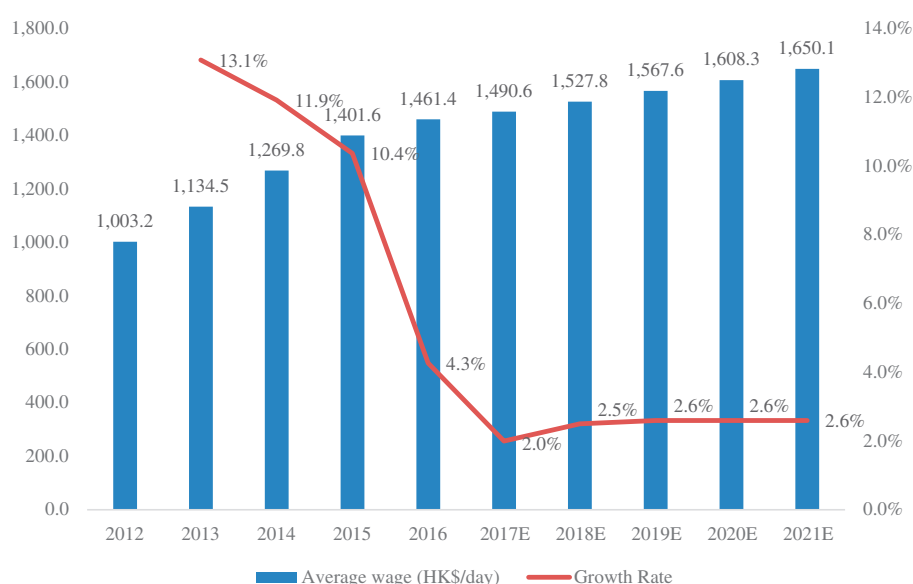
### *Structural works*

Civil engineering structural works include the construction and design of major frameworks providing the infrastructure with the supportive structures. These structures need to be constructed and designed to endure the stresses and pressure of the external environment to enable safe, stable and secure usage during the lifetime of the infrastructure. Structural works are required in all sorts of civil engineering works including port works, site formation, waterworks as well as road and drainage. Examples of major civil engineering structural works in recent years include the Tuen Mun South Extension and SCL.

### **Wage trend for workers in the civil engineering construction industry in Hong Kong**

The chart below shows the average wages and trend of wages of civil engineering construction workers in Hong Kong between 2012 and 2016 and the forecast from 2017 to 2021.

**Average wages and trend of wages in civil engineering construction industry**



Source: Census and Statistics Department of Hong Kong; CHFT

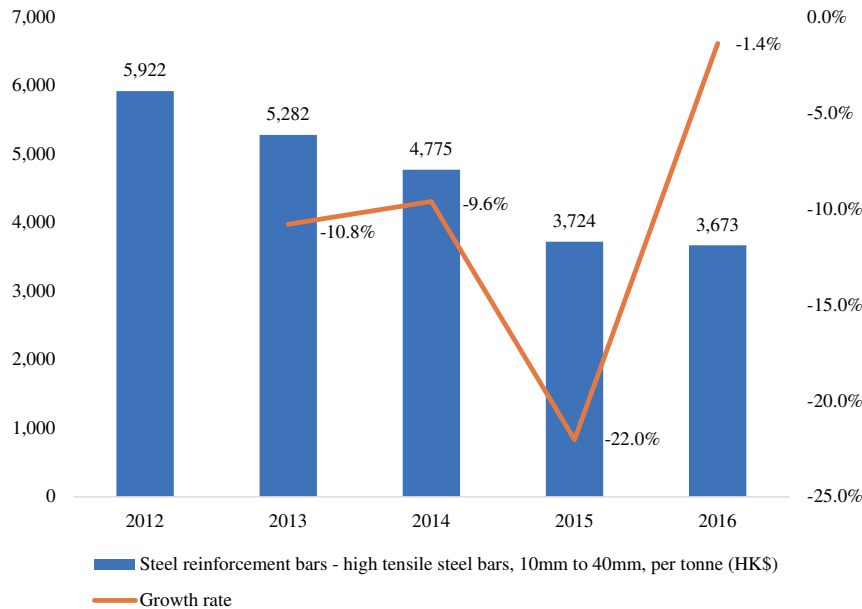
The average daily wage has been rising in recent years, from HK\$1,003 in 2012 to HK\$1,461 in 2016 with a CAGR of 9.9%.

This upward trend of growth was mainly driven by the large demand for infrastructure and residential projects launched by the Government. There was a shortage of skilled construction workers to take up the works. There are many factors resulting in the insufficiency. For example, the aging population and the difficulty in attracting young talents into the industry. Competition is another important factor. While there has been an increasing demand for skilled labour from the PRC, the bargaining power of the targeted workers increases. The rise in general salary of construction sector in the PRC also adds pressure to Hong Kong's construction companies.

## INDUSTRY OVERVIEW

### Price trend of key raw materials used in the civil engineering construction industry in Hong Kong

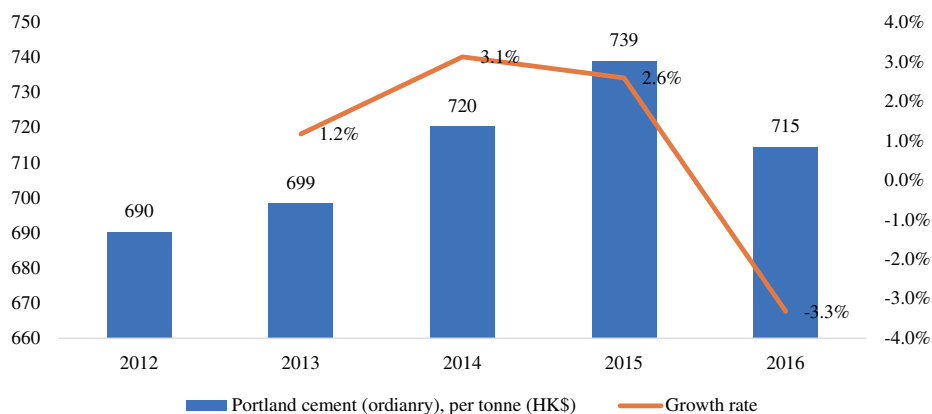
#### Wholesale Price Trend of Steel Reinforcement bars in Hong Kong (2012-2016)



Source: Census and Statistics Department of Hong Kong; CHFT

The average wholesale price of steel reinforcement bars decreased from an annual average price of about HK\$5,922 per tonne in 2012 to about HK\$3,673 per tonne in 2016, which translated to a CAGR of about -11.3%. Over 90% of structural steel consumed in Hong Kong came from China. The overproduction of steel in China and downsizing of the construction industry in China have led to the downward trend of the price of steel reinforcement bars since 2012.

#### Wholesale Price Trend of Cement in Hong Kong (2012-2016)

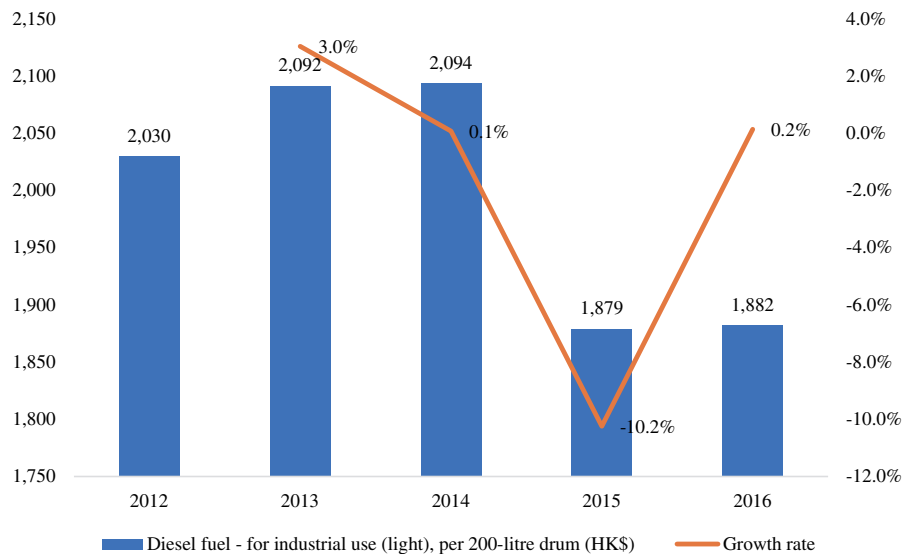


Source: Census and Statistics Department of Hong Kong; CHFT

## INDUSTRY OVERVIEW

Hong Kong's annual average wholesale price of cement showed a substantial growth from around HK\$690 per tonne in 2012 to approximately HK\$715 per tonne in 2016, representing a CAGR of about 0.9%. The upward price trend was due to the improvement of the oversupply of cement in the market and the appreciation of the RMB which resulted in high commodity prices. The increased rate of inflation in Hong Kong has also contributed to the upward price trend.

**Wholesale Price Trend of Diesel Fuel in Hong Kong (2012-2016)**



*Source: Census and Statistics Department of Hong Kong; CHFT*

The average wholesale price of diesel fuel in Hong Kong dropped at a CAGR of about -1.9%, from an annual average price of about HK\$2,030 per 200-litre drum in 2012 to an annual average price of about HK\$1,882 per 200-litre drum in 2016. The upward trend of average wholesale price of diesel fuel from 2012 to 2014 was mainly due to the instability in Libya and the appreciation of the US dollar. The drop in fuel price from HK\$2,094 in 2014 to HK\$1,879 in 2015 was due to the global decline in crude oil prices.

## COMPETITIVE LANDSCAPE OF THE CIVIL ENGINEERING CONSTRUCTION INDUSTRY IN HONG KONG

The civil engineering subcontracting industry in Hong Kong is fragmented. Civil engineering projects are mostly offered by the Government. For these projects, a main contractor is generally responsible for overseeing the entire project from a broader perspective, whereas subcontractors are principally responsible for executing the project. For this reason, during the post tendering process, main contractors always work with qualified and capable subcontractors in order to reduce the risk of project delay. Therefore, main contractors usually prefer subcontractors that have a proven track record.

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## INDUSTRY OVERVIEW

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Based on the Hong Kong Standard Industrial Classification Version 2.0 Code, civil engineering in Hong Kong includes civil engineering construction projects and miscellaneous civil engineering works.

### **Construction of civil engineering projects**

This industry group consists of establishments either main contractors or subcontractor engaged in heavy construction such as roads, flyovers, bridges, tunnels, railways, piers and other port works; airport and other transport facilities; utility plants for supply of water, gas, electricity and communication services; dock works and other industrial structures and facilities; drainage, refuse and sewer treatment plant; gardens, parks; and other kinds of structures and facilities classified as site works. Land formation and reclamation as well as landscaping and slope protection are classified as civil engineering construction if they are not connected with the erection of a building or structure.

### **Miscellaneous civil engineering works**

This industry group consists of establishments engaged in minor road repairs and construction of footpaths, refuse collection points and other minor civil engineering works not classified as site construction.

### **Market share of the Company in the civil engineering construction industry**

For the year ended 31 March 2017, our total revenue of approximately HK\$89,977,000 represented approximately 0.94% of the total estimated revenue (HK\$9.6 billion) in the civil engineering construction industry generated by civil engineering subcontractors in Hong Kong.

### **Future trends and development of the civil engineering construction industry in Hong Kong**

#### ***Ten Major Infrastructure Projects***

The Ten Major Infrastructure Projects such as Kai Tak Development, North East New Territories (“NENT”) New Development Areas and SCL will continue to positively impact the growth of the civil engineering sector and other construction sectors. They are in large scale and it may be some time before these projects are completed. Main contractors that are responsible for these projects will need civil engineering subcontractors to complete these projects. This gives positive momentum for the demand for civil engineering subcontractors.

More particularly, during the Track Record Period, we have been involved in Kai Tak Development. In addition, we would be able to benefit from NENT through our current involvement in the Liantang/Heung Yuen Wai Boundary Control Point, which is close to the NENT New Development Areas.

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## INDUSTRY OVERVIEW

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### *Various upcoming infrastructure projects highlighted in the 2017 Policy Address*

The Government has continued to show its commitment to infrastructure and the construction industry by highlighting various projects in the 2017 Policy Address. These include infrastructure projects such as the development of Rock Caverns and underground space, the reclamation outside Victoria Harbour, the construction of the Kowloon-Central Route and the detailed planning work for the Northern Link (and Kwun Tung Station), the Tuen Mun South Extension and the East Kowloon Line. These infrastructure projects are large in scale and complex and require the collaboration of main contractors and subcontractors.

### **Factors of competition**

#### *Reputation*

It is important for a contractor to deliver a positive image to its customers. A strong reputation of a contractor can build confidence in its customers to trust the quality of its products and services, which might in turn have a higher chance of establishing a long-term contractor-customer relationship. The major method of reputation competition is by showcasing the contractor's previous track record of successful projects towards its customers.

#### *Financial capability*

Contractors are required by the Development Bureau to submit their financial information when tender for public works contracts. This prerequisite acts as an entry barrier which automatically disqualifies contractors who do not have sufficient capital or are financially distressed. It is therefore crucial for contractors to have exclusive financial engineering skills and to establish good relationships with creditors. Creditors can provide financial support to contractors in times of competing for public works contracts and implementing strategies to maintain competitive advantages.

#### *Marketing capability*

While the reputation of a contractor brings its customers to its doorstep, the marketing capability of a contractor strives to maintain the loyalty of its customers. Contractors can build a long-term trusting relationship with its customers by delivering high quality products or services to them. As products and services are delivered to customers through the works of its employees, marketing the core values of the company to its employees can promote the consistency of the quality of products and services. In all, contractors that establish good relationship with both its customers and employees have higher competitive advantages in the market.

#### *Project management skills*

A construction project is carried out by the project team. It is important for the team to work effectively and efficiently throughout the project to deliver high quality products and services on time; therefore, project management plays an important role in coordinating the teamwork. Contractors that have the ability to acquire top-tier project managers and a workforce of experienced workers would have a competitive advantage in the market.

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## INDUSTRY OVERVIEW

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### ***Price***

Although price offer is not the sole criterion for customers to determine which is the most suitable contractor for the project, it is still one of the most critical amongst others. In order to minimize cost and maximize profit, customers will normally view contractors who offer lower prices to be more competitive. For contractors to lower their overall construction cost, it becomes crucial to establish long-term relationships with both of their material suppliers and subcontractors, as discounts and low prices are normally offered.

### **Entry barriers**

#### ***Experience***

It is critical for construction subcontractors to acquire an experienced work force to perform the construction works. Inexperienced workers may not be able to detect potential problems during construction. Undetected potential problems of a building structure will have higher risk of accidents. Experienced workers can detect and solve these problems in an early stage and ensure a more efficient construction process. New entrants may not have the ability to secure such experienced work force.

#### ***Significant initial investment***

For Government projects, successful tenderers may be required to pay a contract deposit (in the form of cash) or submit a performance bond to the Government. Contract deposits and performance bonds shall not be refunded and must be maintained in force until the contractor has completed all its obligations under the contract. The Government may also decide to retain an amount of retention money at no more than 5% of the contract value until the contract is completed. New entrants may find it hard to fulfill the initial deposit requirement and may be discouraged by the retention money.

The working capital requirement by WBDB is substantial for Group B contractors. For probationary Group B contractors, the minimum working capital requirement is HK\$4.9 million or 10% on annualized outstanding works, whichever is higher. For confirmed Group B contractors, the minimum working capital requirement is HK\$10.1 million or 10% on annualized outstanding works, whichever is higher. This working capital requirement fends off many new entrants who attempt to register as Group B contractors.

New entrants need to secure a significant initial capital flow to cover payments to subcontractors, purchase of raw materials, recruitment of construction workers and investment in specific machineries. Existing contractors may already have long-term relationships with subcontractors. This ensure their ability to secure a skilled labour force of specialists in a cost-effective manner.

### ***Regulatory requirements***

Contractors are subject to regulations and guidelines imposed by the industry and the Government. For example, any project requires at least one project/contract manager, one qualified professional engineer, one site supervisory staff and one licensed plumber. Under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations, a main contractor or a

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## INDUSTRY OVERVIEW

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specialist contractor must employ a full time safety officer when the total number of persons employed in a construction site or sites is 100 or more. Further, one safety supervisor in each site with 20 or more workers must also be employed. It takes a huge investment to recruit qualified workers and get all licenses required. The Government imposes other regulations to guide business registration and operation, bid participation, land acquisition and so on.

### **Opportunities**

#### ***Increasing residential land supply***

In the 2017 Policy Address, the Government sets out that, within the five-year period from 2016-17, estimated public housing production by the Hong Kong Housing Authority and the Hong Kong Housing Society will be about 94 500 units, including about 71,800 public rental housing (PRH) units and about 22,600 subsidised sale flats; and the housing supply target for the next decade from 2017-18 is 460,000 units, including 200,000 PRH units and 80,000 subsidised sale flats.

#### ***Capital works programme***

According to the Development Bureau, the annual spending of the Capital Works Programme is maintained at the level around HK\$86 billion and is expected to be maintained at this level in the following years. Over the past 5 years, about HK\$370 billion was approved by the Legislative Council Finance Committee, of which about 70% of the spending was used for the Ten Major Infrastructure Projects and the remaining 30% for other projects of varying scales.

### **Threats**

#### ***Fluctuating material costs***

The price trend of key construction materials indicated fluctuation of the prices throughout the recent years, and this trend is expected to continue in the forecast years. Because most of the materials are imported, it is subject to currency risks.

#### ***Insufficient skilled labour***

The overall price trend of construction worker wages in Hong Kong has been rising in the past years and is expected to continue due to the combined serious shortage of skilled labour and increase in infrastructure and building construction development. Further, the majority of the work force (especially skilled labour) is ageing, and young workers are reluctant to enter into the construction industry. Despite the various efforts from the Government and related organizations for boosting the professional image of civil and building construction workers, it is expected that the shortage of labour will continue to be a chronic problem that plagues the industry.



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## INDUSTRY OVERVIEW

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### *Delay in payment*

A major problem in the construction industry is the delay in payment for work done. In 2011, the Government and the Construction Industry Council conducted a comprehensive industry-wide survey of payment practices in the building construction industry and civil engineering construction industry in Hong Kong, revealing that delayed payment due to disputes was common in the industry and amounted to more than HK\$20 billion. The problem was particularly serious for subcontractors, with their outstanding payments amounted to HK\$9.9 billion, equivalent to about 12% of their total business turnover. As the bill for the proposed Security of Payment Legislation is scheduled to be provided to the Legislative Council in 2017, it is hoped that this problem could be remediated in the near future.

### *Interest rate hike*

Following the U.S. interest rate hike, the Hong Kong property market will likely be affected. The increase in interest rate will lay burden on homebuyers' mortgage repayment ability. This might lower the demand for residential properties and push property prices downward. As demand for properties is weakened, this would alternatively cause negative impact on the demand for construction works.

## MARKET OVERVIEW OF THE CONSTRUCTION INDUSTRY IN MACAU

Macau's construction industry recorded strong performance up to 2014, registering annual growth rates of 124.2%, 48.3% and 66.2% for the years of 2012, 2013 and 2014, respectively. Such growth was driven by the enormous investment in the new casino construction projects, expanding tourism and hotel industry, as well as mega infrastructure construction projects supported by the Macau government.

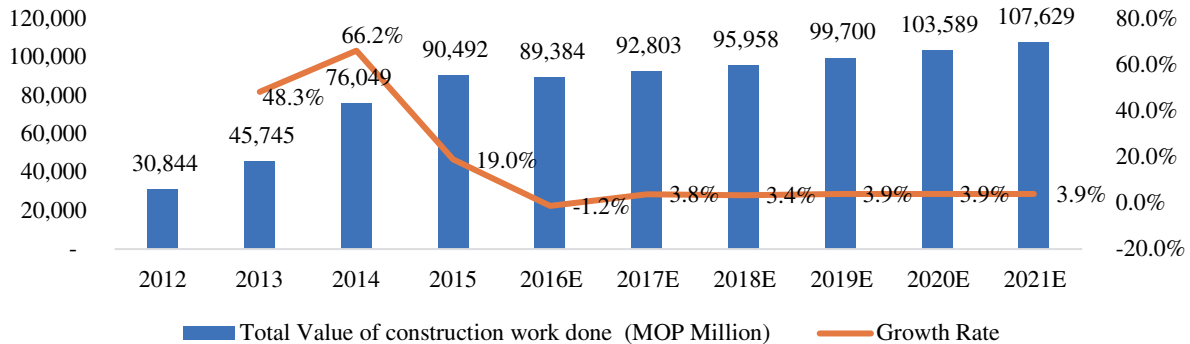
In 2017, the market size of Macau's construction industry is estimated to experience lower growth attributable to the decline in investment in casino construction as well as the recession of private housing market in Macau. With the gradual and successive completion of infrastructure construction projects and mega casino projects in the coming years, the contribution of mega casino, hotel and similar entertainment projects to the growth of the overall construction market is expected to decrease.

However, contribution from public projects are estimated to increase as a compensating driver to maintain the stability of the construction market. Output value of public projects in the coming years mainly comprises of (i) substantial investment in the New Urban Zone construction; and (ii) the increased input in mega infrastructure works under construction.

## INDUSTRY OVERVIEW

The chart below shows the market size of construction industry in Macau between 2012 and 2015 and the forecast from 2016 to 2021.

**Market Size of construction industry in Macau (2012-2021E)**

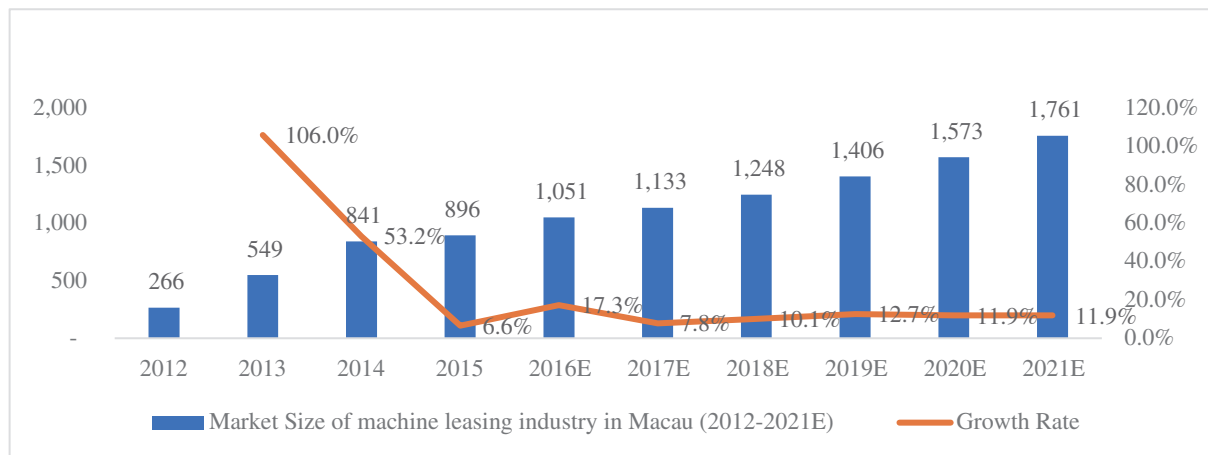


Source: Direcção dos Serviços de Estatística e Censos of Macau; CHFT

The major market participants in the construction machine leasing industry in Macau are mostly dominated by Hong Kong-based and mainland China-based companies. This indicates that Macau local construction machine leasing industry remains at the development phase with growth potential.

The chart below shows the market size and growth rate of the construction machine leasing industry in Macau between 2012 and 2015 and the forecasts from 2016 to 2021.

**Market size of machine leasing industry in Macau (2012-2021E)**



Source: Direcção dos Serviços de Estatística e Censos of Macau; CHFT

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## REGULATORY OVERVIEW

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This section sets forth a summary of the principal laws and regulations applicable to our Group's operation and business.

### A. CONTRACTOR AND SUBCONTRACTOR LICENSING REGIME AND OPERATION

#### Public Sector Construction Works

To tender for Government contracts, a contractor is required to be on the list of approved contractors for public sector construction works maintained by WBDB. The list of approval contractors for public sector construction works maintained by WBDB comprise contractors who are approved for carrying out public sector construction works in one or more of the five major categories of building and civil engineering works, namely buildings, port works, roads and drainage, waterworks and site formation. Contractors within each category are further divided into Group A, B or C according to the value of contracts for which they are normally eligible to tender.

A contractor's status in each group will be either probationary or confirmed. As long as the main contractors hold all the required registrations for the project, the subcontractors are not required to hold the same registrations as the main contractors in public projects.

Although approvals granted by WBDB are not required to be renewed annually, audited accounts of the approved contractors are submitted to WBDB annually, and may be produced to relevant Government works departments prior to awarding contracts in order to review the financial position of the approved contractors to ensure that they meet the capital requirements as set out by WBDB. If any approved contractor fails to meet the capital requirements in a particular category, it will not be eligible for tendering or awarding any contract in that category. In the event the approved contractor fails to submit the accounts or rectify any shortfall in the required capital requirements within the prescribed period, regulatory actions, such as suspension of tendering, may be taken by WBDB against such approved contractor.

A contractor will be admitted initially on probation in the appropriate works category and group. A contractor may apply for "confirmed" status after the satisfactory completion of works appropriate to its probationary status. For instance, it requires satisfactory completion of a certain number of Government works contracts within a certain period. It also requires the contracts to be of value over certain amounts, covering a certain range of the works trades, or of considerable scope and complexity. Confirmation will also be subject to the contractor being able to meet the financial criteria applicable to confirmed status, having the appropriate technical and management capabilities and in all other ways being considered suitable for confirmation. The requirement on the number of Government works contracts, the value of the contracts, financial criteria and other criteria varies depending on different group category of contractors being applied for. "Confirmed" contractors may

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## REGULATORY OVERVIEW

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apply to be elevated to a higher group, which is subject to similar but more stringent criteria/requirements than that described above. The following table sets out the value of works for which contractors in the respective categories and statuses may tender:

Category	Authorised contract value
Group A (probationary <sup>1</sup> )	Contracts of value up to HK\$100 million
Group A <sup>2</sup>	Contracts of value up to HK\$100 million
Group B (probationary <sup>1</sup> )	Contracts of value up to HK\$300 million
Group B <sup>2</sup>	Contracts of value up to HK\$300 million
Group C (probationary <sup>1</sup> )	Contracts of value up to HK\$700 million

### *Notes*

1. Limitation for “Probationary” category applies to the aggregate contract sum of all contracts on hand;
2. Limitation for “Confirmed” category only applies to each contract on hand

### **Requirements for retention as an approved contractor**

In order to retain the current qualification held by Sheung Moon Construction, it has to ensure the minimum financial criteria and other requirements as below:

Group/status	Minimum employed capital	Minimum working capital	Minimum number and qualifications of management and technical personnel <sup>3</sup> to be employed
<b>Group B (probationary)</b> <b>— Approved Contractors for Public Works</b> <b>— Site Formation</b>	HK\$5,200,000 plus HK\$2.9 million for every HK\$43 million of annualized outstanding works or part thereof above HK\$78 million, subject to a maximum of HK\$14.7 million	HK\$5,200,000 or 10% on annualized outstanding works, whichever is higher	<p>Management</p> <p>At least one member of the resident top management shall have a minimum experience of three years, out of which two years shall be local experience, in managing a construction firm obtained in the past five years.</p> <p>Technical personnel</p>

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## REGULATORY OVERVIEW

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Group/status	Minimum employed capital	Minimum working capital	Minimum number and qualifications of management and technical personnel <sup>3</sup> to be employed
			<p>At least one person with the following qualifications:</p> <p>(i) Higher Certificate in Civil Engineering from a Hong Kong polytechnic, a Hong Kong recognised training institution or equivalent and two years local working experience in the relevant category of works; or</p> <p>(ii) Ordinary Certificate in Civil Engineering from a Hong Kong polytechnic, a Hong Kong recognised training institution or equivalent and three years local working experience in the relevant category of works.</p>
<b>Group B (confirmed)</b> <b>— Approved</b> <b>Contractors for</b> <b>Public Works —</b> <b>Site Formation</b>	HK\$10,700,000 plus HK\$5.8 million for every HK\$86 million of annualized outstanding works or part thereof above HK\$159 million, subject to a maximum of HK\$30.1 million	HK\$10,700,000 or 10% on annualized outstanding works, whichever is higher	<p>Management</p> <p>At least one member of the resident top management shall have a minimum experience of three years, out of which two years shall be local experience, in managing a construction firm obtained in the past five years.</p> <p>Technical personnel</p> <p>At least one person with the following qualifications:</p> <p>(i) Higher Certificate in Civil Engineering from a Hong Kong polytechnic, a Hong Kong recognised training institution or equivalent and two years local working experience in the relevant category of works; or</p> <p>(ii) Ordinary Certificate in Civil Engineering from a Hong Kong polytechnic, a Hong Kong recognised training institution or equivalent and three years local working experience in the relevant category of works.</p>

## REGULATORY OVERVIEW

Group/status	Minimum employed capital	Minimum working capital	Minimum number and qualifications of management and technical personnel <sup>3</sup> to be employed
<b>Group A (probationary) — Roads and Drainage</b>	HK\$2,200,000 plus HK\$1.2 million for every HK\$12 million of annualized outstanding works or part thereof above HK\$22 million, subject to a maximum of HK\$4.6 million	HK\$2,200,000 or 15% on annualized outstanding works, whichever is higher	<p>Management</p> <p>At least one member of the resident top management shall have a minimum of one year local experience in managing a construction firm obtained in the past three years.</p> <p>Technical personnel</p> <p>At least one person with one or more of the following qualifications:</p> <ul style="list-style-type: none"> <li>(i) Higher Certificate in Civil Engineering from a Hong Kong polytechnic, a Hong Kong recognised training institution or equivalent and one year local working experience in the relevant category of works; or</li> <li>(ii) Ordinary Certificate in Civil Engineering from a Hong Kong polytechnic, a Hong Kong recognised training institution or equivalent and two years local working experience in the relevant category of works; or</li> <li>(iii) at least ten years local working experience in the relevant category of works.</li> </ul>
<b>Group A (confirmed) — Roads and Drainage</b>	HK\$4,300,000 plus HK\$2.2 million for every HK\$22 million of annualized outstanding works or part thereof above HK\$43 million, subject to a maximum of HK\$8.7 million	HK\$4,300,000 or 15% on annualized outstanding works, whichever is higher	<p>Management</p> <p>At least one member of the resident top management shall have a minimum of one year local experience in managing a construction firm obtained in the past three years.</p> <p>Technical personnel</p> <p>At least one person with one or more of the following qualifications:</p> <ul style="list-style-type: none"> <li>(i) Higher Certificate in Civil Engineering from a Hong Kong polytechnic, a Hong Kong recognised training institution or equivalent and one year local working experience in the relevant category of works; or</li> <li>(ii) Ordinary Certificate in Civil Engineering from a Hong Kong polytechnic, a Hong Kong recognised training institution or equivalent and two years local working experience in the relevant category of works; or</li> <li>(iii) at least ten years local working experience in the relevant category of works.</li> </ul>

### Notes

3. The top management and the technical staff must be two individual persons.

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## REGULATORY OVERVIEW

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Our Directors advised that, as at the Latest Practicable Date, Sheung Moon Construction has met the aforesaid criteria and requirements that are applicable to it.

### CONTRACTORS' PERFORMANCE INDEX SYSTEM

A contractors' performance index system (the "**Contractors' Performance Index System**") was established by ETWB in 2000 to provide a ready indication of contractors' performance standard for reference by the project office and relevant tender board in tender evaluation. Under the Contractors' Performance Index System, the performance of a contractor is represented by a performance rating which is derived from the performance scores given in all the reports written on the performance of the contractors in Government works contracts in the preceding 12 3-month reporting periods. The performance score of a contractor's performance report is determined by the percentage of the scores attained by the contractor over the maximum scores in 11 different attributes (where applicable), including but not limited to workmanship, progress, site safety, environmental pollution control, organisation, general obligations, industry awareness, resources, design, attendance to emergency and attitude to claims.

The performance ratings are not publicly viewable. Instead, each contractor on the Contractor List will be advised of its performance rating in the form of a letter by post. The aforesaid letter from WBDB sets out the maximum, minimum, median and average ratings of contractors rated under each specific group of the relevant categories during the reporting period. Pursuant to the Technical Circular (Works) No. 3/2007 and No. 3/2007A issued by the ETWB, the performance rating of a contractor is based on a scale of 0 to 100 and there is no passing mark defined in the Contractors' Performance Index System. However, if a contractor's current performance rating falls below 40, or if there is an obvious and consistent downward trend, a closer examination of the contractor's past performance should be carried out and full justification must be provided before its tender is recommended for acceptance.

Sheung Moon Construction is the only subsidiary of Group which is on the List of Approved Contractors. As Sheung Moon Construction have not been awarded any construction contracts directly from the Government, no performance rating has ever been received by Sheung Moon Construction since it has been included to the List of Approved Contractors.

### Private Sector Construction Works

Private sector construction works cover projects launched by private developers as well as any other entities not being Government department and statutory bodies, including utilities companies, charity organisations, and private educational institutions.

To carry out private sector construction works, a contractor must be registered on either the list of register of general building contractors or the list of register of specialist contractors (sub-register of site formation works category) with the Buildings Department in Hong Kong.



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## REGULATORY OVERVIEW

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For any foundation, site formation and demolition works, and ancillary services where an entity is involved as a subcontractor, if there is a registered specialist contractor who is registered with the Buildings Department under the appropriate category to supervise the works and liaise with the Buildings Authority, the entity itself is not required to be such registered specialist contractor or to obtain any requisite licenses, permits and approval for its operation and business except the business registration. The registration requirements mentioned above are the basic requirements for undertaking private sector foundation construction projects. Other additional requirements on the contractors or subcontractors may be imposed by the developers, main contractors, or other entities, as the case may be.

### **Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)**

According to the Buildings Ordinance, there are three contractors' registers, namely the general building contractors' register, the specialist contractors' register and the minor works contractors' register, being kept by the Building Authority. The Building Authority keeps a register of general building contractors who are qualified to perform the duties of a general building contractor and a register of specialist contractors who are qualified to carry out specialised works (such as foundation works) specified in the category in the sub-register in which they are entered.

Registered general building contractors may carry out general building works and street works which do not include any specialised works designated for registered specialist contractors. Registered minor works contractors may carry out such minor works belonging to the class, type and item specified in the register for which they are registered.

Under section 4 of the Buildings Ordinance, every person for whom building works or street works are to be carried out shall appoint:

- a. an authorized person as the co-ordinator of such building works or street works;
- b. a registered structural engineer for the structural elements of such building works or street works if so required under the Buildings Ordinance; and
- c. a registered geotechnical engineer for the geotechnical elements of such building works or street works if so required under the Buildings Ordinance.

Pursuant to section 8B(2) of the Buildings Ordinance, an applicant for registration as a registered general building contractor or registered specialist contractor must satisfy the Building Authority on the following aspects:

- a. if it is a corporation, the adequacy of its management structure;
- b. the appropriate experience and qualifications of its personnel;
- c. its ability to have access to plant and resources; and

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- d. the ability of the person appointed to act for the applicant for the purposes of the Buildings Ordinance to understand building works and street works through relevant experience and a general knowledge of the basic statutory requirements.

The Building Authority will regard to the qualifications, competence and experience of the following key personnel of the applicant when considering each application:

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

A person is permitted to take up the roles of the Authorised Signatory as well as the Technical Director of a corporation at the same time provided that he meets the requirements of both Authorised Signatory and Technical Director. If an Other Officer is required, he is permitted to assist the Technical Director only. In such case, the Authorised Signatory is not permitted to take up the role of an Other Officer.

Sheung Moon Construction’s current Authorised Signatory and Technical Director is Mr. SW Tang. If Mr. SW Tang retires or resigns, Sheung Moon Construction intends to appoint (i) Mr. Kan Wai On Thomas, our project manager, as our Authorised Signatory; (ii) Mr. Kan Wai On Thomas (subject to him having attained the relevant qualifications at the material time) or Mr. Tang Siu Tim as our Technical Director. Mr. Kan Wai On Thomas has more than five years of experience in building industry and has worked for not less than 18 months in local building projects. He obtained a Higher Certificate in Civil Engineering from the Hong Kong Polytechnic University in October 1995 and hence he would satisfy the qualification and experience requirements specified by the Buildings Department as an Authorised Signatory. For further information of the education and working experience of Mr. Kan Wai On Thomas, please refer to the section headed “Directors, senior manager and employees — Senior Management” of this prospectus. Mr. Tang Siu Tim, son of Mr. SW Tang and brother of Mr. Tang Siu Fung Calvin, obtained a Bachelor of Science in Civil Engineering from the University of California in September 2015 and has more than three years of experience in Hong Kong

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building industry. Further, our Group places constant effort in training our staff and will promote suitable employee(s) as Technical Director and/or Authorised Signatory when they have attained the required number of years of local experience in building industry as prescribed by the Buildings Department. Given Mr. SW Tang founded and has been managing our Group since February 1997, we believe that Mr. SW Tang has a long term commitment towards our Group. The service agreement entered into between Mr. SW Tang and our Group provides that Mr. SW Tang has to give our Group at least six months' notice if he resigns as our Authorised Signatory and Technical Director. We will also recruit a new Authorised Signatory and Technical Director if we identify suitable candidates for such roles. Our Directors are of the view that such candidates are available in the industry. Hence, we would have sufficient time to process the appointment of the new Technical Director and Authorised Signatory in place of Mr. SW Tang in case he retires or resigns.

In view of the above succession plan, our Directors take the view that on-going compliance with the requirements under the Buildings Ordinance can be ensured if Sheung Moon Construction's Authorised Signatory and Technical Director retires or resigns.

### **Subcontractor Registration Scheme**

Subcontractors, which are involved in, among others, foundation works and ancillary services, in Hong Kong may apply for registration under the Subcontractor Registration Scheme (the "SRS") managed by the Construction Industry Council, a body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) in February 2007.

The SRS was formerly known as the Voluntary Subcontractor Registration Scheme (the "VSRS"), which was introduced by the Provisional Construction Industry Co-ordination Board (the "PCICB"). The PCICB was formed in September 2001 to spearhead industry reform and to pave way for the early formation of the statutory industry coordinating body.

After the Construction Industry Council took over the work of the PCICB in February 2007 and the VSRS in January 2010, the Construction Industry Council launched stage 2 of the VSRS in January 2013. VSRS was also then renamed SRS. All subcontractors registered under the VSRS have automatically become registered subcontractors under the SRS.

Subcontractors may apply for registration on the SRS in one or more of 52 trades covering common structural, civil, finishing, electrical and mechanical works and supporting services. The 52 trades further branch into around 94 specialties, including sheet piles, driven piles, earthwork, geotechnical works, and ground investigation etc.

Where a contractor is to subcontract/sub-let part of the public works involving trades available under the Primary Register (a list of companies registered in accordance with the Rules and Procedures for the Primary Register of the Subcontractor Registration Scheme) of the SRS, he shall engage subcontractors (whether nominated, specialist or domestic) who are registered under the relevant trades in the Primary Register of the SRS for the purposes of execution of such part of the public works. Should the subcontractors further subcontract (irrespective of any tier) any part of the

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part of the public works subcontracted to them involving trades available under the Primary Register of the SRS, the contractor shall ensure that subcontractors (irrespective of any tier) are registered under the relevant trades in the Primary Register of the SRS for the purposes of execution of such part of the part of the public works.

Applications for registration under the Primary Register of the SRS are subject to the following entry requirements:

- (a) completion of at least one job within the last five years as a main contractor/ subcontractor in the trades and specialties for which registration is applied; or comparable experience acquired by the applicant or its proprietors, partners or directors within the last five years;
- (b) listings on one or more government registration schemes operated by policy bureaus or departments of the Government relevant to the trades and specialties for which registration is sought;
- (c) the applicant or its proprietor, partner or director having been employed by a registered subcontractor for at least five years with experience in the trade/specialty applying for and having completed all the modules of the Project Management Training Series for subcontractors (or equivalent) conducted by the Construction Industry Council; or
- (d) the applicant or its proprietor, partner or director having registered as Registered Skilled Worker under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) for the relevant trade/specialty with at least five years of experience in the trade/specialty applying for and having completed the Senior Construction Workers Trade Management Course (or equivalent) conducted by the Construction Industry Council.

A registered subcontractor shall apply for renewal within three months before the expiry date of its registration by submitting an application to the Construction Industry Council. An application for renewal shall be subject to approval by the management committee of the Construction Industry Council which oversees the SRS (the “**Management Committee**”). If some of the entry requirements covered in an application can no longer be satisfied, the Management Committee may give approval for renewal based on those trades and specialties where the requirements are met. An approved renewal shall be valid for two years from the expiry of the current registration.

A registered subcontractor shall observe the Codes of Conduct for Registered Subcontractor (Schedule 8 of the Rules and Procedures for the Primary Register of the Subcontractor Registration Scheme) (the “Codes of Conduct”). Failing to comply with the Codes of Conduct may result in regulatory actions taken by the Management Committee. The circumstances pertaining to a registered subcontractor that may call for regulatory actions include, but are not limited to:

1. supply of false information when making an application for registration, renewal of registration or inclusion of additional trades;
2. failure to give timely notification of changes to the registration particulars;

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3. serious violations of the registration rules and procedures;
4. convictions of senior management staff (including but not limited to proprietors, partners or directors) for bribery or corruption under the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong);
5. convictions for failure to pay wages on time to workers in accordance with the relevant provisions contained in the Employment Ordinance;
6. wilful misconducts that may bring the SRS into serious disrepute;
7. civil awards/judgments in connection with the violation of or convictions under the relevant sections of the Mandatory Provident Fund Schemes Ordinance;
8. convictions under the Factories and Industrial Undertakings Ordinance or Occupational Safety and Health Ordinance in relation to serious construction site safety incidents resulting in one or more of the following consequences:
  - i. loss of life; or
  - ii. serious bodily injury resulting in loss or amputation of a limb or had caused or was likely to cause permanent total disability;
9. conviction of five or more offences under the Factories and Industrial Undertakings Ordinance and/or Occupational Safety and Health Ordinance each arising out of separate incidents in any six months period (according to the date of committing the offence but not the date of conviction), committed by the registered subcontractor at each of a construction site under a contract;
10. convictions for employment of illegal worker under the Immigration Ordinance; or
11. late payment of workers' wages and/or late payment of contribution under the Mandatory Provident Fund Schemes Ordinance over ten days with solid proof of such late payment of wages and/or contribution.

The Management Committee may instigate regulatory actions by directing that:

- (a) written strong direction and/or warning be given to a registered subcontractor;
- (b) a registered subcontractor to submit an improvement plan with the contents as specified and within a specified period;
- (c) a registered subcontractor be suspended from registration for a specified duration; or
- (d) the registration of a registered subcontractor be revoked.

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## REGULATORY OVERVIEW

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### **Regulatory actions against contractors by the Development Bureau**

The Development Bureau may take regulatory actions against contractors for failure to meet the financial criteria within prescribed time, unsatisfactory performance, misconduct or suspected misconduct, poor site safety record, and poor environmental performance, court convictions such as contravention of site safety legislation and the Employment Ordinance and employment of illegal workers.

According to the Technical Circular (Works) No.3/2009 issued by the Development Bureau, if a qualified contractor is convicted of a series of safety or environmental offences within a short period of time in a project, or if a fatal construction accident occurs at a construction site for which the contractor is responsible, the Government may take regulatory actions against the responsible contractor, which include the removal, suspension (which means a contractor is prohibited from tendering for works of the relevant category during the suspension period) and downgrading (which includes downgrading or demoting the contractor's qualification to a lower status or class in all or any specified category) of the contractor's licence, depending on the seriousness of the incident triggering the regulatory actions.

### **B. LABOUR, HEALTH AND SAFETY**

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

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

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

According to section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour of any work accident by submitting Form 2 within 14 days for general work accidents and within 7 days for fatal accidents respectively.

Under section 24 of the Employees' Compensation Ordinance, a main contractor shall be liable to pay compensation to subcontractors' employees who are injured in the course of their employment to the subcontractor. The main contractor is, nonetheless, entitled to be indemnified by any person, including the subcontractor who would have been liable to pay compensation to the injured employee independently of this section.

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## REGULATORY OVERVIEW

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Pursuant to section 40 of the Employees' Compensation Ordinance, all employers (including main contractors and subcontractors) are required to take out insurance policies to cover their liabilities for injuries at work in respect of all their employees (including full-time and part-time employees). Where a main contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover its liability and that of its subcontractor(s) under the Employees' Compensation Ordinance and at common law. An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction upon indication to a fine at level 6 (currently at HK\$100,000) and imprisonment for two years.

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

A main contractor shall be subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. Under section 43C of the Employment Ordinance, if any wages become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the main contractor and/or every superior subcontractor jointly and severally. The liability of a main contractor shall be limited to (i) the wages of an employee whose employment relates wholly to the work which the main contractor has contracted to perform and whose place of employment is wholly on the site of the building work; and (b) the wages due to such an employee for two months without any deduction.

An employee who has outstanding wage payments from a subcontractor must serve a notice in writing on the main contractor within 60 days after the wage due date or another 90 days if permissible. A main contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the principal contractor. According to section 43D of the Employment Ordinance, a main contractor shall, within 14 days after receipt of such notice from the relevant employee, service a copy of such notice on every superior subcontractors to that subcontractor (where applicable) of whom he is aware. In the event that a main contractor fails to serve notice on the superior subcontractor(s) without reasonable excuse, he shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at HK\$50,000).

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



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

The Minimum Wage Ordinance establishes a statutory minimum wage regime and provides for a prescribed minimum hourly wage rate for every employee employed under a contract of employment under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).

With effect from 1 May 2017, the statutory minimum wage was increased to HK\$34.5 per hour. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

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

The Construction Workers Registration Ordinance (“**CWRO**”) was enacted on 2 July 2004 to provide, among others, for registration and regulation of construction workers. The principal object of the CWRO is to establish a system for registration of construction workers and to regulate construction workers who personally carry out construction work on construction sites.

#### *Employment of registered construction workers*

Under sections 3(1) and 5 of the CWRO, 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.

#### *Keeping and submission of site daily attendance report*

Under the CWRO, a principal contractor/controller of a construction site is required to:

1. establish and maintain a daily record in the specified form that contains information on registered construction workers employed by him and, in the case of a controller being the principal contractor, by a subcontractor of the controller (section 58(7)(a) of the CWRO); and
2. furnish the Registrar of Construction Workers in such manner as directed by the Registrar of Construction Workers with a copy of the record:
  - i. for the period of 7 days after any construction work begins on the site; and
  - ii. for each successive period of 7 days, within 2 working days following the last day of the period concerned (section 58(7)(b) of the CWRO).

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

The Mandatory Provident Fund Schemes Ordinance provides that an employer shall participate in the Mandatory Provident Fund (“**MPF**”) scheme and make contribution for its employees aged between 18 and 65.

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Under the MPF scheme, both employees and employers are required to contribute 5% of the employee's monthly relevant income as mandatory contribution for and in respect of the employee, subject to the minimum and maximum relevant income levels (HK\$25,000 and HK\$7,100 per month, respectively before 1 June 2014 or HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014) for contribution purposes. The maximum level of relevant income for contribution purposes is currently HK\$30,000 per month.

### *Industry scheme*

Industry Schemes (“**Industry Schemes**”) were established under the MPF system for employers in the construction and catering industries in view of the high labour mobility in these two industries, and the fact that most employees in these industries are “casual employees” whose employment is on a day-to-day basis or for a fixed period of less than 60 days.

For the purpose of the Industry Schemes, the construction industry covers the following eight major categories: (i) foundation and associated works; (ii) civil engineering and associated works; (iii) demolition and structural alteration works; (iv) refurbishment and maintenance works; (v) general building construction works; (vi) fire services, mechanical, electrical and associated works; (vii) gas, plumbing, drainage and associated works; and (viii) interior fitting-out works.

The Mandatory Provident Fund Schemes Ordinance does not stipulate that employers in these industries must join the Industry Schemes. The Industry Schemes provide convenience to the employers and employees in the construction and catering industries. Casual employees do not have to switch schemes when they change jobs within the same industry, so long as their previous and new employers are registered with the same Industry Scheme. This is convenient for scheme members and saves administrative costs.

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

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

- (i) the provision and maintenance of plant and work systems that are safe and without risks to health;
- (ii) arrangements for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- (iii) the provision of such information, instructions, training, and supervision for ensuring safety and health at work;
- (iv) the maintenance of safe access to and egress from the workplaces; and

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- (v) the provision and maintenance of a work environment that is safe and without risks to health.

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

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

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

Employers must, as far as reasonably practicable ensure the safety and health of their employees at workplaces by: (i) providing and maintaining plant and work systems that are safe and without risks to health; (ii) making arrangement for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances; (iii) providing all necessary information, instruction, training, and supervision for ensuring safety and health; (iv) maintaining the workspace in a condition that is safe and without risks to health; (v) providing and maintaining safe access to and egress from the workplaces; and (vi) providing and maintaining a working environment that is safe and without risks to health.

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

Improvement notices may be issued by the Commissioner for Labour against non-compliance of the Occupational Safety and Health Ordinance or the Factories and Industrial Undertakings Ordinance, or suspension notice against activity of workplace which may create imminent hazard to the employees. Failure to comply with such notices without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

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

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

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

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

Under section 38A of the Immigration Ordinance, where it is proved that (i) an illegal immigrant was on a construction site; or (ii) any person who is not lawfully employable took employment on a construction site, the construction site controller commits an offence and is liable to a fine of HK\$350,000. It is a defence in proceedings for such offences to prove that the construction site controller took all practicable steps to prevent persons who are not lawfully employable from taking employment on the construction site.

### **C. ENVIRONMENTAL PROTECTION**

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

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

Under the Noise Control Ordinance, noisy construction work and the use of powered mechanical equipment in populated areas are not permitted between 7 p.m. and 7 a.m. or at any time on general holidays, unless with a construction noise permit and the prior approval of the Noise Control Authority.

Any person who carries out noisy construction work without a construction noise permit commits an offence and shall be liable to a fine of HK\$100,000 on the first conviction and to a fine of HK\$200,000 on a second or subsequent conviction and in any case to a fine of HK\$20,000 for each day during which the offence continues.

#### **Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong)**

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

Pursuant to section 9 of the Environmental Impact Assessment Ordinance, a person shall not construct or operate a designated project listed in Part I of Schedule 2 of the Environmental Impact Assessment Ordinance (which includes roads, railways and depots, residential and other developments, etc.) without an environmental permit for the project; or contrary to the conditions, if any, set out in the permit. A person who contravenes the above provision commits an offence and is liable (a) on a first conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for 6 months; (b) on a second or subsequent conviction on indictment to a fine of HK\$5,000,000 and to imprisonment for 2 years; (c) on a first summary conviction to a fine at level 6 (currently at

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HK\$100,000) and to imprisonment for 6 months; (d) on a second or subsequent summary conviction to a fine of HK\$1,000,000 and to imprisonment for one year, and in any case where the offence is of a continuing nature, the court or magistrate may impose a fine of HK\$10,000 for each day on which he is satisfied the offence continued.

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

The Public Health and Municipal Services Ordinance regulates, among others, activities that are carried out in Hong Kong that may be considered a nuisance or injurious or dangerous to health, including construction works.

The Environmental Protection Department may cause a nuisance notice to be served on the person by reason of whose act, default or sufferance the nuisance arose or continues, or if that person cannot be found, on the occupier or owner of the premises or vessel on which the nuisance exists. If either the nuisance to which the notice relates arose by reason of willful act or default of that person, or that person fails to comply with any of the requirements of the notice within the period specified therein, that person shall be guilty of an offence.

Any person by reason of whose act, fault or sufferance the nuisance arose or continues, or, if that person cannot be found, the occupier or owner of the premises on which the nuisance exists, who does not observe and comply with the nuisance notice could be held liable, where it is found that the premises in such a state as to be a nuisance or injurious to health is actionable under the Public Health and Municipal Services Ordinance, with a maximum penalty is HK\$10,000 (level 3) upon conviction and a daily fine of HK\$200.

In addition, discharge of muddy water from a construction site is actionable under the Public Health and Municipal Services Ordinance, with a maximum fine of HK\$50,000 (level 5) upon conviction. Any accumulation of water on any premises found to contain mosquito larvae or pupae is actionable under the Public Health and Municipal Services Ordinance, with a maximum penalty of HK\$25,000 (level 4) upon conviction and a daily fine of HK\$450.

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

The Air Pollution Control Ordinance and its subsidiary regulations regulate the emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources in Hong Kong.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including:

- (i) the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong);
- (ii) the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong); and

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(iii) the Air Pollution Control (Smoke) Regulation (Chapter 311C of the Laws of Hong Kong).

The contractor responsible for a construction site shall devise, arrange methods of working and carrying out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that such methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

### **Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)**

The Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation came into effect on 1 June 2015 to introduce regulatory control on the emissions of non-road mobile machinery (the “NRMMs”), comprising non-road vehicles and regulated machines such as crawler cranes, excavators and air compressors. Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under this regulation. From 1 September 2015, all regulated machines sold or leased for use in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the Environmental Protection Department pursuant to section 4 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation.

Pursuant to section 5 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation, starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites. Existing NRMMs which are already in Hong Kong on or before 30 November 2015 may be exempted from complying with the emission requirements pursuant to section 11 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation.

A person is found to sell or lease a regulated machine for use in Hong Kong, or use a regulated machine in specified activities or locations without (i) exemption or the Environmental Protection Department’s approval is liable to a fine of up to HK\$200,000 and imprisonment for up to six months, and (ii) a proper label is liable to a fine of up to HK\$50,000 and imprisonment for up to three months.

Pursuant to the Technical Circular (Works) No. 1/2015 (the “Technical Circular”) issued by the Works Branch of Development Bureau on 8 February 2015, the Government plans to progressively phase out the use of exempted NRMM for four types of exempted NRMM, namely generators, air compressors, excavators and crawler cranes in new capital works contracts of public, including design and build contracts, with an estimated contract value exceeding HK\$200 million and tenders invited on or after 1 June 2015.

According to the Technical Circular, the contractors being invited to tender or to participate in all new capital works contracts of public works (including design and build contracts) with an estimated contract value exceeding HK\$200 million on or after 1 June 2015 shall allow no exempted generator and air compressor to be used on site after 1 June 2015 and the quantity of exempted excavators and crawler cranes used on site not to exceed 50%, 20% and 0% of the total number of exempted NRMMs being used on site since 1 June 2015, 1 June 2017 and 1 June 2019, respectively.

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### **Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong)**

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

The license specifies the requirements relevant to the discharge, e.g. the effluent standards and the discharge location.

Under the Water Pollution Control Ordinance, discharge of wastewater generated from construction activities into sewers or elsewhere is not permitted unless (i) the discharge is exempted by the Environmental Protection Department; (ii) a license has been issued by the Environmental Protection Department and the discharge complies with the terms and conditions of the license; or (iii) an application for the discharge has been made to the Environmental Protection Department and the applicant has not been notified of a refusal to grant a licensee.

A person who discharges any waste or polluting matter into the waters or discharges any matter into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for 6 months and (a) for a first offence, a fine of HK\$200,000; (b) for a second or subsequent offence, a fine of HK\$400,000, and in addition, if the offence is a continuing offence, to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

### **Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong)**

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, particularly the Waste Disposal (Charges for Disposal of Construction Waste) Regulation and the Waste Disposal (Chemical Waste) (General) Regulation.

According to the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, a main contractor who undertakes construction work with a value of HK\$1,000,000 or above will be required to establish a billing account with the Environmental Protection Department to pay any disposal charges payable in respect of the construction waste generated from construction work undertaken under that contract, within 21 days after the contract is awarded.

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



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Section 16B of the Waste Disposal Ordinance strictly prohibits depositing construction waste disposal on private lots, unless: (i) the total area on which construction waste has been deposited within the lot does not exceed 20 m<sup>2</sup>; or (ii) the sole owner or all of the owners of the private lot has given valid permission for depositing of construction waste on the private lot. Such permission should be submitted in a specified form concerning the depositing activity and must bear an acknowledgement by the Director of the Environmental Protection Department at least 21 days before the intended date on which the depositing activity is to commence.

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of Environmental Protection. A person who except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for 6 months for the first offence, HK\$500,000 and to imprisonment for 6 months for a second or subsequent offence.

### **Dumping at Sea Ordinance (Chapter 466 of the Laws of Hong Kong)**

According to the Dumping at Sea Ordinance, anyone involved in marine dumping and related loading operations are required to obtain permits from the Director of Environmental Protection Department.

Pursuant to section 25 of the Dumping at Sea Ordinance, a person who except under and in accordance with a permit, does anything or causes or allows another person to do anything for which a permit is needed commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months on a first conviction; and a fine of HK\$500,000 and to imprisonment for 2 years on a second or subsequent conviction; and in addition, to a further fine of HK\$10,000 for each day that the court is satisfied that the operation has continued.

## **D. OTHERS**

### **Code of Practice for Safe Use of Mobile Cranes (the “Code”)**

The Code provides guidance on the safe use and operation of mobile cranes to ensure the safety of personnel working at or nearby the said cranes, and covers, inter alia, the responsibilities of the owners and operators of the said mobile cranes. The Code is issued by the Commissioner for Labour under section 7A of the Factories and Industrial Undertakings Ordinance to complement the legislative framework at an operational level.

The Code also sets out the responsibilities of the mobile crane operators, and stipulates the mobile crane operators shall ensure the safe operation of the crane under his control and follow the correct operation of the said cranes in accordance with the manufacturer’s instructions, and within a safe system at work at all times.



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Failure by any individual to observe the Code is not in itself an offence. However, the compliance or contravention of the Code may be relied on by any party in criminal proceedings where the compliance with a provision of the Code is found by the court to be relevant to any question in the proceedings.

### **Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Chapter 59J of the Laws of Hong Kong) (the “FIU (LALG) Regulations”)**

The FIU (LALG) Regulations administered by the Labour Department regulate the safety of lifting appliances used at construction sites. It sets out the requirements with respect to the construction, inspection, testing, thorough examination, operation, erection, dismantling and alteration of lifting appliances, including cranes. In addition, the FIU (LALG) Regulations specifically require the owner, among other matters, to ensure that all lifting appliances shall be of good mechanical construction, made of strong and sound materials, free from patent defect and properly maintained, and that the arrangements for fixing and anchoring the appliance are adequate to secure its safety. The owner of a crane shall ensure that it is not erected, dismantled or altered except under the supervision of a competent person.

Pursuant to the FIU (LALG) Regulations, the owner of the appliance shall take appropriate precautions to ensure its stability before a lifting appliance is used at or moved in an industrial undertaking. The owner of a crane shall ensure that the crane can only be operated by a person who (i) has attained the age of 18 years; (ii) holds a valid certificate issued by the Construction Industry Council or any other person specified by the Commissioner for Labour; and in the opinion of the owner, is competent to operate the crane by virtue of his experience.

Under the FIU (LALG) Regulations, ‘owner’, in relation to any lifting appliance or lifting gear, includes the lessee or hirer thereof, and any overseer, foreman, agent or person in charge or having the control or management of the lifting appliance or lifting gear, and the contractor who has control over the way any construction work which involves the use of the lifting appliance or lifting gear is carried out and, in the case of a lifting appliance or lifting gear situated on or used in connection with work on a construction site, also includes the contractor responsible for the construction site.

Under Regulation 19 of the FIU (LALG) Regulations, any contraventions by the owners of any crane or lifting appliance of the FIU (LALG) Regulations will attract penalties from a fine of HK\$200,000 to a fine of HK\$200,000 and 12 months imprisonment.

### **Factories and Industrial Undertakings (Loadshifting Machinery) Regulations (Chapter 59AG of the Laws of Hong Kong) (the “FIU (LM) Regulations”)**

The purpose of the FIU (LM) Regulations is to ensure that the loadshifting machine used in industrial undertakings is operated by a person who has attended a relevant training course and holds a valid certificate. Pursuant to section 3 of the FIU (LM) Regulations, the responsible person of a loadshifting machine shall ensure that the machine is only operated by a person who (i) has attained the age of 18 years; and (ii) holds a valid certificate applicable to the type of loadshifting machine to which that machine belongs.

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Pursuant to section 4 of the FIU (LM) Regulations, the responsible person of a loadshifting machine shall ensure the provision to each of his employees who is instructed (whether directly or indirectly) by him to operate a loadshifting machine of a training course conducted for the type of loadshifting machine to which that machine belongs, unless the relevant employee already holds a valid applicable certificate.

Under section 8 of the FIU (LM) Regulations, a responsible person who without reasonable excuse contravenes section 3 or section 5 commits an offence and is liable to a fine at level 5 (currently at HK\$50,000).

### **Road Traffic Ordinance (Chapter 374 of the Laws of Hong Kong)**

The Road Traffic Ordinance and its subsidiary regulations regulate the usage, licensing and maintenance of crane trucks, lorries and other vehicles and the Road Traffic Ordinance also provides regulations of road traffic and the use of vehicles and roads (including private roads).

Pursuant to section 42 of the Road Traffic Ordinance, no person shall drive a motor vehicle or no person shall permit a motor vehicle to be driven by a person on a road unless the driver is a holder of a driving license in respect of a vehicle of the class of vehicle which he is driving, except as otherwise provided by the Road Traffic Ordinance. Any person who contravenes this section commits an offence and is liable, in the case of first conviction to a fine of HK\$5,000 and to imprisonment for three months, and in the case of a second or subsequent conviction to a fine of HK\$10,000 and to imprisonment for six months.

### **Competition Ordinance (Chapter 619 of the Laws of Hong Kong)**

The Competition Ordinance came into force on 14 December 2015. It prohibits and deters undertakings in all sectors from adopting anti-competitive conduct which has the object or effect of preventing, restricting or distorting competition in Hong Kong.

The Competition Ordinance includes, among other provisions, the first conduct rule, which prohibits anti-competitive conduct involving more than one party; and the second conduct rule, which prohibits anti-competitive conduct by a part with substantial market power, and the merger rule. The first conduct rule prohibits undertakings from making or giving effect to agreements or decisions or engaging in concerted practices that have as their object or effect the prevention, restriction or distortion of competition in Hong Kong. The second conduct rule prohibits undertakings that have a substantial degree of market power in a market from engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong. The merger rule prohibits mergers that have or are likely to have the effect of substantially lessening competition in Hong Kong. The scope of application of the merger rule is limited to carrier licences issued under the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong).

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If the Competition Commission has reasonable cause to believe that (a) a contravention of the first conduct rule has occurred; and (b) the contravention does not involve serious anti-competitive conduct, it must, before bringing proceedings in the Competition Tribunal against the undertaking whose conduct is alleged to constitute the contravention, issue a notice to the undertaking pursuant to section 82 of the Competition Ordinance.

Penalties which the Competition Tribunal shall be entitled to impose for contraventions of a competition rule, which includes imposing a pecuniary penalty if satisfied that an entity has contravened a competition rule; disqualifying a person from acting as a director of a company or taking part in the management of a company; prohibiting an entity from making or giving effect to an agreement; modifying or terminating an agreement; and requiring the payment of damages to a person who has suffered loss or damage.

### **Macau licensing and Registration Regime of Engineering and Construction Works**

In Macau, for purposes of the applicability of licensing and registration system, engineering and construction works are mainly divided into three categories: simple work for residential unit (家居簡單裝修工程), simple work for non-residential unit (非家居簡單裝修工程) and non-simple work (非簡單裝修工程). To classify the work is simple or not, generally speaking, it depends on whether alteration of interior division or usage of the unit involved.

However, to commence any construction works in Macau, it is required to obtain work licence (for non-simple work) with respect to each project. As for construction work to be taken place in a non-residential unit or fitting-out work which is not a simple one, such notification or application for work licence has to be submitted together with a declaration of responsibility signed by an individual or company registered arising from such fitting-out work and purchase the required insurance of industry accident and occupational disease. A contractor (whether or not it is incorporated in Macau) carrying out engineering and construction works is required to obtain a work licence (for non-simple work) and register with the Land, Public Works and Transport Bureau of Macau (澳門土地工務運輸局) before the works start.

It provides that the construction company to commence the non-simple work and simple work for non-residential unit must be registered by the Land, Public Works and Transport Bureau of Macau in order to do any construction works in Macau, and the registration shall be renewed annually. If the main contractor has obtained such licence from the said Bureau for the relevant works, sub-contractor(s) (including those incorporated in Hong Kong) as appointed by such main contractor are not required to obtain any licence from the relevant Macau authorities.

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### *Law and Regulations in Relation to Labour Related Matters in Macau*

The legal regime in relation to labour matters in Macau is established mainly based on the following legislations:

1. 18th October — Decree Law No. 58/93/M (approval of the social security regime), partially revoked by 2nd of April 2007 — Administrative Regulation No. 6/2007, 27th of October 2009 — Law No. 21/2009, and 23rd of August 2010 — Law No. 4/2010;
2. 14th of August — Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases) partially amended by 13th of August 2001 — Law No. 12/2001, 20th November 2006 — Executive Order No. 48/2006 (partially revoked by Executive Order No. 41/2008 and Executive Order No. 48/2007) and Executive Order No. 20/2015), and 29th of June 2015 — Law No. 6/2015;
3. 17th of December 2007 — Law No. 6/2007, and 13th of September 2009 — Executive Order No. 89/2010;
4. 27th of July — Law No. 4/98/M (Framework Law on Employment Policy and Worker's rights), amended by 27th of October 2009 — Law No. 21/2009 (Law of hiring non-resident workers);
5. 2nd of August — Law No. 6/2004 (Law of Illegal Immigration and Expulsion), amended by 27th of October 2009 — Law No. 21/2009 (Law of hiring non-resident workers); and
6. 27th of October — Law No. 21/2009 (Law of hiring non-resident workers) amended by 23rd of August 2010 — Law No. 4/2010 (approval of social security regime) and 15th of April 2013 — Law No. 4/2013.

The legal regime of labour matters in Macau is developed based on 27th of July — Law No. 4/98/M (Framework Law on Employment Policy and Worker's Rights) which prescribes general principles and directions of labour legislations in different aspects. Besides the above legislations, 18th of August — Law No. 7/2008 (Labour Relation Law) plays an important role in labour legal regime which came into force since 1 January 2009 replacing the “old labour law” — 3rd of April — Decree-Law No. 24/89/M (Labour Relations, Juridical System). It stipulates the basic requirements and conditions for all labour relations, except for those which have been excluded explicitly therein. In general, such requirements and conditions stipulated cannot be prevailed by mutual agreement. In addition, all the working conditions of labour relations should not be lower than the basic conditions stipulated therein.

As an employer, a contractor (whether or not it is incorporated in Macau) shall have to comply with the conditions prescribed under Decree Law No. 44/91/M (approval of regulation of working safety and hygiene of civil construction of Macau) for its working places in order to provide a safe

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## REGULATORY OVERVIEW

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and clean working condition for its employees. Otherwise, fines of up to MOP\$30,000 and precautionary measures will be imposed according to Decree Law No. 67/92/M (determination of sanctions for the non-compliance of regulation of working safety and hygiene of civil construction of Macau).

As stipulated under Law No. 4/2010 (approval of social security regime) and 14th of August — Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases), a contractor (whether or not it is incorporated in Macau) has to participate and contribute to the mandatory social security funds and to purchase compulsory industrial accident insurance for its Macau employees in accordance with relevant applicable legislation, otherwise, an administrative fine of up to MOP\$1,333.33 and MOP\$6,250, respectively will be charged as legal sanction.

All employees of a contractor (whether or not it is incorporated in Macau) who works in Macau have to be Macau residents, non-permanent or permanent, or to be holders of working permits in case of foreign workers. Except for situations stated under 14th of June — Administrative Regulation No. 17/2004 partially revoked by Law 21/2009 (Regulation on Prohibition of Illegal Work) with a very limit scope, workers other than those abovementioned will be considered as illegal workers in Macau and the employers will be criminally liable under 2nd of August — Law No. 6/2004, altered by Law 21/2009 (Law of Illegal Immigration and Expulsion) and subject to an administrative fine of up to MOP20,000.00 per employee under the above-mentioned administrative regulation.

In relation to the issue of illegal workers in Macau, only the party who is directly responsible for the employment of illegal workers in Macau shall have criminal or administrative liability under Macau laws.

The regulatory authorities in charge of labour safety, social security regime and insurance matters are the Labour Department of Macau (澳門勞工事務局), Social Security Fund of Macau (澳門社會保障基金) and Monetary Authority of Macau (澳門金融管理局) respectively.

### **Compliance with the relevant requirements**

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, save and except the failure to register with the Macau Finance Bureau for taxation purposes, Sheung Moon Construction (a) has complied with the minimum number and qualifications of full time management and technical personnel for its retention on the Approved List for Contractors; (b) has met the financial criteria for its retention on the Approved List for Contractors and for acceptance of a tender of Government projects; and (c) has secured sufficient amount of minimum working capital and employed capital in accordance with the requirements under the Contractor Management Handbook. Our Directors further confirmed that our Group is not subject to Macau licensing and registration regime of engineering and construction works. For details of the failure to register with the Macau Finance Bureau, please refer to the section headed “Business — Compliance Matters — Failure to Register with the Macau Finance Bureau” in this prospectus.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### OUR HISTORY AND DEVELOPMENT

#### Introduction

Our Group's history can be traced back to the establishment of Sheung Moon Construction in 1997, the principal operating subsidiary of our Group, by Mr. SW Tang (an executive Director, the chairman of our Board and a Controlling Shareholder) and his two brothers and nephew, Mr. Tang Sze Lun, Mr. Tang Kin (formerly known as Tang Shi Kin) and Mr. Cheung Lin Fat, respectively.

Sheung Moon Construction was strategically positioned as a subcontractor in the civil engineering construction industry principally engaged in civil engineering construction works in Hong Kong. Since the incorporation of Sheung Moon Construction, we strived to provide quality services in the civil engineering construction industry using our expertise in the field to capture and anticipate the changing trends of the industry. Leveraging on our experience, we expanded our scope of services to include site formation works, road and drainage works and structural works.

Under the efforts and leadership of Mr. SW Tang, who has over 30 years of experience in the civil engineering construction industry in Hong Kong, our business grew steadily and established itself as a reputable contractor in the civil engineering construction industry in Hong Kong. According to the CHFT Report, for the year ended 31 March 2017, our total revenue of approximately HK\$89,977,000 represented approximately 0.94% of the total estimated revenue in the civil engineering construction industry generated by civil engineering subcontractors in Hong Kong.

#### Our business milestones

Set out below is a list of key milestones in the founding and development of our Group:

Year	Business Milestones
1997	<p>Sheung Moon Construction was incorporated in Hong Kong on 14 February 1997, and strategically positioned as a subcontractor in the civil engineering construction industry principally engaged in civil engineering construction works including road and drainage works and site formation works in Hong Kong.</p> <p>Sheung Moon Construction was awarded its first public sector contract with an aggregate contract value of approximately HK\$147,000 for site formation works relating to the construction of Ho Man Tin, Phase 3 for the Hong Kong Housing Authority of the Government.</p> <p>In the same year, Sheung Moon Construction was awarded its first private sector contract by a property developer in Hong Kong, with an aggregate contract value of approximately HK\$38 million for site formation works and slope stabilization works relating to the construction of Area 108 Ma On Shan.</p>

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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- 2002 Sheung Moon Construction was awarded a contract with an aggregate contract value of approximately HK\$33.6 million for site formation works relating to the construction of the Northern Access Road for Cyberport Development at Telegraph Bay, Hong Kong for the CEDD.
- 2003 Sheung Moon Construction was included on the list of approved contractors for public works in the Roads and Drainage category under Group A on probationary status, which indicates that the Company may tender for public works contracts in the Roads and Drainage category for contracts of value up to HK\$100 million  
*Note 1*.
- 2004 Sheung Moon Construction became a registered general building contractor (RGBC) (registration number: GBC 7/2004) for qualification under the Buildings Ordinance to carry out any building works and street works which are not designated by the Buildings Department of the Government as a category of specialized works. A contractor must fulfill certain requirements on the qualifications and experience of the key personnel in order to become a RGBC.
- Sheung Moon Construction was included on the list of approved contractors for public works in the Site Formation category under Group B on probationary status, which indicates that the Company may tender for public works contracts in the Site Formation category for contracts of value up to HK\$300 million  
*Note 2*.
- Sheung Moon Construction was awarded a contract with an aggregate contract value of approximately HK\$23.5 million for structural works relating to the construction of the Police Headquarters, Phase III in Wan Chai, Hong Kong for the Architectural Services Department of the Government.
- 2005 Sheung Moon Construction became a registered specialist contractor in the site formation works category (RSC(SF)) (registration number: SC(SF) 11/2005) for qualification under the Buildings Ordinance. A contractor must fulfill certain requirements on the qualifications and experience of the key personnel in order to become a RSC(SF).
- 2006 In June 2006, Sheung Moon Construction was certified by Castco Certification Services Limited for its quality management system's compliance with the requirements of ISO 9001  
*Note 3* (quality management system standard) applicable to the scope of building construction and civil engineering works including site formation, foundation, slope, roads and drainage.
- 2010 Sheung Moon Construction was awarded a contract with an aggregate contract value of approximately HK\$14.1 million for excavation and earthworks relating to the construction of the sludge treatment facilities at Nim Wan, Tuen Mun District, New Territories, Hong Kong for the Environmental Protection Department of the Government.



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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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2015 Sheung Moon Construction awarded a contract with an aggregate contract value of approximately HK\$162.2 million for site formation, road and drainage, and structural works relating to the construction of the Liantang/Heung Yuen Wai Boundary Control Point Site.

Sheung Moon Construction was further awarded a contract as the main contractor, with an aggregate contract value of approximately HK\$3.2 million for engineering management relating to the construction of commercial development at various lots in Lok Ma Chau, New Territories, Hong Kong.

2017 Sheung Moon Construction was awarded a contract with an aggregate contract value of approximately HK\$184.7 million for handling of surplus public fill of the Tseung Kwan O Area 137 Fill Bank.

Sheung Moon Construction was awarded its first public sector contract as the main contractor with an aggregate contract value of approximately HK\$21.6 million for construction of mountain bike training ground at Mui Wo and Chi Ma Wan for the CEDD.

*Note 1: the maximum tendering limit was increased from HK\$75 million to HK\$100 million on 6 December 2016*

*Note 2: the maximum tendering limit was increased from HK\$175 million to HK\$300 million on 6 December 2016*

*Note 3: we are currently in compliance with the ISO 9001:2008 standard*

### CORPORATE HISTORY

#### Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 31 May 2017. Please refer to the paragraph headed “Changes in share capital of our Company” in Appendix V to this prospectus for details of changes in the share capital of our Company. As a result of the Reorganisation, our Company became the holding company of our Group.

#### Attaway Developments

Attaway Developments was incorporated in the BVI with limited liability on 28 February 2017 with authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 21 March 2017, Mr. SW Tang was allotted and issued one share in Attaway Developments at par value. On 27 March 2017, Mr. SW Tang was allotted and issued 99 shares in Attaway Developments in consideration of Mr. SW Tang transferring all his shares in Sheung Moon Construction to Attaway Developments.

The principal business of Attaway Developments is investment holding. On 28 June 2017, Mr. SW Tang transferred his entire interests in Attaway Developments of our Company in consideration of the allotment and issue of 21,999 Shares by our Company to Chrysler Investments under the directions of Mr. SW Tang. Upon completion of the above share transfer, Attaway Developments became a direct wholly-owned subsidiary of our Company.



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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### **Sheung Moon Construction**

Sheung Moon Construction was incorporated in Hong Kong with limited liability on 14 February 1997 with authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each.

On 18 February 1997, each of Mr. SW Tang, Mr. Tang Sze Lun, Mr. Tang Kin and Mr. Cheung Lin Fat was allotted and issued 2,500 shares, respectively, at par value. On 31 December 2002, 19 December 2003 and 4 February 2005, each of the shareholders were allotted and issued 397,500 shares, 525,000 shares and 670,750 shares, respectively, at par value. Following the completion of the above allotments, Sheung Moon Construction was beneficially owned by each of Mr. SW Tang, Mr. Tang Sze Lun, Mr. Tang Kin and Mr. Cheung Lin Fat as to 25%, respectively. Mr. Tang Sze Lun is an elder brother of Mr. SW Tang, Mr. Tang Kin is a younger brother of Mr. SW Tang and Mr. Cheung Lin Fat is a nephew of Mr. SW Tang.

On 25 February 2009, Mr. Tang Sze Lun transferred 957,450 shares to Topful Development Limited and 638,300 shares to Mr. Lo Wai Hung, at par value. On the same day, each of Mr. SW Tang, Mr. Tang Kin and Mr. Cheung Lin Fat transferred all their respective shares in Sheung Moon Construction to Topful Development Limited, at par value. On 13 May 2009, Topful Development Limited and Mr. Lo Wai Hung were allotted and issued 3,490,767 shares and 387,863 shares, respectively, at par value. Upon the completion of the above transfers and allotments, Sheung Moon Construction was beneficially owned as to 10% by Mr. Lo Wai Hung and 90% by Topful Development Limited, a company incorporated in Hong Kong and was owned by each of Mr. SW Tang and an independent third party as to 50%, respectively, and Mr. Lo Wai Hung is an independent third party.

On 10 December 2009, Mr. Lo Wai Hung transferred 1,026,163 shares to Topful Development Limited at par value and Topful Development Limited became the sole shareholder. On 7 November 2014, Topful Development Limited transferred all the shares in Sheung Moon Construction to Mr. SW Tang at par value. On 27 March 2017, Mr. SW Tang transferred all the shares in Sheung Moon Construction to Attaway Developments in consideration of the allotment and issue 99 shares of US\$1.00 by Attaway Developments to Mr. SW Tang.

The principal activity of Sheung Moon Construction is providing civil engineering works. Upon completion of the Reorganisation, Sheung Moon Construction became an indirectly wholly-owned subsidiary of our Company.

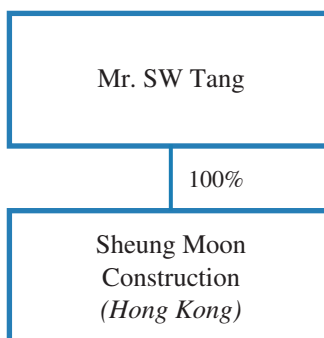
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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### REORGANISATION

The following chart sets forth our corporate and shareholding structure prior to the Reorganisation:



In preparation for the Listing, we underwent the Reorganisation which involved the following steps:

#### **Incorporation of our Company**

On 31 May 2017,

- (a) our Company was incorporated in the Cayman Islands as an exempted company with limited liability with authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each;
- (b) one Share was allotted and issued to the initial subscriber; and
- (c) the initial subscriber transferred its one Share to Chrysler Investments.

#### **Acquisition of Sheung Moon Construction by Attaway Developments**

On 27 March 2017, Mr. SW Tang transferred all his shares in Sheung Moon Construction to Attaway Developments. In consideration of the share transfer, Mr. SW Tang was allotted and issued 99 shares in Attaway Developments on the same day.

Upon completion of the above share transfer, Sheung Moon Construction was wholly owned by Attaway Developments.

#### **Acquisition of Attaway Developments by our Company**

On 28 June 2017, Mr. SW Tang transferred all his shares in Attaway Developments to our Company. In consideration of the share transfer, our Company allotted and issued 21,999 Shares to Chrysler Investments as directed by Mr. SW Tang.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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Upon completion of the above share transfer, Attaway Developments was wholly owned by our Company.

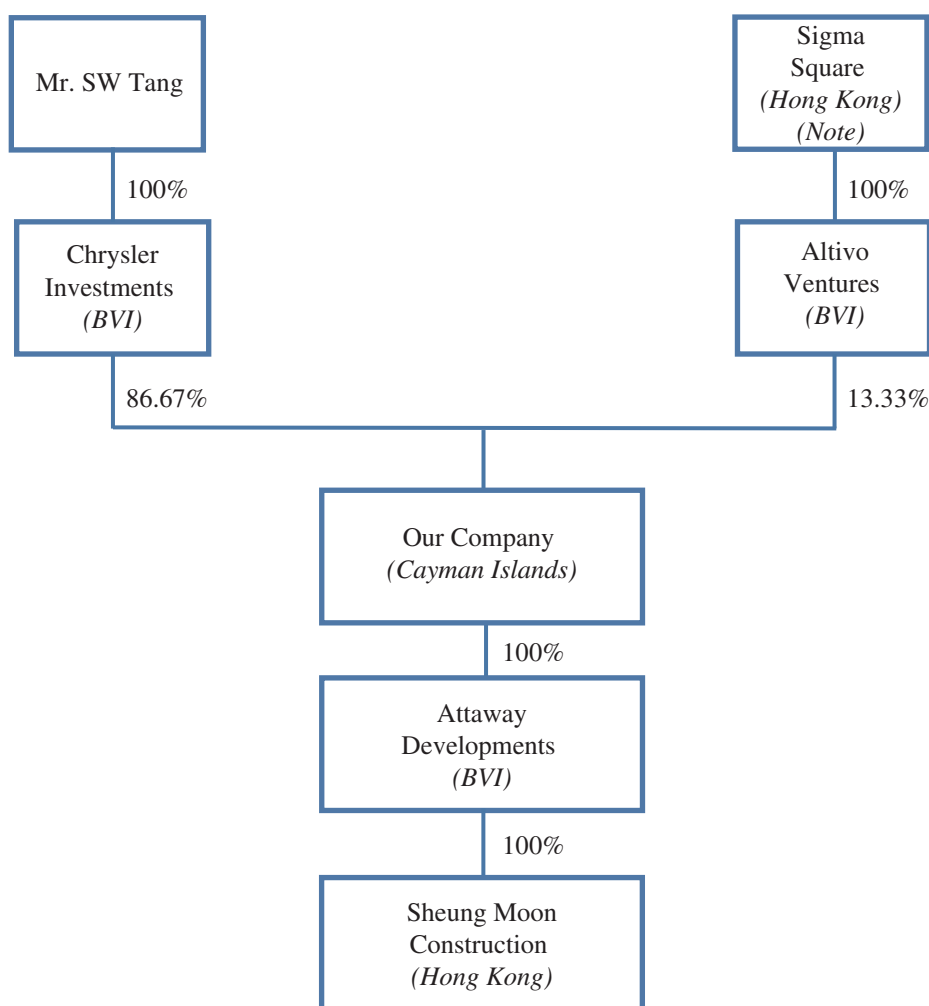
### Allotment of Shares by our Company

On 28 June 2017, our Company allotted and issued 4,000 Shares to Chrysler Investments at a total consideration of HK\$10,000,000.

### Transfer of Shares to the Pre-IPO investor

On 23 January 2018, in pursuance of the Investment Agreement, our Company allotted and issued 4,000 Shares to Altivo Ventures as nominated by Sigma Square. For further information, Please refer to the paragraph headed “Pre-IPO Investment” of this section.

Upon completion of the above steps, our Company was held by Chrysler Investments as to 86.67% and Altivo Ventures as to 13.33%. The following chart sets forth our corporate shareholding structure upon completion of the Reorganisation but immediately before the Hong Kong Public Offering and Capitalisation Issue:



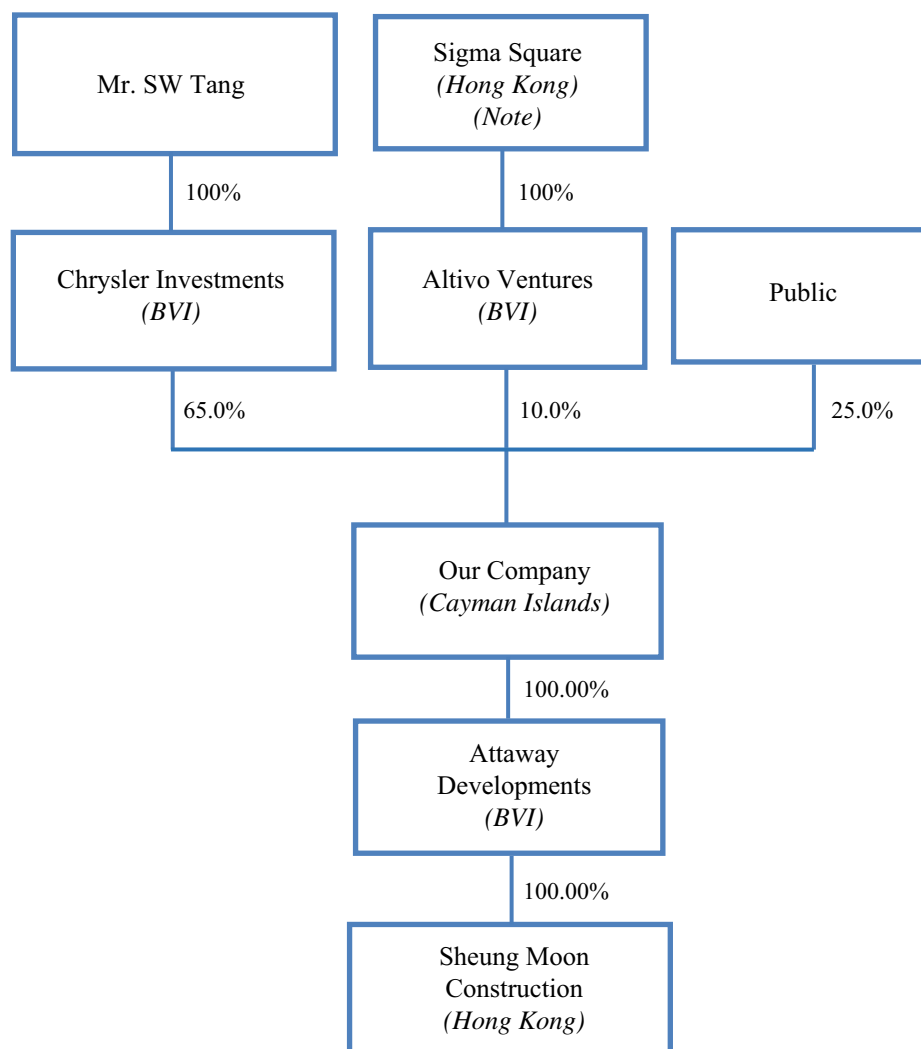
Note: Sigma Square is wholly owned by Mr. Tang Siu Fung Calvin, the son of Mr. SW Tang.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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Immediately following the completion of the Hong Kong Public Offering and the Capitalisation Issue (assuming no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme), the shareholding structure of our Group will be as follows:



Note: Sigma Square is wholly owned by Mr. Tang Siu Fung Calvin, the son of Mr. SW Tang.

### PRE-IPO INVESTMENT

On 22 December 2016, Sigma Square and Sheung Moon Construction entered into the Investment Agreement. Pursuant to the Investment Agreement, Sigma Square agreed to provide a loan in the principal amount of HK\$10 million to Sheung Moon Construction (the “**Investment**”). Pursuant to the terms of the Investment Agreement, the principal amount of the loan can be converted into the Shares.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### Principal terms of the Investment:

Name of investor	Sigma Square
Date of drawdown	The entire amount of the loan was drawn down on 11 January 2017
Interest	12% per annum
Maturity date	24 months from the date of the Investment Agreement
Repayment	<p>In the event that the listing of the Shares on the Stock Exchange or other recognised stock exchange (the “<b>Qualified IPO</b>”) takes place within 18 months from the date of the Investment Agreement, all the outstanding principal amount of the loan will be repaid by converting into the Shares automatically by Sigma Square exercising the conversion right (as referred to below).</p> <p>In the event that the Qualified IPO does not take place within 18 months from the date of the Investment Agreement, Sheung Moon Construction shall repay Sigma Square the outstanding principal of the loan with accrued interest of 12% per annum.</p>
Conversion right	At any time during the period from the expiry of one month after the drawdown date of the loan to the date of the Qualified IPO, Sigma Square may convert all (but not part) of the principal amount of the loan into Shares. The number of Shares to be allotted and issued to Sigma Square (or any such person(s) nominated by it) under such conversion right shall be 10% of the issued Shares immediately upon completion of the Qualified IPO (as enlarged by the Shares issued pursuant to the Qualified IPO).
Purpose of loan	<p>General working capital and payment of listing expenses of the Qualified IPO</p> <p>The entire amount of the loan had been utilized as at the Latest Practical Date in the manner set out above.</p>
Special rights	Nil

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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Upon the exercise of the conversion right by Sigma Square under the Investment Agreement, details of the Shares to be allotted and issued to Sigma Square (or any such person(s) nominated by it) are as set forth below:

	Number and approximate percentage of Shares held before the Hong Kong Public Offering and Capitalisation Issue	Number and approximate percentage of Shares held upon Listing (note 1)	Consideration and date of payment	Cost per Share	Discount to Offer Price (note 2)
Altivo Ventures (as nominated by Sigma Square)	4,000 Shares (13.33%)	40,000,000 Shares (10%)	HK\$10,000,000 11 January 2017	HK\$0.25	44.4%

*Note:*

1. Taking into account the Shares to be issued under the Hong Kong Public Offering and Capitalisation Issue.
2. Based on the mid-point of the indicative Offer Price range of HK\$0.40 to HK\$0.50, being HK\$0.45 per Share.

### Background of Sigma Square and Altivo Ventures

Sigma Square is a company incorporated in Hong Kong with limited liability and is wholly owned by Mr. Tang Siu Fung Calvin (“**Mr. Calvin Tang**”), the son of Mr. SW Tang. Altivo Ventures, the entity nominated by Sigma Square to hold the Shares issued upon exercise of the conversion right under the Investment Agreement, is a company incorporated in the BVI with limited liability and is wholly owned by Sigma Square. To the knowledge of our Directors, each of Sigma Square and Altivo Ventures is principally engaged in investment activities. Our Directors believe the investment would provide funds to our Group for the Listing and to enhance our financial position for tendering competitiveness and further development.

We do not consider Mr. Calvin Tang and Mr. SW Tang as a group of Controlling Shareholders pursuant to the Guidance Letter HKEx-GL89-16 (the “**Guidance Letter**”) because the presumption under the Guidance Letter is rebutted based on the following factors and circumstances:

- (a) Mr. Calvin Tang is not a “close associate” of Mr. SW Tang under Rule 1.01 of the GEM Listing Rules given he was above 18 years old as at the beginning of the Track Record Period. We consider that the presumption of Mr. Calvin Tang and Mr. SW Tang to be a group of Controlling Shareholders by virtue of their relationship of being father and son does not apply.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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- (b) Mr. Calvin Tang has not participated in the management of our Group. He has not been and is not a director or senior management of any member of our Group. In addition, other than being the pre-IPO investor in the Investment, Mr. Calvin Tang has not been and is not a shareholder of any member of the Group. To the knowledge of our Directors, Mr. Calvin Tang is engaged in the business of investment management in Hong Kong and the PRC. He is currently the managing director of Sigma Square in Hong Kong. He is also the managing director of Sigma Square Investment Management (Shanghai) Limited (“**Sigma Square (Shanghai)**”), a company established in the PRC with a registered capital of RMB20 million and is registered as a private investment fund manager in the PRC. Sigma Square (Shanghai) launched its first product of RMB40 million in late 2016.
- (c) The Investment of Mr. Calvin Tang through his wholly owned subsidiary, Sigma Square, in our Company was independent of Mr. SW Tang as part of the principal business of Sigma Square. To the knowledge of our Directors and as confirmed by Mr. Calvin Tang, the Investment was funded from his personal financial resources and personal loan from his own contacts.
- (d) Mr. Calvin Tang has confirmed that upon Listing, Altivo Ventures, the wholly owned subsidiary of Sigma Square nominated by it to hold the Shares, will exercise its voting rights independently from Mr. SW Tang and other Shareholders at the general meeting of our Company and has no intention of following the voting instructions (if any) of Mr. SW Tang. There is no understanding or arrangement (formal or otherwise) between Mr. SW Tang and Mr. Calvin Tang that they will vote (though Chrysler Investments and Altivo Ventures, respectively) in any coordinated manner. Therefore, Mr. Calvin Tang has control over only 10% of the voting power at the general meeting of our Company after the Listing.

### Other matters

Altivo Ventures undertakes to our Company that it shall not dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares or interests thereon within 12 months from the Listing Date. Each of Mr. Tang Siu Fung Calvin and Sigma Square undertakes to our Company that he or it shall not dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the shares of Altivo Ventures (or the direct or indirect interests thereon) within 12 months from the Listing Date. The Shares held by Altivo Ventures will not be counted towards the public float after the Listing for the purpose of Rule 11.23 of the GEM Listing Rules.

Since the entire loan provided by Sigma Square pursuant to the Investment Agreement was drawn down on 11 January 2017, the Sole Sponsor is of the view that the Investment is in compliance with the Interim Guidance on Pre-IPO Investments (HKEx-GL29-12), the Guidance on Pre-IPO investments (HKEx-GL43-12) and the Guidance on Pre-IPO investments in convertible instruments (HKEx-GL44-12) issued by the Stock Exchange.

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## BUSINESS

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### OVERVIEW

We are an established contractor in the civil engineering construction industry with experience in undertaking civil engineering construction works such as site formation works, road and drainage works and structural works. We have built our business foundation spanning two decades. Since 1997, we have committed ourselves to providing our customers with quality workmanship and competitive pricing and delivering our projects on a timely basis in accordance with the agreed civil engineering construction plans.

We have been engaging in the business of civil engineering construction works. Principally, the types of civil engineering construction works undertaken by us are (i) site formation works (such as demolition, excavation and/or filling works); (ii) road and drainage works (such as construction and improvement of local road, tunneling and the associated footpaths, planting areas, drains, sewages, water mains and utilities diversion); and (iii) structural works (such as construction of reinforced concrete structures for slopes, stabilization works, soil nail installations and retaining wall construction). Civil engineering construction projects in Hong Kong can generally be divided into public and private sectors. Public sector projects refer to projects originated from the Government or statutory bodies; whereas private sector projects refer to those that are not public sector projects (such as civil engineering construction works for property developers). During the Track Record Period and up to the Latest Practicable Date, we mainly acted as a subcontractor for the civil engineering construction works in the public sector. For certain civil engineering construction works, we have been engaged as a main contractor.

We are a licensed contractor by the Government for public works in Hong Kong. Among other licences, our Group is currently listed on Group B of the Site Formation (probation) category and Group A of the Roads and Drainage (probation) category of the List of Approved Contractors. For further details of the approvals and certificates held by our Group, please refer to the paragraph headed “Approvals and Certificates” in this section below.

During the Track Record Period, the majority of our revenue derived from public sector projects. The table below shows the revenue breakdown in respect of public and private sector projects:

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(Unaudited)</i>							
Public sector	34,341	85.22	79,306	88.14	15,764	91.57	62,406	99.33
Private sector	5,957	14.78	10,671	11.86	1,451	8.43	421	0.67
Total	<u>40,298</u>	<u>100.00</u>	<u>89,977</u>	<u>100.00</u>	<u>17,215</u>	<u>100.00</u>	<u>62,827</u>	<u>100.00</u>



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## BUSINESS

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As at the Latest Practicable Date, we had a total of 29 contracts in the public sector and 1 contracts in the private sector on hand and the total contract sum for these projects originally agreed (irrespective of any variation orders) is approximately HK\$459,757,000. It is estimated that the revenue to be recognised by our Group in relation to these 30 contracts for the two years ending 31 March 2019 will amount to approximately HK\$135,367,000 and HK\$154,887,000, respectively. The amount of revenue to be recognised is subject to variation due to the actual civil engineering construction progress, commencement and completion dates of the respective projects. Further details of our contracts are set out in the paragraph headed “Our Civil Engineering Construction Contracts” in this section.

We secure our contracts from customers after a competitive tendering process. We are generally engaged as a subcontractor for public sector project. Prior to a main contractor securing a particular project for itself, the main contractor may invite us to submit our tender to it such that certain portion of the civil engineering construction works may be subcontracted to us. As such, the award of the contracts to us will depend on the success of the main contractors in winning the bids in the first place. Similarly, for private sector projects in a smaller scale, we may directly submit our tenders to property developers or their consultants by invitation and be awarded the contracts and engaged as a main contractor if we win the bid.

During the Track Record Period, the revenue derived from our five largest customers mainly in undertaking public sector projects amounted to approximately 97.92%, 95.48% and 97.01%, respectively, of our total revenue. We have maintained stable relationship with the aforesaid five largest customers and affiliates, the longest time with which is approximately 20 years.

Site equipment is one of the key components for us to perform our civil engineering construction works. As part of our business strategy, we purchased most of the site equipment required for carrying out our projects during the Track Record Period. Such site equipment included excavators, hydraulic drillers, dump trucks, crane lorries, hydraulic breakers, vibrating rollers and vehicles with an aggregate net book value of approximately HK\$17,845,000 as at 31 March 2017 and approximately HK\$21,942,000 as at 31 July 2017. We believe that investing in site equipment allows us to cater for civil engineering construction projects of different scales and have a higher profit margin. For the two years ended 31 March 2017 and the four months ended 31 July 2017, we acquired new site equipment of approximately HK\$14,817,000, HK\$5,458,000 and HK\$4,870,000 at cost, respectively. For further information regarding our site equipment, please refer to the paragraph headed “Site equipment” in this section. Subject to the availability of our site equipment, project schedule and the nature of work involved, from time to time if there is a need, we will have to rent certain site equipment such as dump trucks, crane lorries, hydraulic truck cranes and excavators from suppliers on our approved list. For the two years ended 31 March 2017 and the four months ended 31 July 2017, our site equipment rental cost incurred amounted to approximately HK\$881,000, HK\$1,708,000 and HK\$4,825,000, respectively. Occasionally, we may rent out our idle site equipment to our customers.

We directly recruit our own workforce for carrying out our projects. Most of the workers employed by us are experienced operators or drivers of site equipment. As of the Latest Practicable Date, we employed 270 employees. In addition, since we do not have skilled workforce for certain

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## BUSINESS

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components of civil engineering construction works such as rebar fixing work and formboard erecting works, we would subcontract these specific components of our project to our subcontractors. Our five largest subcontractors, by direct cost during the Track Record Period, have maintained stable business relationship with us and the longest time with which is approximately 7 years.

We also purchase construction materials (such as concrete, reinforcement steel bars, precast concrete units, timbers and diesel fuel) and rent certain site equipment (such as dump trucks, crane lorries and excavators) to undertake our civil engineering construction works. During the Track Record Period, our five largest suppliers (excluding subcontractors engaged by us and customers who have arrangement on contra-charge with us) have maintained stable business relationship with us and the longest time with which is approximately 15 years.

### COMPETITIVE STRENGTHS

#### **Well established in the civil engineering construction industry in Hong Kong with operation since 1997 coupled with a proven track record**

Our presence started in Hong Kong in 1997 with a clear mission to establish, and we believe we have established, as a service provider committed to high service quality in various facets of the civil engineering construction industry in Hong Kong. Over the years, we have engaged in business in the civil engineering construction industry and accumulated experience in undertaking civil engineering construction works in Hong Kong. We are based in Hong Kong and have a local understanding of the market and the developments.

Since 2003, we have been admitted on probation to the List of Approved Contractors in the Roads and Drainage category under Group A. In the following year, we have also been admitted on probation to the List of Approved Contractors in the Site Formation category under Group B. Please refer to the paragraph headed “Our business milestones” in the section headed “History, Reorganisation and Corporate Structure” in this prospectus for further details.

Throughout our operating history, we believe we have established good and reliable reputation in the civil engineering construction industry in Hong Kong which is vital to our business operations and future business development.

#### **Involved in a wide range of civil engineering construction projects showcasing our technical capacity**

For the past 20 years, we have undertaken various civil engineering construction projects in Hong Kong, some of which are related to the major infrastructure projects such as the Tsing Yi Station, Tseung Kwan O Landfill (phases 2 & 3), Hang Hau Station, Tseung Kwan O Station, Tseung Kwan O Tunnel, The Kowloon—Canton Railway Corporation East Rail Extension, Hong Kong Disneyland Resort, Cyberport Development at Telegraph Bay, Wanchai Police Headquarters, sludge treatment facilities at Nim Wan, SkyPlaza in Chek Lap Kok Airport, Ocean Park Master Development and Liantang/Heung Yuen Wai Boundary Control Point. These projects encompass a vast array of variety from public sector to private sector and from police headquarters to amusement parks.

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Our ability to undertake the aforesaid civil engineering construction works and to perform a variety of construction services (such as site formation works, road and drainage works and structured works) demonstrates the technical capacity and experience which we have and allows us to compete in a wide range of tenders in the civil engineering construction industry.

We have established ourselves as a service provider committed to high service quality in the civil engineering construction works by leveraging our local knowledge and applying stringent cost control. As a result, we have been invited to submit more tenders from our existing or potential customers and their affiliates, as well as developed our own reputation in the civil engineering construction industry.

### **Approvals and certificates for our business operations**

We have been admitted on probation on the Approved List for Contractors in the categories of Site Formation (Group B) and Roads and Drainage (Group A) since 2004 and 2003 respectively. As such, we are able to submit our tender to the Government or its statutory bodies directly for civil engineering construction projects falling into the Site Formation and Roads and Drainage categories. In addition to the aforesaid Group A and Group B approvals, we are a general building contractor and a specialist contractor (site formation works) registered with the Buildings Department. These credentials illustrate our ability to undertake various types of civil engineering construction projects and we are able to comply with different licensing and approvals requirements for the approvals and certificates held by us.

### **Ownership of a broad range of site equipment for different types of civil engineering construction works**

Over the years, we have invested in site equipment. For the two years ended 31 March 2017 and the four months ended 31 July 2017, we acquired new site equipment in an amount of approximately HK\$14,817,000, HK\$5,458,000 and HK\$4,870,000 at cost, respectively. As at 31 March 2017 and 31 July 2017, our site equipment had a total net book value of approximately HK\$17,845,000 and HK\$21,942,000, respectively. We believe that our investment in different types of site equipment has placed us in a position to cater for civil engineering construction projects of different scales and complexity.

Our site equipment includes excavators, hydraulic drillers, dump trucks, crane lorries, hydraulic breakers and vibrating rollers. By way of example, Ranger DQ500 Drill rig, DX Ranger DX700 and DX Ranger DX800 were purchased during the Track Record Period at a cost of HK\$1,400,000 each. Ranger DQ500 Drill rig has hydraulic roll-over boom for horizontal drilling together with customized chain feed and rob handler for minimum ground clearance. Both DX Ranger DX700 and DX Ranger DX800 drillers have excellent stability in uneven terrain with drilling coverage of 17.6 m<sup>2</sup> (optionally 26.4 m<sup>2</sup>) and can operate for 12 hours continuously. The functionality of the aforesaid site equipment has allowed us to better perform a broad range of civil engineering construction works. We believe that the investment not only enhances our chance of winning a bid as we have more suitable site equipment for our potential projects, but also reduces expenses arising from rental of site equipment.

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Our site equipment is relatively new. As of 31 July 2017, the average age of our site equipment (including refurbished site equipment purchased by us) was 0.96 year. Their operation is generally more efficient and the repair costs are generally lower. Our Directors consider that having our own site equipment would allow us to devise suitable works schedules and methods tailored to different needs and requirements from different customers and enable us to efficiently and effectively schedule our projects and deploy our resources.



DX Ranger DX700

### **Management team with project experience and workforce competent for the tasks**

Our management team has in-depth industry and market knowledge and is experienced in project management in the civil engineering construction industry in Hong Kong. Mr. SW Tang and Mr. YS Lai, our executive Directors, have over 30 and 29 years of experience, respectively, in the civil engineering construction industry for both public and private sector projects in Hong Kong. They have been with our Group for a significant period of time. In addition, Mr. Kan Wai On Thomas and Mr. Ho Wai Cheong, members of our senior management, have over 20 and 25 years of experience, respectively, in providing civil engineering construction services in Hong Kong. Their credentials and practical experience facilitate our strategy in formulating tenders and securing new business opportunities for our Group and in determining the best suitable construction methodology in carrying out our projects in an efficient and timely manner. For details of the qualifications and experience of our Directors and senior management, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

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Furthermore, we have a team of competent staff and many of them have been working in the civil engineering construction industry for over 10 years. In particular, we have a number of operators who are qualified to drive and/or operate the site equipment. All workers are required to work under the supervision and guidance of our management team. Alongside with the site equipment, as of 31 July 2017, we had (i) 51 operators for hydraulic drillers, who were also licensed to operate excavators; (ii) 14 licensed drivers for dump trucks; (iii) 12 licensed operators for crane lorries; and (iv) 8 licensed drivers for vibrating rollers.

We place heavy emphasis on training and retention of our staff, especially our experienced operators whom we believe are vital to our long-term success.

### **Commitment and top priority to safety, quality control and environmental protection**

We place emphasis on safety standard, quality control and environment protection. Our management system was certified to be in compliance with the standard required under ISO 9001:2008 (quality management), ISO 14001:2015 (environmental management) and OHSAS 18001:2007 (occupational health and safety management). Our Group has been granted performance awards in safety management in respect of the projects undertaken by us. For further details on the performance awards granted to us, please refer to the paragraph headed “Awards and Recognitions” in this section below. Our safety performance is highlighted by the fact that our Group (including the employees of the subcontractors) did not record any reportable accidents and accidents involving fatal injuries during the Track Record Period and up to the Latest Practicable Date.

### **Long-term and stable relationships with major customers, suppliers and subcontractors**

We have established long-term and stable business relationship with our major customers and/or their affiliates who are mostly reputable main contractors, the longest time with which is approximately 20 years. Among our five largest customers in terms of revenue during the Track Record Period, we have been providing services to them and/or their affiliates for a period ranging from 2 to 20 years. It is a common requirement in the civil engineering construction industry that a guarantee, by way of performance bond, from a financial institution is given by a contractor in favour of its customer for the due performance and observance of all the terms and conditions of the underlying contract. Given our long-term relationship with our major customers, they have on various occasions waived the performance bond requirement when awarding projects to us.

Furthermore, we have also established stable business relationships with our major suppliers and subcontractors, the longest time with which is approximately 15 years and 20, respectively. Our Directors are of the view that our operating history, together with the long-term and stable relationships with our major customers, suppliers and subcontractors, would enhance our recognition and visibility in the market and enable us to capture potential business opportunities.

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## BUSINESS

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### BUSINESS STRATEGIES

Our principal business objectives are to capture more business opportunities on the market, to further strengthen our market position in the civil engineering construction industry in Hong Kong and to create long-term Shareholders' value.

According to the 2017-2018 Budget Speech, the Government has planned to raise the total public expenditure on various ongoing infrastructure projects such as the Ten Major Infrastructure Projects to around HK\$86 billion, which amount is more or less the same as the expenditure on infrastructure projects in 2016-2017. According to the CHFT Report, the gross output value of the civil engineering construction industry in Hong Kong will continue to rise steadily in the coming years. We anticipate that there is a great opportunity for us to increase our market share in the civil engineering construction industry in Hong Kong by focusing on more sizeable and profitable civil engineering construction projects in Hong Kong.

Leveraging our current position in the market and business strengths, we plan to adopt the following business strategies:

(i) *Expand our manpower by hiring more workforce*

We believe that competent workforce equipped with the required skills, knowledge and capability for performing tasks for civil engineering construction works is an asset of our Group. With a view to expanding our manpower to carry out civil engineering construction works, from 1 April 2015 to 30 November 2017, 1 project manager was recruited to strengthen our project management capacity while 17 more foremen and more than 100 site workers were also recruited to enlarge our workforce.

The table below shows the number of project manager, foreman and site worker recruited and left our Group during 1 April 2015 to 30 November 2017:

	As at 31 March 2015	During 1 April 2015 to 30 November 2017		As at 30 November 2017
		Recruited	Left	
Project manager	1	1	—	2
Foreman	3	28	11	20
Site worker	14	316	123	207

As at the Latest Practicable Date, we had a total of 270 employees, details of which are set out in the section headed "Business — Employees" in this prospectus. To further enhance our manpower for our projects on hand and newly awarded projects, we plan to utilise (i) approximately HK\$6.25 million from the proceeds of the Hong Kong Public Offering to hire 1 project manager, 2 engineers, 2 foremen, 4 quantity surveyors and 2 safety officers; and (ii) approximately HK\$2.5 million from the proceeds of the Hong Kong Public Offering to hire 6 administrative staff and set up IT system and



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program, to strengthen our project implementation capability. Incidentally, we intend to provide more training to our existing and newly recruited staff covering occupational health and safety, operation of site equipment and techniques for civil engineering construction works. Apart from internal training, we may also provide courses organised by external training institutions.

**(ii) *Acquire additional site equipment to facilitate our Group to capture more sizeable and profitable projects***

We plan to acquire additional site equipment to improve our overall efficiency and technical capability. During the Track Record Period, we purchased site equipment to meet our project needs. Subsequent to the Track Record Period, we have been awarded a project in Tseung Kwan O to handle the surplus of public fill for an agreed contract sum of approximately HK\$184.7 million. To address our project needs, we will purchase, among others, 5 excavators, 4 bulldozers, 4 generators and 3 water spraying cars. We plan to utilise approximately HK\$12.5 million from the proceeds of the Hong Kong Public Offering to finance such acquisition.

Our Directors believe that acquisition of additional site equipment, which is in the best interest of our Group, will allow us to: (i) reduce our site equipment rental costs; (ii) increase our flexibility to deploy our resources more efficiently; (iii) cater to projects of a larger scale and higher complexity in the immediate future; and (iv) more importantly, increase our tender success rate due to the immediate availability of the site equipment.

**(iii) *Implement our tendering strategy to allow efficient deployment of resources and enhance our profitability***

It is our Group's strategy to focus on tenders for civil engineering construction works which are related to the same project in which we have participated. The management believes that this would allow us to be more efficient in the deployment of our resources as we will benefit from our prior experience with the infrastructure project and knowledge of the condition of the construction sites and we may be able to mobilise the same workforce to carry out the civil engineering construction works at construction sites in close proximity.

By way of illustration, for the two years ended 31 March 2017 and the four months ended 31 July 2017, out of the 29 tenders we won, 15 were related to the same infrastructure project in which we were involved. Furthermore, our first contract for the project located at Liantang/Heung Yuen Wai Boundary Control Point was originally agreed at approximately HK\$62 million. In following our tendering strategy, we have been subsequently awarded 14 more contracts for the construction site at Liantang/Heung Yuen Wai Boundary Control Point during the Track Record Period. As at the Latest Practicable Date, the total contract sum for civil engineering construction works at Liantang/Heung Yuen Wai Boundary Control Point had been approximately HK\$191 million.

It is also our Group strategy to tender for project with substantial contract value. It is because such project would not only enhance our market presence, but also our market shares. Furthermore, a project with substantial contract value would generally last for a considerable period of time, which would allow us to plan ahead in relation to our future development. It will also allow us to be more effectively in deploying and allocating our human resources and site equipment.

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(iv) ***Exercise prudent financial management to ensure liquidity and sustainable growth in the long term***

We have consistently exercised prudent financial management in our business operation and capital commitment with a view to ensuring adequate funds to meet our recurrent and capital requirements and accomplishing our business objectives in a sustainable manner. Our Directors believe that by continuing to do so, this would result in proper and efficient use of our funds, sustainable growth of business for our Group and reasonable return for our Shareholders in the long term.

Our daily operation may be interrupted by a material shortfall in cash or a lack of liquidity. Therefore, our Group actively looks for ways to reduce costs and achieve savings in our operation, for example by streamlining our operational processes. Our financial management measures also include (i) maintaining sufficient level of funds to settle our expenses and liabilities; (ii) maintaining adequate liquidity to cover our project expenditures and administrative expenses; (iii) streamlining our operational processes to achieve savings in operating costs; and (iv) reducing financing costs.

Having considered the overall projected cash flow, our current bank borrowings and unutilised credit facilities and the proceeds from the Hong Kong Public Offering, we will have sufficient working capital and financial resources to perform our contracts in progress and the newly awarded projects.

As a result of our expansion in the scale of operation in an orderly manner, our Directors believe that we will enhance our competitiveness and be able to participate in a greater number of or more complicated and sizeable civil engineering construction projects, which will lead to higher profitability.

### **Implementation of business strategies and our future plan**

As at the Latest Practicable Date, we had not identified any target for acquisition and did not have any acquisition plan.

For further details regarding the proposed use of proceeds from the Hong Kong Public Offering in pursuit of these business strategies, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

## **OUR SERVICES**

We are a subcontractor in the civil engineering construction industry principally engaged in undertaking site formation works, roads and drainage work and structural works in Hong Kong.

### *Site formation works*

Site formation works generally refer to works performed to prepare a site for subsequent works for foundation and superstructure. They generally involve the clearance of site, demolition of existing structures, forming the site (including excavation and filling) to the design formation and/or basement level, reduction and stabilisation of existing slopes and associated infrastructure works.



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During the Track Record Period, the principal types of site formation works performed by us include demolition, site clearance, excavation, slope formation and installation of temporary works structures including sheet piling, shoring, ground treatment, concrete block placing and access deck.



Demolition



Site clearance



Slope formation

### *Road and drainage works*

Road works generally refer to construction of transport interchange, carriageway and walkway, road improvement and widening works, while drainage works generally include flood prevention or improvement works and sewage improvement works comprising construction of drainage channel, outfall pipe, box culvert and pumping station and drainage-related infrastructure. Both road and drainage works also include associated building works and landscaping works.

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During the Track Record Period, the principal types of road and drainage works performed by us include extension of concrete structure at highways, modification of junctions, construction of underground drainage, manholes, cable trenches, installation of water mains, diversion of sewerage pipes and construction of temporary traffic arrangements.



Drainage

### *Structural works*

Structural works generally refer to construction of major frameworks of the infrastructure which provide the infrastructure with supportive structures and allow it to withstand various extreme forces.



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During the Track Record Period, the principal types of structural works performed by us include construction of reinforced concrete structures in relation to construction of vehicular bridges, widening of bridges and construction of depressed road and underpass, construction of concrete footing for noise barrier foundations and construction of retaining walls.



Structural works

## APPROVALS AND CERTIFICATES

We are required to obtain various approvals and certificates for our business operations. For details of the relevant laws, rules and regulations, please see the section headed “Regulatory Overview” in this prospectus for further details. Based on the confirmation of our Directors, our Hong Kong legal adviser confirms that, we had obtained the following approvals and certificates as of the Latest Practicable Date:

Authority	Approval/certificate	Effective Date	Expiry Date
Buildings Department	Certificate of Registration of General Building Contractor GBC 7/2004	19 July 2016	23 September 2019
Buildings Department	Certificate of Registration of Specialist Contractor SC(SF) 11/2005 — (site formation works)	23 February 2015	19 March 2018
WBDB	List of Approved Contractors		
	• Roads and Drainage — Group A on probation	26 May 2003	N/A <sup>Note</sup>

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Authority	Approval/certificate	Effective Date	Expiry Date
WBDB	List of Approved Contractors • Site Formation — Group B on probation	15 April 2004	N/A <sup>Note</sup>
Construction Industry Council	Subcontractor Registration Scheme (Primary Register)	2 March 2016	1 March 2018

*Note: These approvals granted by WBDB do not have specified expiry dates and their retention is subject to fulfillment of criteria provided in the Contractor Management Handbook and regulatory actions taken by WBDB.*

The Company will apply for the renewal of the relevant approval/certificate one month prior to the expiry date.

Our Directors confirmed that, we are not aware of any evident impediment for the renewal or continuation of our approvals and certificates held by us and our Hong Kong legal adviser has not been brought to the attention of any of such evident impediment.

Sheung Moon Construction, our Group's only operating subsidiary, was admitted on probation on the List of Approved Contractors in the categories of Site Formation (Group B) and Roads and Drainage (Group A) in 2004 and 2003, respectively, and we have not applied to the "Confirmed" status for the above licenses.

A contractor may apply for "Confirmed" status after the satisfactory completion of works appropriate to its probationary status. For instance, it requires satisfactory completion of a certain number of Government works contracts within a certain period. It also requires the contracts to be of value over certain amounts, covering a certain range of the works trades, or of considerable scope and complexity. Confirmation will also be subject to the contractor being able to meet the financial criteria applicable to confirmed status, having the appropriate technical and management capabilities and in all other ways being considered suitable for confirmation. For further details on the regulatory requirements on the Site Formation (Group B) and Roads and Drainage (Group A) licences, please refer to the paragraph headed "Public Sector Construction Works" in the section of "Regulatory Overview" of this prospectus.

Given that Sheung Moon Construction has not met the requirement for both Site Formation (Group B) and Roads and Drainage (Group A) licences, the Company cannot apply for the "Confirmed" status of the Site Formation (Group B) and Roads and Drainage (Group A) licences.

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## BUSINESS

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### AWARDS AND RECOGNITIONS

We have received a number of awards during our operating history in recognition of our commitment and dedication to safety management and environmental compliance. The following table summarises the awards or recognitions obtained by our Group:

Date	Award or recognition
October 2000	2000 TKO 607 Safety Award Scheme Safety Award Winner
3rd quarter of 2008	KSL — Middle Road Subway Extension Safety Performance Recognition

### OUR CIVIL ENGINEERING CONSTRUCTION CONTRACTS

The following table sets out the number of contracts that we have been awarded during the Track Record Period and up to the Latest Practicable Date and the corresponding aggregate amount of contract sum originally agreed in respect of such contracts:

	Year ended 31 March		Four months ended 31 July	From 1 August 2017 and up to the Latest Practicable Date
	2016	2017	2017	
Number of contracts awarded <i>(Note 1)</i>	8	15	6	5
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Corresponding aggregate amount of contract sum originally agreed in respect of such contracts <i>(Note 2)</i>	137,137	48,081	203,744	61,527

*Notes:-*

- The number of contracts awarded for each financial year includes all contracts with respect to which our engagement was confirmed during the financial year.*
- Such amount excludes any subsequent changes due to variation orders. Please refer to the paragraph headed "Operation Flow — Variation orders" of this section for details.*

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Set out below is a table showing the number of contracts completed and awarded to us and the aggregate contract sum during the Track Record Period and as at the Latest Practicable Date:

	Number of contracts	Aggregate contract sum <sup>(Note)</sup> HK\$'000
<b><i>As at 1 April 2015</i></b>		
Existing contracts	5	37,301
<b><i>During the financial year ended 31 March 2016</i></b>		
Contracts completed	2	43
New contracts awarded	8	137,137
<b><i>As at 31 March 2016</i></b>		
Existing contracts	11	174,395
<b><i>During the financial year ended 31 March 2017</i></b>		
Contracts completed	6	27,268
New contracts awarded	15	48,081
<b><i>As at 31 March 2017</i></b>		
Existing contracts	20	195,208
<b><i>During the four months ended 31 July 2017</i></b>		
Contract completed	1	722
New contracts awarded	6	203,744
<b><i>As at 31 July 2017</i></b>		
Existing contracts	25	398,230
<b><i>For the period from 1 August 2017 and up to the Latest Practicable Date</i></b>		
Contracts completed	0	0
New contracts awarded	5	61,527
<b><i>As at the Latest Practicable Date</i></b>		
Existing contracts	30	459,757

*Note: The aggregate contract sum is based on a total of all contract sums stated in the initial agreements between our customers and us and may not include additions and modifications due to subsequent variation orders. The final revenue recognised from a contract may differ from the contract sum initially agreed between the contracting parties.*

As at the Latest Practicable Date, there were 30 contracts in progress. Depending on the nature and complexity of a project as well as the existence of any unforeseen circumstances (such as adverse weather condition, industrial accidents and variation orders subsequently requested by customers), the duration of a project (from the date of engagement to the date of completion) could generally range from approximately 1 to 3 years.

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### *Public and private sector*

Our customers primarily include main contractors and private developers of various different types of civil engineering construction projects in Hong Kong. Such projects can generally be categorised into public sector projects and private sector projects. Public sector projects refer to projects originated by the Government or statutory bodies while private sector projects refer to those that are not public sector projects. The majority of our revenue during the Track Record Period was derived from public sector projects. The following table sets out a breakdown of the number of contracts with revenue contribution to us during the Track Record Period by public and private sector projects:

	Year ended 31 March		Four months ended 31 July
Number of contracts with revenue contribution to us	2016	2017	2017
Public sector	7	18	21
Private sector	4	4	1
Total	11	22	22

The following table sets out a breakdown of our revenue during the Track Record Period attributable to public and private sector projects:

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Public sector	34,341	85.22	79,306	88.14	15,764	91.57	62,406	99.33
Private sector	5,957	14.78	10,671	11.86	1,451	8.43	421	0.67
Total	40,298	100.00	89,977	100.00	17,215	100.00	62,827	100.00

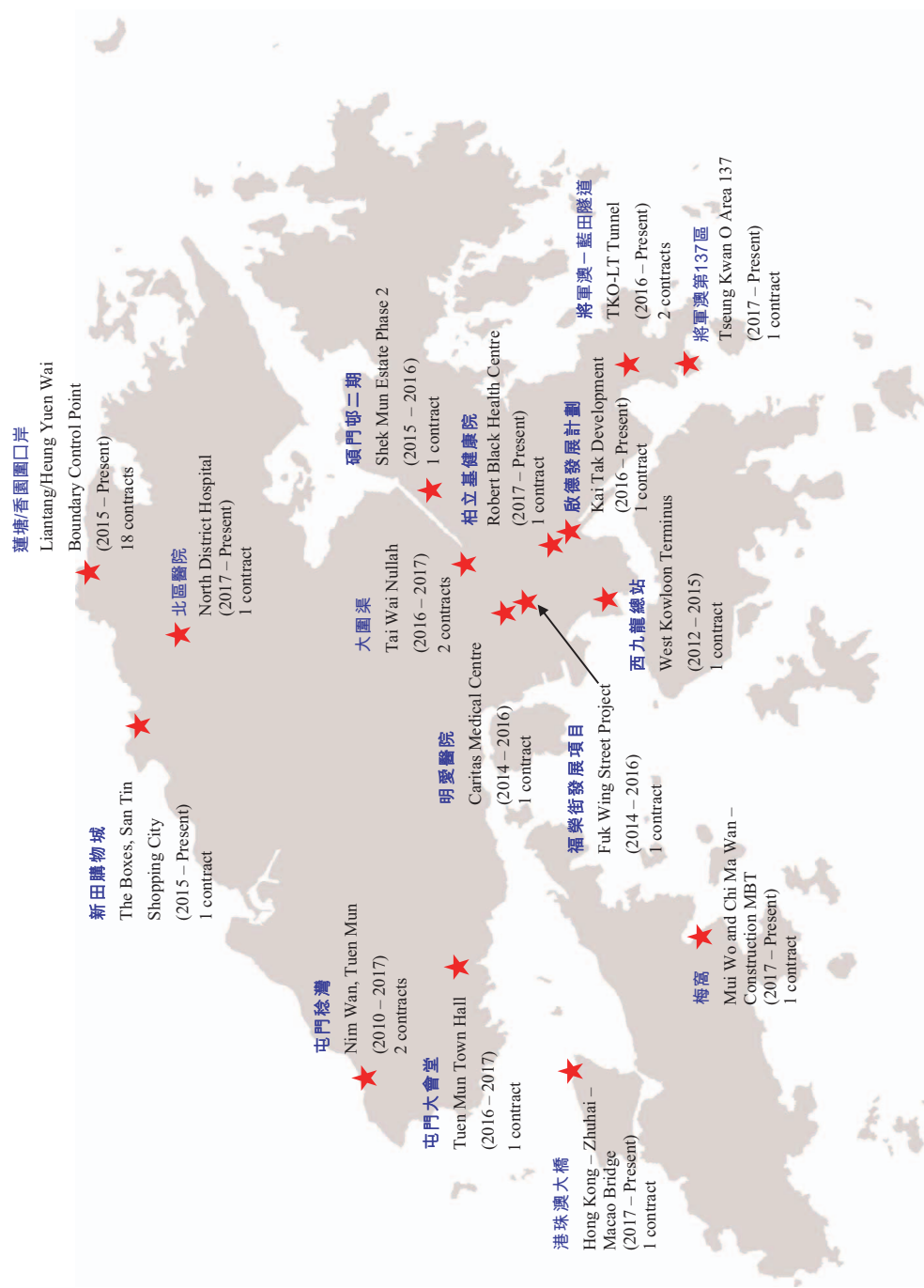
The following table sets out a breakdown of our revenue during the Track Record Period based on the geographical locations of our projects:

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Hong Kong	34,669	86.03	89,046	98.97	16,284	94.59	62,827	100.00
Macau <sup>Note</sup>	5,629	13.97	931	1.03	931	5.41	—	—
	40,298	100.00	89,977	100.00	17,215	100.00	62,827	100.00

*Note: We provided machine leasing services and off-site technical support to a site formation project in Macau.*



The map below shows the locations of the projects including the number of corresponding contracts undertaken by us in Hong Kong during the Track Record Period and up to the Latest Practicable Date.



Notes:

- 1 A contract was undertaken in Macau.
- 2 2 contracts were for provision of transportation services (i.e. transporting loose material such as soil, sand, gravel and dirt).

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### Contracts Completed

During the Track Record Period and up to the Latest Practicable Date, we completed 9 civil engineering construction contracts.

The following table sets out a full list of all of our contracts completed during the Track Record Period and up to the Latest Practicable Date:

Contract	Location of contract	Role of our Group	Public or private sector	Principal works done by us	Contract award date	Contract period From	Contract period to	Contract sum <sup>Note 1</sup> (HK\$'000)	Contract revenue recognised before the Track Record Period (HK\$'000)	Contract revenue recognised during the Track Record Period (HK\$'000)	Variation orders recognised as revenue during the Track Record Period (HK\$'000)	Aggregate revenue recognised during the Track Record Period (HK\$'000)	Percentage of Track completion as at 31 July 2017
Fuk Wing Street Project	Hong Kong	Subcontractor	Public	Site Formation	07/2014	10/2014	06/2017	722	488	234	319	553	100.00%
Macau Shek Pei Wan	Macau	Subcontractor	Private	Site Formation	12/2014	04/2015	12/2016	6,559	—	6,559	—	6,559	100.00%
Shek Mun Estate Phase 2	Hong Kong	Subcontractor	Public	Road and Drainage	03/2015	05/2015	11/2016	8,618	1,262	7,356	844	8,200	100.00%
West Kowloon Terminus	Hong Kong	Subcontractor	Private	Other	09/2015	09/2015	09/2015	19	—	19	—	19	100.00%
YSECL	Hong Kong	Subcontractor	Private	Other	03/2015	03/2016	03/2016	24	—	24	—	24	100.00%
Liantang/Heung Yuen Wai BCP-Backhoe Rental	Hong Kong	Subcontractor	Public	Other	04/2016	04/2016	04/2016	154	—	154	—	154	100.00%
CNK	Hong Kong	Subcontractor	Private	Other	04/2016	04/2016	04/2016	9	—	9	—	9	100.00%
Tuen Mun Town Hall	Hong Kong	Subcontractor	Private	Other	05/2016	09/2016	03/2017	8,100	—	8,100	—	8,100	100.00%
Nim Wan Replacement Glasscrete Areas	Hong Kong	Subcontractor	Public	Site Formation	08/2016	12/2016	03/2017	3,828	—	3,575	6	3,581	93.39% <sup>Note 2</sup>
								28,033	1,750	26,030	1,169	27,199	

*Note 1: The contract sum is based on the initial agreement between our customer and us and does not include additions and modifications due to subsequent variation orders.*

*Note 2: The final account was issued during the Track Record Period and our customer confirmed that the total contract income was lesser than contract sum.*

## Breakdowns of contract revenue recognised, variation orders recognised as revenue and aggregate revenue recognised for contracts completed

	Contract revenue recognised				Variation orders recognised as revenue				Aggregate revenue recognised			
	During the four months ended		Contract revenue recognised during the		During the four months ended		Variation orders recognised during the		During the four months ended		Aggregate revenue recognised during the	
	2016	2017	31 March	31 July	2016	2017	31 March	31 July	2016	2017	31 March	31 July
Contract	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Fuk Wing Street Project	356	—	(122) <sup>Note 1</sup>	234	154	—	165 <sup>Note 1</sup>	319	510	—	43 <sup>Note 1</sup>	553
Macau Shek Pei Wan	5,628	931	—	6,559	—	—	—	—	5,628	931	—	6,559
Shek Mun Estate Phase 2	7,379	—	(23) <sup>Note 2</sup>	7,356	790	54	—	844	8,169	54	(23) <sup>Note 2</sup>	8,200
West Kowloon Terminus	19	—	—	19	—	—	—	—	19	—	—	19
YSECL	24	—	—	24	—	—	—	—	24	—	—	24
Liantang/Heung												
Yuen Wai BCP-Backhoe Rental	—	154	—	154	—	—	—	—	—	154	—	154
CNK	—	9	—	9	—	—	—	—	—	9	—	9
Tuen Mun Town Hall	—	8,100	—	8,100	—	—	—	—	—	8,100	—	8,100
Nim Wan Replacement Glasscrete Areas	—	3,575	—	3,575	—	6	—	6	—	3,581	—	3,581
	13,406	12,769	(145)	26,030	944	60	165	1,169	14,350	12,829	20	27,199

Note 1: The project had been completed during the year ended 31 March 2016, and as such no revenue was recognised during the year ended 31 March 2017. The final account was issued by the customer during the four months ended 31 July 2017. Since certain works had been altered during the execution of the project, in the final account issued by the customer, the project was classified as "Variation Orders". The revenue of variation orders recognised during the four months ended 31 July 2017 was HK\$165,000, and the net aggregate amount of revenue recognised for the same period was HK\$43,000. The revenue recognised from this project has not exceeded the sum of the amount of the original contract and the variation orders.

Note 2: The project with the contract sum of HK\$8,618,000 had been mostly completed in the year ended 31 March 2016. Together with completion of variation order works, the aggregate amount of revenue recognised was HK\$9,462,000 (with HK\$1,262,000 before the Track Record Period and HK\$8,200,000 during the Track Record Period). The final account was issued during the four months ended 31 July 2017. At the issuance of final account, we recognised (HK\$23,000) of revenue for the main contract during the captioned period not because of overestimation of our revenue in earlier periods but taking into account some minor discrepancies on the allowance for construction sundries requested by such customer. Corresponding allowance was deducted from payment to our subcontractor of the contract.

### Contracts in progress

As at the Latest Practicable Date, we had a total of 30 contracts in progress.

The following table sets out a full list of all of our contracts in progress as at the Latest Practicable Date:

Contract	Location of contract	Role of our Group	Public or private sector	Principal works done by us	Contract award date	Contract period	Contract completion date	Contract sum	Contract revenue recognised as revenue recognised before the during the				Variation orders recognised as revenue recognised during the				Aggregate revenue recognised during the				Estimated revenue to be recognised for the				Percentage of completion as at 31 July 2017
									Track Record	Track Record	Track Record	Track Record	Track Record	Track Record	Track Record	Track Record	Track Record	Track Record	Track Record	Track Record	Track Record	Track Record	Track Record	Track Record	
						From	To date	Note 3	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	
Nim Wan, Tuen Mun	Hong Kong	Subcontractor	Public	Site Formation	09/2010	10/2010	Present	Completed	14,140	14,140	—	2,307	2,307	—	—	—	—	—	—	—	—	—	—	—	100.00% <sup>Note 2</sup>
Cartias Medical Centre	Hong Kong	Subcontractor	Public	Site Formation	10/2014	10/2014	Present	Completed	7,261	7,022	239	4,688	4,927	—	—	—	—	—	—	—	—	—	—	—	100.00% <sup>Note 2</sup>
Liantang/Heung Yuen Wai BCP-SC012	Hong Kong	Subcontractor	Public	Site Formation	06/2015	07/2015	Present	Oct-18	62,143	—	28,080	12,988	41,068	16,003	7,430	—	—	—	—	—	—	—	—	—	45.19%
The Boxes, San Tin Shopping City	Hong Kong	Main Contractor	Private	Site Formation	10/2015	10/2015	Present	Completed	3,200	—	2,338	—	2,338	862	—	—	—	—	—	—	—	—	—	—	73.06% <sup>Note 2</sup>
Liantang/Heung Yuen Wai BCP-SC047	Hong Kong	Subcontractor	Public	Structural	12/2015	01/2016	Present	Sep-18	21,321	—	15,129	—	15,129	3,880	413	—	—	—	—	—	—	—	—	—	70.96%
Liantang/Heung Yuen Wai BCP-SC062	Hong Kong	Subcontractor	Public	Site Formation	02/2016	04/2016	Present	Jun-18	9,792	—	6,499	5,403	11,902	2,140	1,649	—	—	—	—	—	—	—	—	—	66.37%
Liantang/Heung Yuen Wai BCP-SC094	Hong Kong	Subcontractor	Public	Road and Drainage	02/2016	03/2016	Present	Jul-18	9,446	—	3,289	748	4,037	7,348	4,307	—	—	—	—	—	—	—	—	—	34.82%
Liantang/Heung Yuen Wai BCP-SC082	Hong Kong	Subcontractor	Public	Structural	03/2016	06/2016	Present	Jun-18	31,193	—	24,438	2,999	27,437	8,103	1,181	—	—	—	—	—	—	—	—	—	78.34%
Liantang/Heung Yuen Wai BCP-SC124	Hong Kong	Subcontractor	Public	Road and Drainage	05/2016	06/2016	Present	Completed	3,155	—	2,660	513	3,173	413	—	—	—	—	—	—	—	—	—	—	84.31% <sup>Note 2</sup>
Liantang/Heung Yuen Wai BCP-SC091	Hong Kong	Subcontractor	Public	Road and Drainage	10/2016	11/2017	Present	Oct-18	3,234	—	—	—	—	—	3,234	—	—	—	—	—	—	—	—	—	0.00%

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Contract	Location of contract	Role of our Group	Public or private sector	Principal works done by us	Contract award date	Contract period		Estimated completion date <sup>Note 3</sup>	Contract sum <sup>Note 1</sup> (HK\$'000)	Contract revenue recognised before the end of the Track Record Period (HK\$'000)	Variation orders recognised during the Track Record Period (HK\$'000)		Aggregate revenue to be recognised during the Track Record Period (HK\$'000)	Estimated revenue to be recognised for the year ended 31 March 2020 (HK\$'000)			Percentage of completion as at 31 July 2017
						From	To				Contract revenue recognised before the end of the Track Record Period (HK\$'000)	Variation orders recognised during the Track Record Period (HK\$'000)		Record Period	Record Period	Record Period	
Liantang/Heung Yuen Wai BCP-SC129	Hong Kong	Subcontractor	Public	Structural	10/2016	05/2017	Present	Oct-18	2,968	—	487	339	826	1,389	484	—	16.41%
Liantang/Heung Yuen Wai BCP-WO151	Hong Kong	Subcontractor	Public	Structural	10/2016	11/2016	Present	Completed	246	—	228	352	580	—	—	—	92.68% <sup>Note 2</sup>
Liantang/Heung Yuen Wai BCP-WO169	Hong Kong	Subcontractor	Public	Structural	10/2016	11/2016	Present	Completed	246	—	220	—	220	—	—	—	89.43% <sup>Note 2</sup>
Kai Tak Development	Hong Kong	Subcontractor	Public	Site Formation	10/2016	11/2016	Present	Mar-18	13,638	—	11,624	3,574	15,198	1,390	—	—	85.23%
Tai Wai Nullah-Earthwork	Hong Kong	Subcontractor	Public	Site Formation	11/2016	11/2016	Present	Apr-18	1,481	—	1,125	—	1,125	—	—	—	75.96%
Liantang/Heung Yuen Wai BCP-WO179	Hong Kong	Subcontractor	Public	Structural	11/2016	12/2016	Present	Completed	1,128	—	844	—	844	86	—	—	74.82% <sup>Note 2</sup>
TKO-LT Tunnel	Hong Kong	Subcontractor	Public	Road and Drainage	11/2016	12/2016	Present	Mar-18	2,598	—	2,091	2,525	4,616	483	—	—	80.48%
Tai Wai Nullah-Treatment to Concrete Surface	Hong Kong	Subcontractor	Public	Site Formation	12/2016	12/2016	Present	Apr-18	196	—	66	—	66	—	—	—	33.67%
Robert Black Health Centre	Hong Kong	Subcontractor	Public	Structural	03/2017	04/2017	Present	Mar-18	7,100	—	1,433	—	1,433	5,667	—	—	20.18%
Tseung Kwan O Area 137	Hong Kong	Subcontractor	Public	Site Formation	04/2017	05/2017	Present	Jul-19	184,740	—	22,529	917	23,446	62,270	84,568	22,389	12.19%
Liantang/Heung Yuen Wai BCP-SC206	Hong Kong	Subcontractor	Public	Structural	04/2017	05/2017	Present	Oct-18	10,747	—	1,500	810	2,310	2,977	6,387	—	13.96%
Liantang/Heung Yuen Wai BCP-WO200	Hong Kong	Subcontractor	Public	Structural	07/2017	07/2017	Present	Oct-18	378	—	251	—	251	—	—	—	66.40%

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Contract	Location of contract	Role of our Group	Public or private sector	Principal works done by us	Contract award date	Contract period From	Contract period To date	Estimated completion date	Contract sum	Contract revenue recognised before the end of the Track Record Period	Variation orders recognised as revenue during the Track Record Period		Estimated revenue to be recognised for the year ended 31 March			Percentage of completion as at 31 July 2017
											Contract revenue recognised before the end of the Track Record Period	Aggregate revenue to be recognised for the year ended 31 March	Estimated revenue to be recognised for the year ended 31 March	Estimated revenue to be recognised for the year ended 31 March		
(HK\$'000)										(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	
TKO-LT Tunnel WO-030	Hong Kong	Subcontractor	Public	Road and Drainage	07/2017	07/2017	Present	Completed	168	—	168	—	—	—	100.00%	
Hong Kong-Zhuhai-Macao Bridge SC1166	Hong Kong	Subcontractor	Public	Site Formation	07/2017	07/2017	Present	Dec-17	4,060	—	1,394	4,163	—	—	34.33%	
Liantang/Heung Yuen Wai BCP-SC159	Hong Kong	Subcontractor	Public	Site Formation	07/2017	07/2017	Present	Oct-18	3,651	—	1,108	1,834	709	—	30.35%	
Liantang/Heung Yuen Wai BCP-SC220	Hong Kong	Sub-Contractor	Public	Road and Drainage	Nov-17	Nov-17	Present	Oct-18	17,637	—	—	3,856	13,781	—	0.00%	
Liantang/Heung Yuen Wai BCP-SC217	Hong Kong	Sub-Contractor	Public	Structural	Nov-17	Nov-17	Present	Oct-18	11,692	—	—	6,887	5,104	—	0.00%	
North District Hospital	Hong Kong	Sub-Contractor	Public	Structural	Nov-17	Nov-17	Present	Nov-18	9,110	—	—	1,312	7,798	—	0.00%	
Mui Wo and Chi Ma Wan-Construction of MBT	Hong Kong	Main Contractor	Public	Site Formation	Nov-17	Nov-17	Present	Nov-18	21,553	—	—	3,711	17,842	—	0.00%	
Liantang/Heung Yuen Wai Provision of Equipment	Hong Kong	Sub-Contractor	Public	Other	Nov-17	Nov-17	Present	Oct-18	1,535	—	—	593	—	—	0.00%	
									459,757	21,162	127,740	38,163	165,903	154,887	22,389	

*Note 1: The contract sum is based on the initial agreement between our customer and us and does not include additions and modifications due to subsequent variation orders.*

*Note 2: The final accounts were not yet issued as at Latest Practicable Date but we had already done all the construction works during the Track Record Period.*

*Note 3: The contract sum of our contract in progress is not included in the amount of the variation orders and thus the total revenue recognised (including estimated revenue) may be larger than the contract sum.*

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### Breakdowns of contract revenue recognised, variation orders recognised as revenue and aggregate revenue recognised for contracts in progress

	Contract revenue recognised			Variation orders recognised as revenue				Aggregate revenue recognised			
	During the year ended 31 March 2016 (HK\$'000)	During the year ended 31 March 2017 (HK\$'000)	During the four months ended 31 July 2017 (HK\$'000)	Contract revenue recognised during the Track Record Period (HK\$'000)	During the year ended 31 March 2016 (HK\$'000)	During the year ended 31 March 2017 (HK\$'000)	Variation orders recognised as revenue during the Track Record Period (HK\$'000)	During the year ended 31 March 2016 (HK\$'000)	During the year ended 31 March 2017 (HK\$'000)	During the four months ended 31 July 2017 (HK\$'000)	Aggregate revenue recognised during the Track Record Period (HK\$'000)
Contract											
Nim Wan, Tuen Mun	—	—	—	—	2,007	300	2,307	2,007	300	—	2,307
Cartias Medical Centre	239	—	—	239	4,688	—	4,688	4,927	—	—	4,927
Liantang/Heung Yuen Wai											
BCP-SC012	12,153	12,797	3,130	28,080	4,232	6,000	12,988	16,385	18,797	5,886	41,068
The Boxes, San Tin Shopping City	286	1,631	421	2,338	—	—	—	286	1,631	421	2,338
Liantang/Heung Yuen Wai											
BCP-SC047	2,018	11,227	1,884	15,129	—	—	—	2,018	11,227	1,884	15,129
Liantang/Heung Yuen Wai											
BCP-SC062	—	5,230	1,269	6,499	—	2,162	5,403	—	7,392	4,510	11,902
Liantang/Heung Yuen Wai											
BCP-SC094	325	2,817	147	3,289	—	176	748	325	2,993	719	4,037
Liantang/Heung Yuen Wai											
BCP-SC082	—	14,650	9,788	24,438	—	—	2,999	—	14,650	12,787	27,437
Liantang/Heung Yuen Wai											
BCP-SC124	—	2,660	—	2,660	—	—	513	—	2,660	513	3,173
Liantang/Heung Yuen Wai											
BCP-SC091	—	—	—	—	—	—	—	—	—	—	—

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	Contract revenue recognised				Variation orders recognised as revenue				Aggregate revenue recognised			
	During the year ended 31 March 2016 (HK\$'000)	During the year ended 31 March 2017 (HK\$'000)	During the four months ended 31 July 2017 (HK\$'000)	Contract revenue recognised during the Track Record Period (HK\$'000)	During the year ended 31 March 2016 (HK\$'000)	During the year ended 31 March 2017 (HK\$'000)	During the four months ended 31 July 2017 (HK\$'000)	Variation orders recognised as revenue during the Track Record Period (HK\$'000)	During the year ended 31 March 2016 (HK\$'000)	During the year ended 31 March 2017 (HK\$'000)	During the four months ended 31 July 2017 (HK\$'000)	Aggregate revenue recognised during the Track Record Period (HK\$'000)
<b>Contract</b>												
Liantang/Heung Yuen Wai BCP-SC129	—	—	487	487	—	—	339	339	—	—	826	826
Liantang/Heung Yuen Wai BCP-WO151	—	228	—	228	—	352	—	352	—	580	—	580
Liantang/Heung Yuen Wai BCP-WO169	—	220	—	220	—	—	—	—	—	220	—	220
Kai Tak Development Tai Wai Nullah-Earthwork	—	10,543	1,081	11,624	—	1,262	2,312	3,574	—	11,805	3,393	15,198
Liantang/Heung Yuen Wai BCP-WO179	—	1,117	8	1,125	—	—	—	—	—	1,117	8	1,125
TKO-LT Tunnel Tai Wai Nullah-Treatment to Concrete Surface	—	778	66	844	—	—	—	—	—	778	66	844
Robert Black Health Centre	—	1,304	787	2,091	—	1,664	861	2,525	—	2,968	1,648	4,616
Tseung Kwan O Area 137	—	30	36	66	—	—	—	—	—	30	36	66
Liantang/Heung Yuen Wai BCP-SC206	—	—	1,433	1,433	—	—	—	—	—	—	1,433	1,433
	—	—	22,529	22,529	—	—	917	917	—	—	23,446	23,446
	—	—	1,500	1,500	—	—	810	810	—	—	2,310	2,310

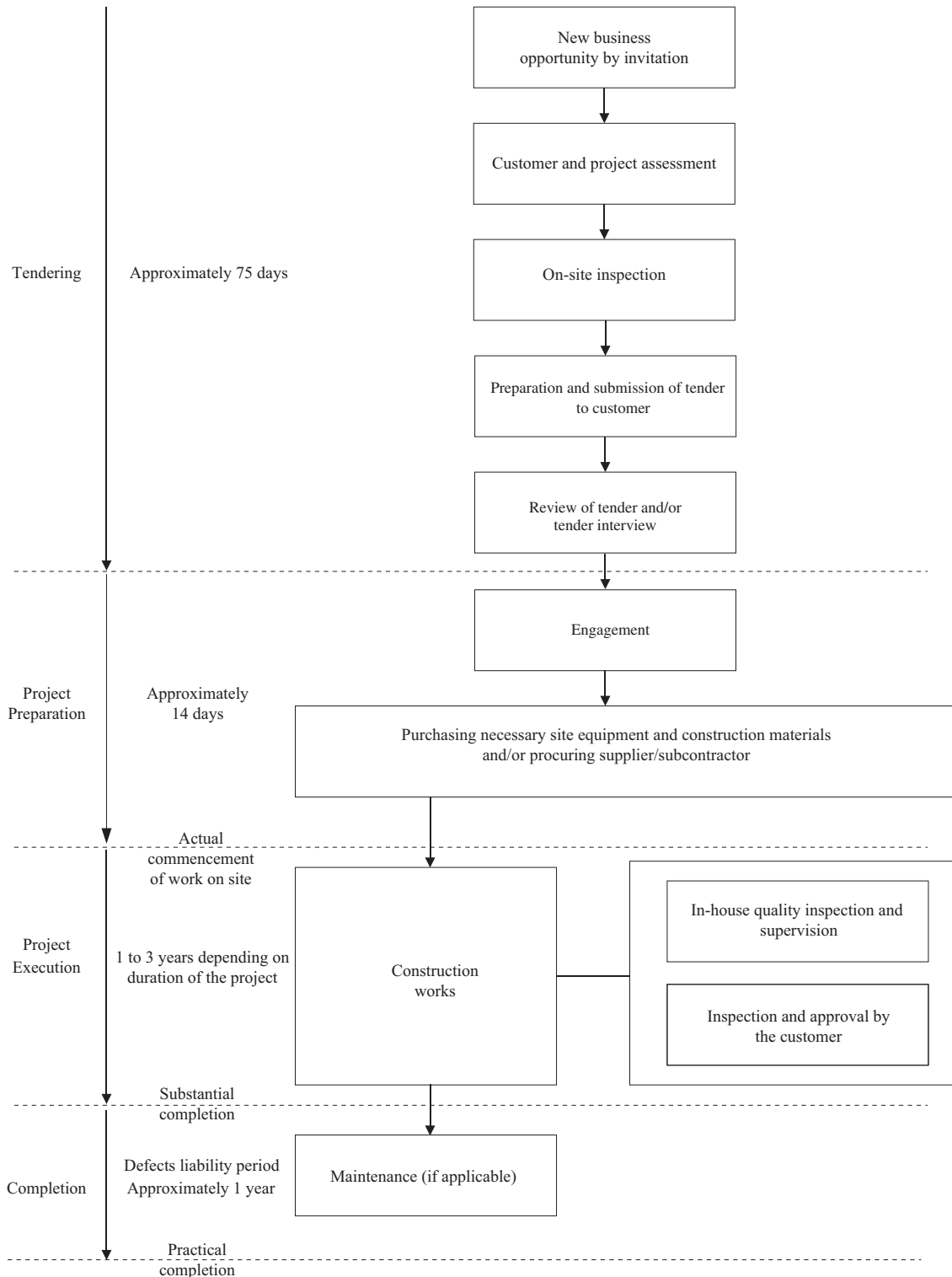


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	Contract revenue recognised					Variation orders recognised as revenue					Aggregate revenue recognised				
	During the year ended 31 March		During the year ended 31 March		During the four months ended 31 July		During the year ended 31 March		During the four months ended 31 July		During the year ended 31 March		During the four months ended 31 July		Aggregate revenue recognised during the Track Record Period
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
<b>Contract</b>															
Liantang/Heung Yuen															
Wai BCP-WO200	—	—	251	251	—	—	—	—	—	—	—	—	251	251	251
TKO-LT Tunnel															
WO-030	—	—	—	168	—	—	—	—	—	—	—	—	—	168	168
Hong Kong-															
Zhuhai-Macao															
Bridge SC1166	—	—	—	1,394	—	—	—	—	—	—	—	—	1,394	1,394	1,394
Liantang/Heung Yuen															
Wai BCP-SC159	—	—	—	1,108	—	—	—	—	—	—	—	—	1,108	1,108	1,108
	15,021	65,232	47,487	127,740	10,927	11,916	15,320	25,948	77,148	62,807	165,903				

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### OPERATION FLOW



*Note: The time frame may vary from project to project depending on various factors such as terms and conditions, nature of works to be performed, the commencement date of a project, the existence of variation orders as well as other unforeseeable circumstances.*

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### MARKETING ACTIVITIES AND PRICING

Mr. SW Tang and Mr. YS Lai, our executive Directors, consider that due to our proven track record and our reputation in the industry, we do not rely heavily on active marketing. Our executive Directors are generally responsible for liaising and maintaining our relationship with customers and sourcing potential business opportunities. During the Track Record Period, we secured new businesses mainly through direct invitation for tenders by customers.

Our pricing is determined based on a cost-plus pricing model in general with markup determined on a project-by-project basis. We estimate our cost of undertaking a project with reference to various factors including (i) nature, scale and complexity of the project; (ii) estimated number and types of workers and site equipment required; (iii) estimated material costs; (iv) construction methods and techniques; (v) cost of subcontractors; (vi) completion schedule; (vii) availability of our internal resources and operation situation of our Group; and (viii) the prevailing market conditions in general.

#### **Tendering**

We are usually invited by our customer (existing or potential) to submit a tender for a potential project as a main contractor or subcontractor. Our customers are usually main contractors of different types of civil engineering construction projects and we are provided with the specifications and drawings along with the invitations.

#### ***Customer and project assessment***

Upon receiving a tender invitation from our potential customer, we would normally conduct initial assessment on the potential customer. Before we prepare our tender, we normally consider the background, reputation and resources of our potential customer. Based on our experience in prior dealings, we may not conduct assessment on our existing customers if the tender invitation is received from them.

Our chief executive officer and executive Director, Mr. YS Lai, who has over 29 years of experience in the civil engineering construction industry, is responsible for leading our project management department and assisting our Board in carrying out a preliminary review and assessment of a potential project. Our members of senior management Mr. Kan Wai On Thomas and Mr. Ho Wai Cheong, who have over 20 and 25 years of experience, respectively in the civil engineering construction industry, render all necessary assistance to Mr. YS Lai. In the preliminary review and assessment process, we consider (i) technical specifications of a potential project; (ii) commencement date and duration of a potential project; (iii) location and condition of the site; (iv) availability of our resources; and (v) our previous experience in relevant projects.

Once our executive Directors consider a potential project to be profitable based on the preliminary review and assessment, we will prepare and submit a tender proposal (including bills of quantities) accordingly. In the course of preparation of a tender, we mainly consider (i) complexity of

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the project; (ii) human resources needed; (iii) availability of site equipment required; (iv) tender price; and (v) site condition. On-site visit will be conducted by our project management department to have a better understanding of the condition of the site, if necessary. Upon receipt of our tender, our customer may, by way of interview or enquiry, clarify with us the particulars of our tender.

### *Tenders submitted during the Track Record Period*

During the Track Record Period, all our civil engineering construction contracts were obtained through tendering. The following table sets out the number of contracts tendered, number of successfully tendered contracts and our success rate during the Track Record Period and from 1 August 2017 up to the Latest Practicable Date:

				<b>From 1 August 2017 to the Latest Practicable Date <sup>(Note)</sup></b>
	<b>Year ended 31 March</b>	<b>Year ended 31 March</b>	<b>Four months ended 31 July 2017</b>	
	<b>2016</b>	<b>2017</b>	<b>2017</b>	
Number of tenders submitted	55	88	31	46
Number of tenders won	8	15	6	5
Success rate (%)	14.55%	17.05%	19.35%	10.87%

*Note: Subsequent to the Track Record Period and up to the Latest Practicable Date, out of the 46 tender applications submitted by our Group, the results of 26 tender applications are neither available nor the result notification periods of which are expired. 5 tender applications were successful and the remaining 15 tender applications were unsuccessful.*

It is our Group's tendering strategies (i) to focus on tenders for civil engineering construction works which are relating to the same project in which we have participated, and (ii) to tender for project with substantial contract value. Please refer to the paragraph headed "Business Strategies — Implement our tendering strategy to allow efficient deployment of resources and enhance our profitability" for the further details.

During the Track Record Period, our tender success rate was relatively low mainly because we were occupied with various civil engineering projects and we were close to our full-service capacity. For the purposes of maintaining business relationship with our existing customers and maintaining our presence in the market, we had to be responsive to our customers' tender invitations by submitting tenders to our customers. In light of above, taking account of our servicing capacity, our manpower resources, the number and size of projects we were working on at the relevant time, expected increase in costs of materials, labour costs as well as complexity and duration of contracts we tendered for, we had taken a conservative approach in costs calculation by adopting a higher profit margin. As such, our tender price may be less competitive than the tenders submitted by our competitors during the Track Record Period.

### **Project preparation**

If our customer is interested in the tender proposal submitted by us, further negotiation may be conducted between us and our customer on the terms and conditions of the formal agreement. Once our customer decides to engage us, we will be informed of its acceptance of our tender by a letter of award or letter of intent issued to us by our customer. We may then enter into a formal engagement agreement with the customer.

Once our engagement is confirmed, we commence the preparation of the project by: (i) forming a project management team; (ii) procuring and arranging with suppliers for the required materials for the project; (iii) arranging the site equipment required to be delivered to the site; and (iv) engaging subcontractors, if necessary.

#### **(i) *Project management team***

Subject to the complexity of the project, our project management team for a project may comprise project manager, engineer, foreman, quantity surveyor, safety officer or supervisor and site worker. Our project management team will oversee the project on site, report to the executive Directors the project status and identify any issues that need to be resolved from time to time. Our executive Directors closely monitor the progress of the project on a continuous basis to ensure that our works meet our customers' requirements, stay within budget and are in compliance with all applicable laws and regulations.

#### **(ii) *Purchasing of construction materials***

Our project managers, with assistance from our quantity surveyors and procurement officers, are responsible for determining the quantity, delivery schedule, specifications and type of construction materials to be purchased. Our procurement team will consolidate construction materials required by the project management department and place necessary orders with our approved suppliers. The key construction materials that we purchase for our civil engineering construction projects include concrete, steel reinforcement bars, precast concrete units, timbers and diesel fuel. In some projects, certain construction materials such as precast concrete units and steel reinforcement bars may be purchased by our customers, i.e. the main contractors, on our behalf for use in the relevant projects. Please refer to the paragraph headed "Suppliers — Arrangement on contra-charge" in this section for further details.

As the materials are purchased on a project-by-project basis in accordance with the project requirements, we rely on the accurate estimation of the amount of construction materials needed with a small buffer in each batch of order to avoid wastage. The construction materials we purchased are sent to the site directly by our suppliers. We do not retain any construction materials as inventory.

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For details on our suppliers, please refer to the paragraph headed “Suppliers” in this section below.

(iii) *Arranging site equipment*

Mr. YS Lai, an executive Director and our chief executive officer, is responsible for the overall management of the types of site equipment to be used, the time for usage and the transportation of such site equipment. Our accounting department will render all necessary assistance to our project management department in allocating equipment to our sites for different projects. When site equipment is required for a project, we either make use of our site equipment or rent from external site equipment rental service providers.

For details on our site equipment, please refer to the paragraph headed “Site Equipment” in this section.

(iv) *Engaging subcontractors*

As we do not have our own skilled workforce for certain civil engineering construction works, we will subcontract specific components of the project such as rebar fixing works and formboard erecting works. Depending on our capability, availability of resources, cost-effectiveness and complexity of the project, we may also subcontract other specific components of the project such as concreting and drainage works. We will only subcontract specific components of our works to our subcontractors in Hong Kong on our Group’s approved list of subcontractors. More than one subcontractor may be engaged for a project depending on the scale and complexity of the project.



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The agreement between our subcontractor and us generally contains key terms and conditions including the scope of works, bills of quantities, completion date and defects liability period. For details on our subcontracting arrangement, please refer to the paragraph headed “Subcontractors” in this section.



### **Project execution**

The civil engineering construction works are executed by our workforce and/or subcontractors under the supervision of our on-site project management teams and representatives of our customers. Our project managers, with assistance of our project management department, monitor work progress and project performance, consider comments from our customers and follow up on matters for the projects. We meet with our customers periodically to keep them informed of the project status and issues identified. Our work progress is also inspected by our quantity surveyors before we prepare payment applications to our customers.

### ***Variation orders***

Our customer may place additional orders concerning variation to part of the works that are necessary for completion of the project. Such orders may include: (i) additions, omissions, substitutions, alterations, changes in quality, form, character, kind, position or dimension; and (ii)

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changes to any sequence, method or timing of construction specified in the original contract. We are usually notified of a variation order by way of a letter from our customer setting out the detailed works to be carried out as a result of such variation order. We will then prepare and submit quotation for such variation order to our customer for approval. The principal terms and settlement of variation orders are generally in line with the terms of the original contract.

### *Customer's inspection*

Our customers also inspect our works done from time to time in order to confirm and certify completion of the relevant works before our interim payment applications are certified. Upon completion of such inspection, our customers may issue a report specifying defects that need to be rectified by us (if any).

### *Interim payments from our customers*

We are generally entitled to receive from our customers interim payments, which are payable with reference to the progress of the projects. Our application for interim payments is normally made on a monthly basis. Based on the works performed by us in the preceding month, we submit to our customers interim payment applications which generally include details of completed works, the actual quantities of our work done, variation orders (if any) and the cost of the materials delivered on a monthly basis. The amount to be received by us from some customers (who are also our suppliers of certain construction materials and other supplies) is netted off by any contra-charge paid by our customers on our behalf. Details of the arrangement on contra-charge are set out in the paragraph headed "Suppliers — Arrangement on contra-charge" in this section. Once any of our customers approves our payment application, a payment certificate will be issued to us. Generally, we receive payments from our customers within 45-60 days of each of our interim payment application. Our customers will usually retain up to 10% of each certified interim payment and up to a maximum limit of 5% of the contract sum as retention money.

### *Interim payments to our subcontractors*

We normally make progress payments to our subcontractors on a monthly basis with reference to the value of the works performed by our subcontractors in the preceding month after our inspection and verification of their works. Generally, we are required to pay our subcontractors within 30 days after an interim payment application has been submitted by our subcontractors.

## **Completion**

### *Substantial completion*

A contract is normally regarded as substantially completed when (i) the works under the contract have been duly completed as verified by our customer after inspection; (ii) there is no apparent defect; and (iii) maintenance or defects liability period has commenced. Once we have substantially



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completed a contract to the satisfaction of our customer concerned, our customer will (i) verbally confirm completion of the project during progress meetings and such customer's verbal confirmation is evidenced by subsequent payment certificates issued by our customer in respect of our final payment and/or (ii) issuing a substantial completion certificate for the project.

### ***Defects liability period***

Our customers normally require a defects liability period, during which we are responsible for rectifying defects or imperfections in relation to our works done which are discovered after completion. The defects liability period typically last for 12 months after substantial completion.

### ***Practicable completion***

In some civil engineering construction projects, practical completion certificates are issued by our customers after the contract works have been completed, tested and approved, and upon expiry of the defects liability period as stipulated in the contracts concerned.

It generally takes approximately up to 12 months for us to reach an agreement on the final account with our customers taking into account the value of our work done (including variation orders (if any)). During the Track Record Period and up to the Latest Practicable Date, our Group had not encountered any disputes with our customers in ascertaining the status and completion of a project (whether orally or otherwise).

### ***Release of retention money***

Normally, within 6 months after substantial completion of a project, 50% of the retention money will be released to us, and the remaining 50% will normally be released to us within 30 days after (i) an agreement on the final account for a project with our customer; and (ii) expiration of the defects liability period whereby the contract will be regarded as practically completed.

## CUSTOMERS

During the Track Record Period, our customers primarily include main contractors of various types of civil engineering construction projects in Hong Kong.

### **Major customers**

For the two years ended 31 March 2017 and the four months ended 31 July 2017, the percentage of our total revenue attributable to our largest customer amounted to approximately 46.46%, 66.08% and 49.12%, respectively, while the percentage of our total revenue attributable to our five largest customers combined amounted to approximately 97.92%, 95.48% and 97.01%, respectively.

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Set out below is a breakdown of our revenue by our five largest customers during the Track Record Period and their respective background:

**For the year ended 31 March 2016**

Rank	Customer	Background	Type of works undertaken by us	Approximate years of business relationship with our Group (including affiliates of our customer)	Credit term (days)	Revenue derived from the customer	
						HK\$'000	%
1	CRBC-CEC-KADEN Joint Venture	A joint venture construction contractor	Site formation, road and drainage and structural	2	45	18,721	46.46
2	Kin Wing Engineering Company Limited	A construction contractor which is a subsidiary of a company listed in Hong Kong	Road and drainage	8	45	8,169	20.27
3	Obras de Decoracao Tai Fok	A construction contractor in Macau	Site formation	2	45	5,629	13.97
4	Customer A	A construction contractor in Hong Kong	Structural	4	45	4,934	12.24
5	Customer B	A joint venture construction contractor	Site formation	20	45	2,007	4.98
						Five largest customers combined	39,460 97.92
						All other customers	838 2.08
						Total revenue	40,298 100.00

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**For the year ended 31 March 2017**

Rank	Customer	Background	Type of works undertaken by us	Approximate years of business relationship with our Group (including affiliates of our customer)	Credit term (days)	Revenue derived from the customer	
						HK\$'000	%
1	CRBC-CEC-KADEN Joint Venture	A joint venture construction contractor	Site formation, road and drainage and structural	2	45	59,457	66.08
2	Customer D	A joint venture construction contractor	Site formation	1	45	11,805	13.12
3	Kin Ming Construction Company Limited	A construction contractor which is a private company in Hong Kong	Other	1	45	8,100	9.00
4	Customer C	A construction contractor which is a private company incorporated in Hong Kong	Structural	20	45	3,581	3.98
5	CRBC-Build King Joint Venture	A joint venture construction contractor	Road and drainage	2	45	2,969	3.30
						Five largest customers combined	85,912 95.48
						All other customers	4,065 4.52
						Total revenue	89,977 100.00

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**For the four months ended 31 July 2017**

Rank	Customer	Background	Type of works undertaken by us	Approximate years of business relationship with our Group (including affiliates of our customer)	Credit term (days)	Revenue derived from the customer	
						HK\$'000	%
1	CRBC-CEC-KADEN Joint Venture	A joint venture construction contractor	Site formation, road and drainage and structural	2	45	30,860	49.12
2	Customer E	A joint venture construction contractor	Site formation	16	45	23,446	37.32
3	Customer D	A joint venture construction contractor	Site formation	1	45	3,392	5.40
4	CRBC-Build King Joint Venture	A joint venture construction contractor	Road and drainage	2	45	1,816	2.89
5	Kin Ming Construction Company Limited	A construction contractor which is a private company in Hong Kong	Other	1	45	1,433	2.28
						Five largest customers combined	97.01
						All other customers	2.99
						Total revenue	100.00

None of our Directors, their close associates, or any Shareholders who or which, to the knowledge of our Directors, owned more than 5% of the issued Shares as at the Latest Practicable Date had any interest in any of the five largest customers of our Group during the Track Record Period.

### Further information among our major customers

CRBC-CEC-KADEN Joint Venture is a joint venture established by (i) China Road & Bridge Corporation, (ii) Continental Engineering Corporation and (iii) Kaden Construction Limited.

China Road & Bridge Corporation is a subsidiary of China Communications Construction Company Limited. Continental Engineering Corporation is a subsidiary of Continental Holdings Corporation. Kaden Construction Limited was renamed its company name as Build King Construction Limited. Build King Construction Limited is a subsidiary of Build King Holdings Limited.

Kin Wing Engineering Company Limited is a subsidiary of Chinney Kin Wing Holdings Limited.

Customer D is a joint venture established by (i) Peako Engineering Company Limited, and (ii) a company in Hong Kong. Peako Engineering Company Limited is a subsidiary of Man King Holdings Limited.

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CRBC-Build King Joint Venture is a joint venture established by (i) China Road & Bridge Corporation and a member of the corporate group of (ii) Build King Holdings Limited.

Customer E is a joint Venture established by (i) China Harbour Engineering Company Limited, and (ii) Zhen Hua Engineering Company Limited.

China Harbour Engineering Company Limited is a subsidiary of China Communication Construction Company Limited. Zhen Hua Engineering Company Limited is a subsidiary of China Harbour Engineering Company Limited.

The background information of our major customers (or its holding company) is set out as below: -

Company name(s)	Principal business activity	Principal place(s) of business	Stock Code	Number of employees	Profit	Revenue
China Communications Construction Company Limited	Main contractor in the civil engineering construction industry	The PRC	1800.hk 601800.sh	118,765 <sup>1</sup> as of 31 December 2016	RMB 17,689 million <sup>1</sup> for the year ended 31 December 2016	RMB 429,972 million <sup>1</sup> for the year ended 31 December 2016
Continental Holdings Corporation	Main contractor in the civil engineering construction industry	Taiwan	3703.tw	Not available	NT\$663 million <sup>2</sup> for the period from January 2017 to June 2017	NT\$11,770 million <sup>2</sup> for the period from January 2017 to June 2017
Build King Holdings Limited	Main contractor in the civil engineering construction industry	Hong Kong	240.hk	1,911 <sup>3</sup> as of 31 December 2016	HK\$150 million <sup>3</sup> for the year ended 31 December 2016	HK\$4,871 million <sup>3</sup> for the year ended 31 December 2016
Chinney Kin Wing Holdings Limited	Main contractor in the foundation construction industry	Hong Kong	1556.hk	542 <sup>4</sup> as of 31 December 2016	HK\$102 million <sup>4</sup> for the year ended 31 December 2016	HK\$1,386 million <sup>4</sup> for the year ended 31 December 2016
Obras de Decoracao Tai Fok	Main contractor in the civil engineering construction industry	Macau	—	7 <sup>5</sup>	Approximately MOP6.6 million <sup>5</sup> for the year ended 31 December 2016	Approximately MOP33 million <sup>5</sup> for the year ended 31 December 2016
CIMIC Group Limited	Main contractor in the civil engineering construction industry	Australia	CIM.asx	50,500 <sup>6</sup> as of 31 December 2016	AUD 10.9 billion <sup>6</sup> for the year ended 31 December 2016	AUD580.3 million <sup>6</sup> for the year ended 31 December 2016
Man King Holdings Limited	Main contractor in the civil engineering construction industry	Hong Kong	2193.hk	125 <sup>7</sup> as of 31 March 2017	HK\$8.5 million <sup>7</sup> for the year ended 31 March 2017	HK\$164.5 million <sup>7</sup> for the year ended 31 March 2017
Wo Hing Construction Company Limited	Main contractor in the civil engineering construction industry	Hong Kong	—	N/A	N/A	N/A
Kin Ming Construction Company Limited	Main contractor in the civil engineering construction industry	Hong Kong	—	N/A	N/A	N/A
Customer A	Main contractor in the civil engineering construction industry	Hong Kong	—	N/A	N/A	N/A
Customer B	Main contractor in the civil engineering construction industry	N/A	N/A	N/A	N/A	N/A
Customer C	Main contractor in the civil engineering construction industry	Hong Kong	N/A	N/A	N/A	N/A

Notes:

1. The information is extracted from the latest annual report of China Communications Construction Company Limited for the year ended 31 December 2016 published on the website of the Stock Exchange.
2. The information is extracted from the latest consolidated financial report of Continental Holdings Corporation for the years ended 30 June 105 and 30 June 106 (Republic Era) published on the website of Continental Holdings Corporation.
3. The information is extracted from the latest annual report of Build King Holdings Limited for the year ended 31 December 2016 published on the website of the Stock Exchange.
4. The information is extracted from the latest annual report of Chinney Kin Wing Holdings Limited for the year ended 31 December 2016 published on the website of the Stock Exchange.
5. The information is provided by Obras de Decoracao Tai Fok.
6. The information is extracted from the latest annual report of CIMIC Group Limited for the year ended 31 December 2016 published on the website of the CIMIC Group Limited.
7. The information is extracted from the latest annual report of Man King Holdings Limited for the year ended 31 March 2017 published on the website of the Stock Exchange.

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### Customer concentration

For the two years ended 31 March 2017 and the four months ended 31 July 2017, the percentage of our total revenue attributable to our five largest customers combined amounted to approximately 97.92%, 95.48% and 97.01%, respectively. The percentage of our total revenue attributable to our largest customer amounted to approximately 46.46%, 66.08% and 49.12%, respectively for the same periods. According to the CHFT Report, it is common for civil engineering construction contractors to rely on a few customers and such customer concentration is not uncommon in Hong Kong. Despite customer concentration, our Directors consider that our business model is sustainable for the following factors:

- It is common for a single project to have a large contract sum and cover several years. Therefore, if we decide to undertake a project with a large contract sum, the relevant customer may become our largest customer in terms of revenue contribution for more than one financial year.
- We anticipate a strong demand for our services from a wide range of customers during the Track Record Period as evidenced by the number of tender invitations received. Please refer to the paragraph headed “Operation Flow — Tendering — Tenders submitted during the Track Record Period” of this section for further details.
- According to the CHFT Report, the demand for civil engineering construction works is expected to grow steadily in the future and the estimated revenue of the civil engineering construction industry in Hong Kong is anticipated to grow at a CAGR of approximately 3.3% from approximately HK\$58.6 billion in 2017 to approximately HK\$66.7 billion in 2021. In the event that any of our major customers substantially reduces the number of contracts placed with us or terminates its business relationship with us, our Directors consider that we would have extra capacity to handle other potential projects from other customers in view of the expected growth of demand for civil engineering construction services in Hong Kong.
- Our five largest customers (including their affiliates) have stable business relationship with us which allowed us to develop an in-depth understanding of their requirements and their decision-making process, and enhanced our ability to capture more opportunities for larger-scale projects in the future.
- Notwithstanding the nature of the civil engineering construction contracts which are specific to particular projects, non-recurrent and entered into on a project-by-project basis, we have been able to maintain stable relationship with our major customers and continued to be invited to submit tenders and secure projects from our major customers throughout the Track Record Period.



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### **Our relationship with CRBC-CEC-KADEN Joint Venture**

For the two years ended 31 March 2017 and the four months ended 31 July 2017, revenue from CRBC-CEC-KADEN Joint Venture amounted to approximately HK\$18,721,000, HK\$59,457,000 and HK\$30,860,000, respectively, representing approximately 46.46%, 66.08% and 49.12% of our total revenue, respectively. All the revenue attributable to CRBC-CEC-KADEN Joint Venture related to the same project located at Liantang/Heung Yuen Wai Boundary Control Point.

#### *Background and relationship*

CRBC-CEC-KADEN Joint Venture is a joint venture formed by three major main contractors in the civil engineering construction industry in Hong Kong. CRBC-CEC-KADEN Joint Venture was formed for the project located at Liantang/Heung Yuen Wai Boundary Control Point. The works for the project located at Liantang/Heung Yuen Wai Boundary Control Point include construction of a 4.6 km long dual two-lane trunk road (with about 0.6 km at grade roads, 3.3 km viaducts and a 0.7 km tunnel) connecting Sha Tau Kok Road Interchange to Boundary Control Point and the associated environmental mitigation measures, landscaping, drainage/sewerage, waterworks and utilities works. The project commenced on 24 June 2015 and is expected to be completed by the end of 2018. This project at Liantang/Heung Yuen Wai Boundary Control Point is a public sector project and is originated by the CEDD.

We started to provide civil engineering construction services to CRBC-CEC-KADEN Joint Venture as a subcontractor in July 2015, following our commencement of the construction works at Liantang/Heung Yuen Wai Boundary Control Point. During the Track Record Period, we had been awarded 15 contracts by CRBC-CEC-KADEN Joint Venture, of which 4 contracts have a contract sum of over HK\$10 million. CRBC-CEC-KADEN Joint Venture also supplied construction materials such as precast concrete unit and steel reinforcement bars to our Group during the Track Record Period. For details, please refer to the paragraph “Suppliers — Arrangement on contra-charge” in this section.

#### *Contractual arrangement*

We entered into construction contracts with CRBC-CEC-KADEN Joint Venture on a case by case basis, which is in line with our arrangement with others customers. Contractual terms and conditions with CRBC-CEC-KADEN Joint Venture are also consistent with our arrangements with our other customers. Please refer to the section headed “Business — Customers — Major terms of engagement”.

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### **CRBC-CEC-KADEN Joint Venture and our business prospects**

Our Directors consider that the substantial revenue contribution from CRBC-CEC-KADEN Joint Venture to us during the Track Record Period will not affect our business prospects and sustainability of our business based on the following factors:

#### *Proven track record*

- We have been admitted on probation on the Approved List for Contractors in the categories of Site Formation (Group B) and Roads and Drainage (Group A) since 2004 and 2003 respectively. We are also registered as a general building contractor and a specialist contractor (site formation works) with the Buildings Department in Hong Kong.
- All the revenue from CRBC-CEC-KADEN Joint Venture during the Track Record Period related to the project located at Liantang/Heung Yuen Wai Boundary Control Point. Initially, the contract sum originally agreed for this project was approximately HK\$62 million. Given that we have been performing well in this project, we have been subsequently awarded 14 more contracts for the site at Liantang/Heung Yuen Wai Boundary Control Point during the Track Record Period.
- The project located at Liantang/Heung Yuen Wai Boundary Control Point is a major infrastructure project in Hong Kong. Our Directors believe that our participation in the project located at Liantang/Heung Yuen Wai Boundary Control Point would enhance our project reference and credibility by building a positive reputation in the industry.

#### *Involved in a broad range of civil engineering construction works*

- We own and operate different types of site equipment which enable us to perform civil engineering works of different scales and complexity. In addition, our management has extensive knowledge and experience in the industry and possess relevant qualifications. As such, we are capable of providing recommendations on the projects to anticipate and meet the requirements of different customers.

#### *Plans to capture other business opportunities*

- We experienced a strong demand for our services from a wide range of customers during the Track Record Period as evidenced by the number of tender invitations that we had received from customers during the Track Record Period. Please refer to the paragraph headed “Marketing Activities and Pricing — Tendering — Tenders submitted during the Track Record Period” of this section for further details.

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- In April 2017, we have been awarded a project in Tseung Kwan O to handle the surplus of public fill and the agreed contract sum of which is approximately HK\$184.7 million. It is our Group's business strategy to pursue relatively sizeable civil engineering construction projects. Please refer to the paragraph headed "Business Strategies — Implement our tendering strategy to allow efficient deployment of resources and enhance our profitability" for further details.
- We intend to purchase additional site equipment and recruit more staff to meet the different requirements from our existing and potential customers. We intend to use approximately HK\$12.5 million from the net proceeds from the Hong Kong Public Offering to purchase site equipment for our projects; approximately HK\$6.25 million from the net proceeds to recruit additional staff members and provide training to them; and approximately HK\$2 million from the net proceeds to expand our accounting and administrative teams.

### **The project at Tseung Kwan O Area 137 Fill Bank**

In April 2017, we had been awarded a project by the Customer E to handle surplus public fill at Tseung Kwan O Area 137 Fill Bank and this project is a public sector project. Customer E is a joint venture established by two main contractors in Hong Kong.

The contract value for the project at Tseung Kwan O Area 137 Fill Bank is in the aggregate value of approximately HK\$ 184.7 million. We are required to handle surplus public fill in this project. The public fill arises from construction, excavation, renovation, demolition and road works. Comprising of rocks, concrete, asphalt, rubbles, bricks, stones and earth, public fill is suitable for reuse in reclamation and site formation. Hard materials such as rocks and concrete can be recycled as aggregates for concrete/asphalt production or as granular materials for road sub-base and drainage layers.

The works involved in this project are acceptance of public fill, classification, processing, stockpiling, transportation, and filling in the barging point, etc. The works involved are machinery-intensive and site equipment such as excavators, hydraulic drillers, lorries and generators would be required. Furthermore, this project also involves extensive labours in operating the mentioned site equipment. For this project, we engaged over HK\$1 million per month in renting site equipment and hired over 100 direct labours.

The profit margin for this project is estimated at 5% only and the reasons for having a low profit margin are as follows:

- (i.) The works involved in this project are not technical in nature, compared with the other site formation projects undertaken by us;
- (ii.) The profit margin for this kind of works would generally be lower than other site formation projects in the market; and
- (iii.) We incurred substantial rental costs for this project.

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Notwithstanding the low profit margin in this project, it is beneficial for the Group to take up this project for the following reasons:

- (i.) This project involved a substantial contract value of approximately HK\$184.7 million and will generate stable revenue and cashflow in the coming years;
- (ii.) This project may assist the Group to tender future projects in the Tseung Kwan O area; and
- (iii.) This project would enhance our relationship with the joint-venture partners of Customer E and may assist the Group in tendering projects from them in the future.

In tendering this project, we adopted a cost-plus pricing model in general with markup determined on a project-by-project basis. As the project involved a substantial contract sum, in line with our price model and tendering strategy, we offered a competitive price in tendering this project. For details of our price strategy, please refer to the paragraph headed “Marketing Activities and Pricing” in this section.

### **Project concentration**

During the Track Record Period, we relied on a limited number of civil engineering construction projects to generate revenues for our Group. More particularly, during the Track Record Period and up to the Latest Practicable Date, 18 of the 39 contracts undertaken by the Group in Hong Kong related to the infrastructure project at Liantang/Heung Yuen Wai Boundary Control Point, which generated approximately HK\$109 million (or 71%) of the Group’s total revenue during the Track Record Period. It is also expected that the project will be one of our key projects, generating a substantial revenue for the Group for the year ending 31 March 2018.

Despite project concentration, our Directors consider that our business model is sustainable for the following factors:

- It is common for a single project to have a large contract sum and cover several years. Therefore, if we decide to undertake a project with a large contract sum, we may rely on the relevant project in terms of revenue contribution for more than one financial year;
- As we focus on the projects in the public sector, which are ultimately instructed and paid by the Government, the payment records for public sector project are always good; and
- All contracts in the project at Liantang/Heung Yuen Wai Boundary Control Point were awarded by CRBC-CEC-KADEN Joint Venture, for details of our relationship with CRBC-CEC-KADEN Joint Venture and our business prospects in relation to this project, please refer to the paragraphs headed “Our relationship with CRBC-CEC-KADEN Joint Venture” and “CRBC-CEC-KADEN Joint Venture and our business prospects” respectively.

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### Major terms of engagement

We do not enter into long-term agreements with our customers and our engagement with our customers are entered on a project-by-project basis. In general, contracts entered into with our customers contain terms and conditions relating to the particulars of a project and the major terms and conditions would generally include contract sum, commencement date, contract duration, nature and scope of works, bills of quantities or schedules of rates, payment terms, retention money, liquidated damages, indemnities, insurance and defects liability period. The following summarise the major terms of engagement with our customers:

Types and scope of work	:	The contract also identifies the types and scope of the work which we are engaged to perform.
Bills of quantities or schedules of rates	:	The bills of quantities or schedules of rates in our contracts would generally include the description of the nature of work, quantities of works and specifications together with the unit rates under the project.
Commencement date and contract duration	:	The period of a project typically commences on the date when we are allowed to commence work at the site. The contract duration varies depending on the project size, nature and type of work, complexity and technically. During the Track Record Period, the contracts entered by us were normally completed in an average of 0.58 year.
Payment terms	:	This is divided into interim payment and final payment. For interim payments, we generally provide our customers with a written statement detailing the works completed by us, the estimated fee along with any variation orders (if any) and the costs of the materials delivered on a monthly basis. For final payments, we usually issue a final account showing the amount we are entitled to for our customers' consideration.
Insurance	:	The main contractor of a civil engineering construction project is obliged to effect proper insurance against damages, claims and compensation in respect of the persons who are employed by them to work at the sites.
Rights of termination by customers	:	Our customer has the right to terminate our contract by giving advance notice, if we fail to execute the works in accordance with the terms of the contract as agreed.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any early termination of contracts.

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Defects liability period : We are generally subject to a defects liability period of 12 months after substantial completion of a contract, during which we are responsible and required to rectify defects or deficiencies relating to works undertaken by us.

During the Track Record Period, we did not experience any material claim by our customers arising from defective works.

Retention money : Our customers are generally entitled to hold a certain percentage of each interim payment made to us as retention money. In general, our customers may retain up to 10% of each interim payment and up to a maximum of 5% of the contract sum as retention money for a project. 50% of the retention money withheld is normally released to us within 6 months after substantial completion of a project and the remaining 50% is normally released after expiry of the defects liability period.

As at 31 March 2016, 31 March 2017 and 31 July 2017, our retention monies receivables amounted to approximately HK\$3,652,000, HK\$7,630,000 and HK\$10,020,000, respectively. Please refer to the section headed “Financial Information — Discussion of Certain Consolidated Statements of Financial Position Items — Trade and other receivables” in this prospectus for a further discussion and analysis regarding our trade and other receivables.

### Seasonality

Our Directors believe that the industry in which we operate does not exhibit any significant seasonality save for the impact from the raining seasons in Hong Kong in the second and third quarters as many outdoor civil engineering construction projects may be delayed due to unstable weather conditions.

### SUPPLIERS

During the Track Record Period, we maintained a list of approved suppliers for construction materials and site equipment.

Suppliers of goods and services to our Group mainly include: (i) suppliers of construction materials (including reinforcement steel bars, precast concrete units, timbers, diesel fuel and consumables such as screws and protective equipment); and (ii) site equipment rental service providers.

Given the nature and type of the supplies required, we generally order the relevant materials and services on a project-by-project basis. During the Track Record Period, we did not have any material difficulty in sourcing or obtaining supplies in accordance with our needs for our business operation. In our engagement, we are usually responsible for sourcing construction materials for our projects.

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However we may also be provided with construction materials by our customers pursuant to the arrangement on contra-charge, details of which are set out in the paragraph headed “Suppliers — Arrangement on contra-charge” in this section below. We are able to choose our own suppliers for our projects. As at the Latest Practicable Date, there were approximately 22 suppliers in our approved list of suppliers, which enabled us to be flexible in selecting the most appropriate supplier for the construction materials required based on prices, availability and quality. Our suppliers normally grant us a credit period of not more than 30 days from the invoice date.

During the Track Record Period, we did not experience any material difficulties or delays in performing our projects caused by shortage of construction materials (including other suppliers) and/or site equipment. Our Directors consider that the possibility of a material shortage or delay is low given the abundance of suppliers in the market and the nature of goods and services required by us.

In relation to both purchase of construction materials and rental of site equipment, the relevant suppliers would first provide us with quotations. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material fluctuations in the costs of materials and rental services that had a material impact on our business, financial condition or results of operations.

### **Major suppliers**

For the two years ended 31 March 2017 and the four months ended 31 July 2017, the percentage of our total direct costs (excluding direct labour and MPF, depreciation and subcontracting fee) from our largest supplier amounted to approximately 32.10%, 43.00% and 27.73% of our total direct costs (excluding direct labour and MPF, depreciation and sub-contracting fee), respectively, while the percentage of our total direct costs (excluding direct labour and MPF, depreciation and sub-contracting fee) from our five largest suppliers combined amounted to approximately 94.12%, 78.77% and 75.05% of our total direct costs (excluding direct labour and MPF, depreciation and sub-contracting fee), respectively.



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Set out below is a breakdown of our total direct costs (excluding direct labour, MPF, depreciation and subcontracting fee) by our five largest suppliers based on the ranking of their contribution to the direct costs (excluding direct labour and MPF, depreciation and subcontracting fee) during the Track Record Period and their respective background information:

**For the year ended 31 March 2016:**

Rank	Supplier	Background of supplier	Type of purchases/ service from the supplier	Approximate year(s) of business relationship with our Group (including affiliates of the supplier)	Credit term (days)	Direct costs (excluding direct labour and MPF, depreciation and subcontracting fee) by us from the supplier	
						HK\$'000	%
1	CRBC-CEC-KADEN Joint Venture	A joint venture construction contractor	Construction material	2	45	1,561	32.10
2	Kin Wing Engineering Company Limited	A construction contractor which is a subsidiary of a company listed in Hong Kong	Construction material	8	45	1,073	22.06
3	Supplier A	A diesel fuel supplier in Hong Kong	Petrol	7	N/A	901	18.53
4	Sheung Moon Engineering Co. Limited	A construction company which is a private company	Rental of site equipment and other direct costs	15	N/A	616	12.67
5	Supplier B	A private company in Hong Kong	Transportation	2	N/A	426	8.76
						Five largest suppliers combined	94.12
						All other suppliers	5.88
						Total direct costs (excluding direct labour and MPF, depreciation and subcontracting fee)	100.00

*Notes:*

- The purchases of the relevant construction materials are made pursuant to the arrangement on contra-charge, details of which are set out in the paragraph headed "Suppliers — Arrangement on contra-charge" in this section below.*
- Sheung Moon Engineering Co. Limited is a private company limited by shares and is wholly owned by Mr. Tang Kin and Mr. Tang Sze Lun, brothers of Mr. SW Tang, and Mr. Cheung Lin Fat, a nephew of Mr. SW Tang.*

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**For the year ended 31 March 2017:**

Rank	Supplier	Background of supplier	Type of purchases/ service from the supplier	Approximate year(s) of business relationship with our Group (including affiliates of the supplier)	Credit term (days)	Direct costs (excluding direct labour and MPF, depreciation and subcontracting fee) by us from the supplier	
						HK\$'000	%
1	CRBC-CEC-KADEN Joint Venture	A joint venture construction contractor	Construction material	2	45	12,403	43.00
2	Supplier C	A private company in Hong Kong	Transportation	7	N/A	5,879	20.39
3	Supplier A	A diesel fuel supplier in Hong Kong	Petrol	7	N/A	2,171	7.53
4	Customer D	A joint venture construction contractor	Construction material	1	45	1,301	4.51
5	Supplier D	A private company in Hong Kong	Transportation	1	45	962	3.34
						Five largest suppliers combined	78.77
						All other suppliers	21.23
						Total direct costs incurred (excluding direct labour and MPF, depreciation, subcontracting fees incurred)	100.00

*Note:*

*The purchases of the relevant construction materials are made pursuant to the arrangement on contra-charge, details of which are set out in the paragraph headed "Suppliers — Arrangement on contra-charge" in this section below.*

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**For the four months ended 31 July 2017:**

Rank	Supplier	Background of supplier	Type of purchases/ service from the supplier	Approximate year(s) of business relationship with our Group (including affiliates of the supplier)	Credit term (days)	Direct costs (excluding direct labour and MPF, depreciation and subcontracting fee) by us from the supplier	
						HK\$'000	%
1	CRBC-CEC-KADEN Joint Venture	A joint venture construction contractor	Construction material	2	45	7,691	27.73
2	Supplier C	A private company in Hong Kong	Transportation	7	N/A	5,578	20.11
3	Supplier E	A private company in Hong Kong	Transportation	1	N/A	3,669	13.23
4	Supplier A	A diesel fuel supplier in Hong Kong	Petrol	7	N/A	2,749	9.91
5	Supplier F	A private company in Hong Kong	Transportation	1	N/A	1,127	4.07
						Five largest suppliers combined	20,814 75.05
						All other suppliers	6,922 24.95
						Total direct costs incurred (excluding direct labour and MPF, depreciation, subcontracting fees incurred)	27,736 100.00

None of our Directors, their close associates, or any Shareholders who or which, to the knowledge of our Directors, owned more than 5% of the issued Shares as at the Latest Practicable Date had any interest in any of the five largest suppliers of our Group during the Track Record Period.

### Arrangement on contra-charge

According to the CHFT Report, it is common in the civil engineering construction industry that a main contractor may pay on behalf of its subcontractor certain expenses for a civil engineering construction project. Such expenses are typically deducted from its payments to that subcontractor in settling its service fees for the project. Such payment arrangement is referred to as the “arrangement on contra-charge” and the amounts involved are referred to as the “contra-charge”.

During the Track Record Period, we had arrangement on contra-charge with a number of our customers. Such contra-charge consisted of purchase cost of construction materials, rental cost of site equipment, utility cost and other miscellaneous expenses. Pursuant to the arrangement on contra-charge set out in the contract with our customers, upon our written request, our customer may

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purchase construction materials specified in the contract and make payments on our behalf. Such purchase cost of construction materials is settled by way of contra-charge to the account with such customer. Effectively, the payments due to us from our customer will be settled after netting off such contra-charge amounts. For each of the two years ended 31 March 2017 and the four months ended 31 July 2017, our contra-charge incurred amounted to HK\$2,640,000, HK\$14,288,000 and HK\$9,182,000, respectively, and such contra-charge incurred amounts attributable to our top five customers during the Track Record Period amounted to approximately HK\$2,634,000, HK\$14,287,000 and HK\$9,166,000, respectively, representing approximately 99.77%, 99.99% and 99.83% of our total contra-charge incurred for the same periods, respectively.

As we settled such costs by way of contra-charge by netting off with the payments due from our customers, both cash inflows from the project work done and cash outflows from the purchase of construction materials were reduced by the same amount. Therefore, the arrangement on contra-charge had no material effect on the Group's cashflow positions during the Track Record Period.

The following table sets forth the information on our customers from whom we had arrangement on contra-charge during the Track Record Period:

BUSINESS					
	Year ended 31 March 2016 HK\$ '000	%	Year ended 31 March 2017 HK\$ '000	%	Four months ended 31 July 2017 HK\$ '000
<b>CRBC-CEC-KADEN Joint Venture</b>					
Revenue derived and approximate % of total revenue	18,721	46.46%	59,457	66.08%	30,860
Contra-charge charged by CRBC-CEC-KADEN Joint Venture and approximate % of total direct costs (excluding direct labour, MPF and depreciation and subcontracting fee)	1,561	32.10%	12,403	43.00%	7,691
Weighted average of gross profit margin <sup>(Note 1)</sup>		30.07%		25.47%	
Contra-charge ratio <sup>(Note 2)</sup>		91.66%		79.14%	
<b>Kin Wing Engineering Company Limited</b>					
Revenue derived and approximate % of total revenue	8,169	20.27%	55	0.06%	N/A
Contra-charge charged by Kin Wing Engineering Company Limited and approximate % of total direct costs (excluding direct labour and MPF, depreciation and subcontracting fee)	1,073	22.06%	N/A	N/A	N/A
Weighted average of gross profit margin <sup>(Note 1)</sup>		5.40%		N/A	
Contra-charge ratio <sup>(Note 2)</sup>		86.87%		N/A	
<b>CRBC-Build King Joint Venture</b>					
Revenue derived and approximate % of total revenue	N/A	N/A	2,969	3.30%	1,816
Contra-charge charged by CRBC-Build King Joint Venture and approximate % of total direct costs (excluding direct labour, MPF, depreciation and subcontracting fee)	N/A	N/A	583	2.02%	225
Weighted average of gross profit margin <sup>(Note 1)</sup>		N/A		16.03%	
Contra-charge ratio <sup>(Note 2)</sup>		N/A		80.36%	
<b>Customer D</b>					
Revenue derived and approximate % of total revenue	N/A	N/A	11,805	13.12%	3,392
Contra-charge charged by Customer D and approximate % of total direct costs (excluding direct labour, MPF, depreciation and subcontracting fee)	N/A	N/A	1,301	4.51%	949
Weighted average of gross profit margin <sup>(Note 1)</sup>		N/A		31.07%	
Contra-charge ratio <sup>(Note 2)</sup>		N/A		88.98%	

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	Year ended 31 March 2016 HK\$ '000	%	Year ended 31 March 2017 HK\$ '000	%	Four months ended 31 July 2017 HK\$ '000	%
<b>Customer E</b>						
Revenue derived and approximate % of total revenue						
Contra-charge charged by Customer E and approximately % of total direct costs (excluding direct labour, MPF, depreciation and subcontracting fee)	N/A	N/A	N/A	N/A	23,446	37.32%
Weighted average of gross profit margin <sup>(Note 1)</sup>	N/A	N/A	N/A	N/A	270	0.97%
Contra-charge ratio <sup>(Note 2)</sup>		N/A		N/A		8.34%
						98.85%
<b>Kin Ming Construction Company Limited</b>						
Revenue derived and approximate % of total revenue	N/A	N/A	N/A	N/A	1,433	2.28%
Contra-charge charged by Kin Wing Construction Company Limited and approximately % of total direct costs (excluding direct labour, MPF, depreciation and subcontracting fee)	N/A	N/A	N/A	N/A	30	0.11%
Weighted average of gross profit margin <sup>(Note 1)</sup>		N/A		N/A		18.00%
Contra-charge ratio <sup>(Note 2)</sup>		N/A		N/A		97.91%

Note 1: The weighted average of gross profit margin equals the simple average of project gross profit margins weighted by project revenue.

Note 2: The contra-charge ratio equals the project revenue minus contra-charge incurred in the project then divided by the project revenue.

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### INVENTORIES

We do not maintain any inventories during the Track Record Period and as at the Latest Practicable Date as our construction materials are purchased and consumed on a project-by-project basis.

### SUBCONTRACTORS

To ensure our work quality and timely delivery of our works, we aim to carry out the works ourselves. However, for certain components of civil engineering construction works such as rebar fixing and formboard erecting, we would subcontract them because we do not have qualified skilled workers for such components. In addition, subject to our capacity, resources level, cost effectiveness and completion schedule, we may subcontract other components of our works.

During the Track Record Period, we maintained a list of approved subcontractors which includes local sole proprietors as well as limited liability companies. All of our subcontractors were located in Hong Kong and all of our service fees were denominated in HK dollars.

For the two years ended 31 March 2017 and the four months ended 31 July 2017, we incurred subcontracting fee of approximately HK\$17,386,000, HK\$24,445,000 and HK\$8,878,000, respectively. Please refer to the section headed “Financial Information — Revenue — Direct costs” in this prospectus for the relevant sensitivity analysis.

#### Selection of subcontractors

We only engage subcontractors who are on our list of approved subcontractors. Prior to a subcontractor to be included in our list of approved subcontractors, we would carry out an evaluation process, which would include assessment of their background, human resources, reputation, experience, service quality, and safety records. The approved list would be reviewed and updated periodically.

In general, we determine the amount of subcontracting fee based on (i) amount of human resources; (ii) nature and complexity of works to be performed by our subcontractors; (iii) prevailing market conditions; and (iv) whether construction materials would be provided by the subcontractor. We had 22 subcontractors on our approved list of subcontractors as at the Latest Practicable Date. The number of subcontractors on our approved list offers us choice and enables us to be flexible in engaging subcontractors to take up part of our works. We are also open to look else where engage other subcontractors if we do not find suitable subcontractors on our approved list.

#### Major subcontractors

For the two years ended 31 March 2017 and the four months ended 31 July 2017, the percentage of our Group’s subcontracting fee incurred attributable to our Group’s largest subcontractor amounted



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to approximately 67.32%, 24.03% and 47.12% of our Group's total subcontracting fee incurred, respectively, while the percentage of our Group's subcontracting fee incurred attributable to our Group's five largest subcontractors combined amounted to approximately 92.61%, 84.33% and 92.95% of our Group's total subcontracting fee incurred, respectively, for the same periods.

Set out below is a breakdown of our Group's total subcontracting fee incurred by our five largest subcontractors based on the ranking of their contribution to the subcontracting fee of our Group during the Track Record Period and their respective background information:

*For the year ended 31 March 2016:*

Rank	Subcontractor	Type of services provided by the subcontractor	Approximate year(s) of business relationship with our Group (including affiliates of the subcontractor)	Credit term (days)	Total subcontracting fee incurred	
					HK\$'000	%
1	Subcontractor A	Construction and Supervision	3	Within 30 days from the issue of payment application from the subcontractor to our Group	11,705	67.32
2	Subcontractor B	Construction, supervision and management	7	Within 30 days from the issue of payment application from the subcontractor to our Group	1,883	10.83
3	Subcontractor C	Construction, supervision and management	1	Within 30 days from the issue of payment application from the subcontractor to our Group	1,494	8.59
4	Subcontractor D	Formboard erecting	2	Within 30 days from the issue of payment application from the subcontractor to our Group	659	3.79
5	Subcontractor E	Construction and Supervision	3	Within 30 days from the issue of payment application from the subcontractor to our Group	361	2.08
					Five largest subcontractors combined	16,102      92.61
					All other subcontractors	1,284      7.39
					Total subcontracting fee incurred	17,386      100.00

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*For the year ended 31 March 2017:*

Rank	Subcontractor	Type of services provided by the subcontractor	Approximate year(s) of business relationship with our Group (including affiliates of the subcontractor)	Credit term (days)	Total subcontracting fee incurred	
					HK\$'000	%
1	Subcontractor D	Formboard erecting	2	Within 30 days from the issue of payment application from the subcontractor to our Group	5,874	24.03
2	Supplier C	Coordination supervision and management	7	Within 30 days from the issue of payment application from the subcontractor to our Group	5,625	23.01
3	Subcontractor C	Coordination supervision and management	1	Within 30 days from the issue of payment application from the subcontractor to our Group	3,983	16.29
4	Subcontractor F	Formboard erecting	1	Within 30 days from the issue of payment application from the subcontractor to our Group	2,889	11.82
5	Subcontractor G	Rebar fixing work	2	Within 30 days from the issue of payment application from the subcontractor to our Group	2,243	9.18
					Five largest subcontractors combined	84.33
					All other subcontractors	15.67
					Total subcontracting fee incurred	100.00

*Note: Supplier C is also one of our subcontractors.*

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*For the four months ended 31 July 2017:*

Rank	Subcontractor	Type of services provided by the subcontractor	Approximate year(s) of business relationship with our Group (including affiliates of the subcontractor)	Credit terms (days)	Total subcontracting fee incurred	
					HK\$'000	%
1	Subcontractor D	Formboard erecting	2	Within 30 days from the issue of payment application from the subcontractor to our Group	4,183	47.12
2	Subcontractor G	Rebar fixing work	2	Within 30 days from the issue of payment application from the subcontractor to our Group	1,597	17.99
3	Subcontractor B	Construction, supervision and management	7	Within 30 days from the issue of payment application from the subcontractor to our Group	1,364	15.36
4	Subcontractor F	Formboard erecting	1	Within 30 days from the issue of payment application from the subcontractor to our Group	704	7.93
5	Supplier C	Coordination supervision and management	7	Within 30 days from the issue of payment application from the subcontractor to our Group	403	4.55
					Five largest subcontractors combined	92.95
					All other subcontractors	7.05
					Total subcontracting fee incurred	100.00

*Note: Supplier C is also one of our subcontractors.*

For the year ended 31 March 2016, we had been awarded the Shek Mun Estate Phase 2 project and Caritas Medical Centre project in the contract sums of HK\$8,618,000 and HK\$7,261,000 respectively. As our Directors considered that it would be more cost efficient to subcontract the projects to our subcontractor rather than deploying our direct labour to work on the projects, we then subcontracted most of the construction and supervision works required under both projects to Subcontractor A in an aggregate amount of HK\$11,705,000, representing appropriately 67.32% of our total subcontracting fee for the year ended 31 March 2016. Despite such concentration, our Directors consider that we have not placed undue reliance on any subcontractor.

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None of our Directors, their close associates, or any Shareholders who or which, to the knowledge of our Directors, owned more than 5% of the issued Shares of our Company as at the Latest Practicable Date had any interest in any of the five largest subcontractors of our Group during the Track Record Period.

### Terms of subcontracting engagement

In line with the terms of engagement with our customers, we do not enter into any long-term contract with our subcontractors. Prior to the commencement of any subcontracting work, we would enter into written agreements with our subcontractors stipulating the general terms of engagement. The following summarise the major terms of engagement:

- |                           |   |  |
|---------------------------|---|--|
| Scope of work             | : | The scope of services and work to be carried out by subcontractor are specified in the subcontracting agreement which would generally be in line with the work and specifications required by our customer.  |
| Fee                       | : | The fee payable by us to the subcontractor is usually represented in a provisional sum and the final sum would be subject to remeasurement and revaluation according to the bills of quantities included in the contract.  |
| Subcontractor's liability | : | We are entitled to hold our subcontractors liable for any loss and damage suffered by our Group if their works are not performed in accordance with the requirements in the engagement.  |
| Safety and compliance     | : | Subcontractors are expressly required to carry out the works in accordance with all relevant safety, health and environmental laws, rules and regulations. In the event of any non-compliance, the relevant subcontractor shall compensate our Group for any expenses, penalties and other losses suffered from such non-compliance. |
| Payment terms             | : | Payments can be divided into interim and final payments. Subcontractors are required to provide us with a payment application on a monthly basis setting out the details of the completed works and we generally settle the payment application within 30 days after the payment application is certified and approved by us.        |

In respect of final payments, we will first release 50% of the retention money within 6 months upon substantial completion of the project and the remaining 50% will be released within 12 months upon the expiry of the defects liability period, subject to the receipt of the final account submitted by our subcontractor.

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Defects liability period and retention money : In line with the contracts with our customers, we generally require a defects liability period of 12 months during which our subcontractors shall be responsible for rectifying works defects arising from works subcontracted to them at their own expenses. We usually hold up to 5-10% of each interim payment to our subcontractor as retention money. 50% of the retention money withheld is usually released to our subcontractors within 6 months after substantial completion of a project and the remaining retention money is generally released after expiry of the defects liability period.

### Supervision

As we are generally held liable for the works performed by our subcontractors, in addition to relying on the contractual terms stipulated in our engagement with the subcontractors, we would also carry out periodic supervision of all our subcontractors' performance and compliance with the relevant laws, rules, regulations, as well as our internal standards of quality control, safety and environmental compliance. A number of team members and departments are involved in the supervision:

- project management team regularly meets with subcontractors to monitor their work progress and performance;
- site agents coordinate with foremen to perform on-site inspection and supervise site workers of our subcontractors on a daily basis; and
- project management department reports regularly on the status of the projects to our executive Directors, who would in turn monitor the overall quality of work and progress performed by the subcontractors.

For further information regarding our measures in relation to quality control, safety and environmental compliance, please refer to the paragraphs headed "Quality Control", "Occupational Health And Safety" and "Environmental Compliance" in this section.

During the Track Record Period and up to the Latest Practicable Date, there were no material disputes between our Group and our customers with respect to the quality of work performed by us and our subcontractors.

### CASH FLOW MISMATCH

There are often time lags between making payments to our subcontractors and receiving payments from our customers, resulting in a cash flow mismatch. As we choose to pay our subcontractors within 30 days after an interim payment application has been submitted by our subcontractor, we have built up our reputation for being able to make payments in a timely manner. Our subcontractors would not have any concern about not receiving payments due to our customers' failure to making timely payments to us. This puts us in a position where we could be selective and engage more capable and qualified subcontractors for our business.

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The extent of such cash flow mismatch is illustrated by the differences between our creditors' turnover days and our debtors' turnover days. For the two years ended 31 March 2017 and the four months ended 31 July 2017, our creditors' turnover days were approximately 17.16 days, 25.85 days and 22.32 days, respectively and our debtors' turnover days were approximately 38.94 days, 39.35 days and 42.54 days, respectively, which are further discussed in the sections headed "Financial Information — Discussion of Certain Consolidated Statements of Financial Position Items — Trade and other receivables — Trade receivables" and "Financial Information — Discussion of Certain Consolidated Statements of Financial Position Items — Trade and other payables — Trade payables", respectively, in this prospectus.

In order to manage our liquidity position to alleviate such cash flow mismatch, we have adopted the following measures:

- (i) Our project management department led by Mr. YS Lai, an executive Director and our chief executive officer, together with our quantity surveyors, will prepare an analysis of the forecasted amount and timing of cash inflows and outflows in relation to a project as well as our other liquidity requirements associated with our ongoing projects and our overall business operation.
- (ii) If there is any expected shortage of internal financial resources, we will consider different financing alternatives, including raising funds by equity financing, obtaining finance from banks and other financial institutions.
- (iii) Our financial management department is also responsible for the overall monitoring of our current and expected liquidity requirements on a monthly basis to ensure that we maintain sufficient financial resources to meet our liquidity requirements.
- (iv) We obtained banking facilities of HK\$18 million granted under the SME Financing Guarantee Scheme. We considered that bank borrowing under the SME Financing Guarantee Scheme was an appropriate means of raising capital for our Group at that time because the interest rate of such bank borrowing was 1% below the Hong Kong dollar prime rate per annum, which allowed us to obtain a more affordable debt financing with lower finance cost. Such banking facilities aim to help small and medium-sized enterprises (SMEs) and non-listed enterprises obtain financing for meeting their working capital and business needs and would generally be required to be repaid upon the Listing.
- (v) To further strengthen our financial resources, on 28 June 2017, Chrysler Investment subscribed for 4,000 Shares at a consideration of HK\$10,000,000. After the Listing, we will finance our working capital (including any mismatch of cash inflows and outflows of our projects) through, among others, the cash flow to be generated from our contracts in progress, the estimated net proceeds from the Hong Kong Public Offering of approximately HK\$25 million and our approximately HK\$13 million unutilised banking facilities, which HK\$5,000,000 was utilised in May 2017 and fully repaid in June 2017.

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Our cash flows and working capital position may also be affected by delays in the work progress of our civil engineering construction projects. During the Track Record Period, we have not experienced material delays in our projects or caused any material delays in completion of our works. Our Directors believe that we have sufficient working capital and financial resources to meet our liquidity requirements and minimise the effect of the cash flow mismatch associated with the projects undertaken by us after the Listing.

### SITE EQUIPMENT

Given the nature, complexity and types of civil engineering construction works undertaken by us, we rely on site equipment (including plant and machinery and motor vehicles used in our construction sites) to carry out the works. By having a broad range of site equipment to perform different types of projects, our Directors believe that they would enable us to cater to projects of larger scale and higher profit margin.

For the two years ended 31 March 2017 and the four months ended 31 July 2017, we acquired new site equipment in the amount of approximately HK\$14,817,000, HK\$5,458,000 and HK\$4,870,000 at cost, respectively. As at 31 March 2017 and 31 July 2017, our site equipment carried a net book value of approximately HK\$17,845,000 and HK\$21,942,000. Set out below are the major types of site equipment used by our Group:

(i) *Excavator*

An excavator is a heavy construction equipment that excavates various construction materials such as soil and artificial hard materials, consisting of a boom, arm, bucket and cab on an upper structure which could rotate.





(ii) *Hydraulic driller*

A hydraulic driller is a kind of medium pressure crawler mounted down the hole drilling rig used for rock drilling and bulk materials handling.



(iii) *Dump truck*

A dump truck is used for transporting loose material such as soil, sand, gravel and dirt.





(iv) *Crane lorry*

A crane lorry is a type of machine, generally equipped with a hoist rope, wire ropes or chains, that can be used to lift and lower materials and to move them horizontally and vertically. It is mainly used for lifting heavy things and transporting them to other places.



(v) *Hydraulic breaker*

A hydraulic breaker is a mechanical steel chisel with hammer action fitted to an excavator to break up stone, rock, concrete and bitmac or asphalt. It is powered by an auxiliary hydraulic system from the excavator which is fitted with a foot-operated valve for this purpose.



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(vi) *Vibrating roller*

A vibrating roller is an engineering vehicle that uses vibration to assist compaction, characterised primarily by frequency, amplitude and mass.



Our site equipment was purchased from authorised dealers in Hong Kong. With our own site equipment, we do not materially rely on suppliers for site equipment rental services. During the Track Record Period, we rented site equipment from independent third parties. Such site equipment primarily included dump trucks, crane lorries, hydraulic truck cranes and excavators. For the two years ended 31 March 2017 and the four months ended 31 July 2017, our site equipment rental cost incurred amounted to approximately HK\$881,000, HK\$1,708,000 and HK\$4,825,000, respectively. Our Directors consider that as at the Latest Practicable Date, our existing site equipment was generally in good operating condition.

We believe that our investment in different types of site equipment has placed us in a position to cater to projects of different scales and complexity. Our Directors also consider that investing in site equipment would allow us to (i) plan our works schedules and methods whereby we could effectively and efficiently deploy our resources; (ii) give confidence to our customers (both existing and potential) that we have the relevant resources to undertake the works which would enhance our chances of success in winning a bid; and (iii) ensure that we would be able to complete our projects within schedule or with tight schedule as we would not be subject to any shortage of site equipment.

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### Age and value of our site equipment

The following table sets out the useful life and average age of our major types of site equipment as at 31 July 2017:

Type of site equipment <sup>(Note)</sup>	Expected useful life (years)	Average age (years)
Excavator	10	1.16
Hydraulic driller	10	0.58
Dump truck	10	1.55
Crane lorry	10	1.41
Hydraulic breaker	10	0.88
Vibrating roller	10	0.77

*Note: including refurbished machines purchased by us*

The following table sets out a breakdown of the value of our site equipment by different age groups as at 31 July 2017:

	Number of units of site equipment	Net book value of site equipment <i>HK\$' 000</i> <i>(unaudited)</i>	Original cost of acquisition of site equipment <i>HK\$' 000</i>
Less than 1 year	19	9,771	10,186
1 year to less than 2 years	19	12,171	14,957
2 years to 3 years	—	—	—
3 years or above	—	—	—
Total	<u>38</u>	<u>21,942</u>	<u>25,143</u>

Generally, we often sell or trade our machines which have been used by us for 5 years as we believe newer machines generally have a lesser chance of failure, operate more efficiently and provide more advanced functionality, which would enhance our productivity and profitability.

Our Directors believe that acquisition of site equipment is beneficial to the Group's business operation in terms of cost control and allocation of resources.

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In terms of costs control, based on the quotations obtained by the Group from independent supplier for the rental and purchase of excavators, the rental costs would exceed its unit prices if the rental periods are relatively long (e.g. between 9 months and 26 months, depends on the model/type of excavator). As it is the Group's tendering strategy to focus on construction project with larger contract value and such project would likely be conducted for longer than a year or two. As such, it would generally be more cost efficient to purchase site equipment rather than renting.

For the allocation of resources, site equipment rented from suppliers may be subject to various conditions as stipulated in the lease. For example, the site equipment may be required to be returned at a specified time. However, a construction project may not be proceeded as planned, and construction project may be delayed due to adverse weather conditions or industry accident. In addition, the Group may have variation orders due to change of building plan or other unexpected circumstances. Therefore, it would be easier to allocate and manage the Group's own site equipment rather than rented site equipment.

### Maintenance

To ensure that we are able to work more efficiently with our site equipment, we have a team of mechanics who would regularly carry out maintenance procedures. Our mechanics would generally carry out an inspection of the site equipment before it is deployed for a project, and on-site maintenance procedures would also be carried out to repair any minor defects including replacement of worn-out or malfunctioning parts and components.

### Financing arrangements for site equipment

Taking into account our liquidity position and capital need, during the Track Record Period, our Group raised external financing for the purchase of site equipment through finance leases. In considering whether finance lease arrangements is needed, our Group takes into account several factors including interest cost, availability of funds, repayment schedule and security requirements, among which interest cost is of critical importance. As at 31 July 2017, the effective interest rates ranged from 3.55% to 6.48% per annum for our finance lease arrangements.

### Usage

We maintain an internal record of the number of working days among our operators and/or drivers for our site equipment. Based on such record, the following table sets out the utilisation rate of our major types of site equipment respectively during the Track Record Period (which is calculated as the average working days of the operators and/or drivers divided by the total number of days in that period):

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
<i>Utilisation rate</i>				
Excavators and hydraulic drillers	58.21%	70.39%	81.96%	93.21%
Dump trucks	66.38%	85.41%	80.74%	81.15%

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It should be noted, however, that our Directors consider that the calculation of the utilisation rate based solely on the amount of occupied and idle time of the site equipment may not be an accurate indicator of the level of utilisation of our overall service capacity because:

1. a construction project may require the use of different types of site equipment, and as such, having certain types of site equipment that are idle (i.e. having a utilisation rate of lower than 100% based on the calculation method mentioned above) does not necessarily mean that we have available service capacity for undertaking additional projects as we may not have sufficient workers or resources for other works required for a potential project;
2. the projects undertaken by us involved a number of different construction steps and procedures which require the use of various types of site equipment and it is therefore not entirely feasible to quantify the service capacity of each piece of site equipment by reference to any objective and comparable scale or standard of measurement; and
3. the utilisation rate was calculated according to the working days of the operator and/driver of our Group. The site equipment may not be occupied due to adverse weather or left for repair or maintenance notwithstanding that the operators and/or driver attended site on that day.

Although the above utilisation rate were not close to 100%, our major types of site equipment was almost fully utilized during the year ended 31 March 2017 and the four months ended 31 July 2017.

## EMPLOYEES

As at the Latest Practicable Date, we had 270 full-time employees who were directly employed by our Group in Hong Kong. The following table sets out a breakdown of the number of our employees by functions:

	As at the Latest Practicable Date
Directors and general management	2
Administration, accounting and finance	6
Project management and supervision	22
Safety and environmental compliance	5
Quantity surveying	2
Site workers	233
	<u>270</u>

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Our employees are important assets to our Group. We believe that continuous staff training and development is a key to preserve our valuable human resources and also imperative to our emphasis on safety. We generally recruit our administration personnel through placing advertisements in the open market with reference to factors such as experience, qualifications and expertise required for our business operations. They are normally subject to a probation period ranging from 1 to 3 months. However, we generally recruit our site workers by way of referral from our existing site workers and we may not have a probation period for our site workers. We endeavour to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel is required to cope with the business development of our Group.

As we own our site equipment, we have also employed a number of technical operators and/or drivers to control and operate the site equipment. As of 31 July 2017, (i) we had 51 operators for hydraulic drillers, who were also licensed to drive excavators; (ii) 14 licensed drivers for dump trucks; (iii) 12 licensed operators for crane lorries; and (iv) 8 licensed drivers for vibrating rollers. We believe that our employments with the operators and/or driver would allow us to deploy our site equipment more efficiently as we have stable and qualified personnel to control our site equipment. In addition, our reliance on suppliers for rental of site equipment would be reduced whereby saving costs and expenses for our business operation.

We provide various types of training to our employees and sponsor our employees to attend various training courses. Our Directors believe that the training courses can increase our overall efficiency, safety awareness and facilitate us to retain and attract quality employees.

The remuneration package our Group offers to our employees includes salary and bonus. In general, our Group determines employee salaries based on each employee's qualifications, position and seniority. Our Group has designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary increment, bonuses and promotions.

Our Group operates a mandatory provident fund scheme ("MPF") for all qualifying employees in Hong Kong. Our Group contributes 5% of relevant monthly payroll costs to the MPF scheme, whose contribution is matched by employees and subject to a cap of HK\$1,500 from per employee. During the two years ended 31 March 2017 and the four months ended 31 July 2017, the total expenses recognised in the consolidated statements of profit or loss and other comprehensive income amounted to approximately HK\$239,000, HK\$513,000 and HK\$534,000, respectively.

## RESEARCH AND DEVELOPMENT

During the Track Record Period and as at the Latest Practicable Date, we did not engage in any research and development activity.



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### QUALITY CONTROL

Our quality management system has been certified as being in compliance with the requirements of ISO 9001:2008. Quality control of the civil engineering construction works undertaken by us is assured at various levels. We take on an active approach to monitor the progress of each civil engineering construction project with a view to maintaining consistent and quality services for our customers.

At the corporate governance level, Mr. SW Tang and Mr. YS Lai, our executive Directors, and one of our senior management, Mr. Kan Wai On Thomas, are responsible for our overall quality control. Our executive Directors closely monitor the progress of each project to ensure customer's satisfaction by having our service (i) met our customer's requirements as specified in the tender and contract concerned such as deadline and contract sum; and (ii) complied with all relevant and applicable rules and regulations. At the project management level, our project management department assists our executive Directors to monitor the overall work quality and project progress and in turn implements measures to achieve the overall standard and requirements. Our project managers will monitor the activities and progress of the project and tackle any issues arising from execution of the project. At the execution level, our site agents are responsible for supervising the overall day-to-day activities including those executed by our subcontractors in accordance with the construction plans; and our foremen will perform on-site inspection and supervise site workers on a daily basis. Compliance of the quality management system is mandatory for our workers and subcontractors.

For our quality control measures over our subcontractors, please refer to the paragraph headed "Subcontractors — Supervision" of this section.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not received any complaint or claim for compensation from our customers in relation to quality issues which would have a material impact on our business, financial or results of operations.

### OCCUPATIONAL HEALTH AND SAFETY

#### Occupational health and work safety measures

We have subscribed to the Occupational Safety Charter since 27 June 2000. Furthermore, our occupational health and safety management system has been certified in compliance with the standard required under OHSAS 18001:2007. In recognition of our social responsibilities and the importance of the well-being of our employees and on-site workers, we place emphasis on occupational health and work safety. It is our concern not to put our employees, the subcontractors and the general public at risk. We have adopted an occupational health and safety system as required by the relevant occupational health and safety laws, rules and regulations and managed by our safety team under the overall supervision of Mr. YS Lai, an executive Director and our chief executive officer.

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Aiming at providing our employees and our subcontractors' employees with a safe and healthy working environment, our occupational health and safety management system lays down the following significant work safety measures:

- as early as in the planning stage, our project manager will incorporate the safety systems of work into our proposed construction methods and conduct a yearly review to evaluate the efficiency of all such safety systems used;
- our safety supervisors shall (i) report and investigate accidents and peril incidents, determine the causes and recommend means of preventing recurrence; (ii) arrange safety training for all levels of employees and promote awareness of accident prevention; (iii) ensure compliance with relevant statutory duties; (iv) give instructions to site foremen and subcontractors on correct and safe work practices; and (v) take disciplinary actions against employees violating safety procedures;
- our site agents shall ensure conformity of all plant, machinery and equipment at the workplace with the relevant statutory requirements;
- our foremen shall co-operate with the safety supervisors to develop and promote good safety practices and ensure that all employees are aware of their safety obligations; and
- all site personnel will undergo initial induction training, covering core topics such as safety plan, relevant health and safety regulations, emergency, rescue and typhoon procedure, hazards of the site, accident reporting and first aid procedures.

To heighten the importance of safety within our Group, we have set up our system team, which consists of 1 safety compliance manager and 5 safety supervisors. Mr. YS Lai leads both the project management department and the safety team. While the project management department is responsible for formulating safety plans and managing our occupational health and safety management system, the safety team will monitor the implementation of safety measures at the construction sites among our employees and employees of our subcontractors. Our safety supervisors will inspect site equipment to ensure that they are safe for use, conduct regular safety checks for safe working environment and site tidiness, handle safety incidents and keep safety records. We alert our customers of the significant issues identified from each project through regular safety meetings and submission of safety reports, if necessary. If we are engaged as a main contractor, we would also provide regular safety briefings to our employees and employees of our subcontractors.



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Our Group has a system in place for handling and recording work accidents. For the calendar year ended 31 December 2015, our Group (including the employees of the subcontractors) did not record any reportable accidents and accidents involving fatal injuries. The following table sets out the industrial accident rate per 1,000 workers and the industrial fatality rate per 1,000 workers in the civil engineering construction industry in Hong Kong during the relevant periods:

### Civil Construction Construction Industry in Hong Kong (Note)

#### From 1 January to 31 December 2015

Industrial accident rate per 1,000 workers in construction industry	39.10
Industrial fatality rate per 1,000 workers in construction industry	0.20

#### From 1 January to 31 December 2016

Industrial accident rate per 1,000 workers in construction industry	34.50
Industrial fatality rate per 1,000 workers in construction industry	0.09

#### From 1 January to the Latest Practicable Date

Industrial accident rate per 1,000 workers in construction industry	N/A
Industrial fatality rate per 1,000 workers in construction industry	N/A

*Note:*

*The statistics are extracted from the Occupational Safety and Health Statistics Bulletin Issue No.16 published by the Occupational Safety and Health Branch of the Labour Department of the Government. The 2017 figures were not yet available as at the Latest Practicable Date.*

### Lost Time Injuries Frequency Rates (“LTIFR(s)”)

A table showing our Group’s LTIFR(s) is set out below:

For the year ended 31 December 2015	0
For the year ended 31 December 2016	0
From 1 January 2017 to the Latest Practicable Date	0

*Notes:*

- Employees of our Group and employees of our subcontractors are both included in the LTIFRs shown above.
- LTIFR represents the number of workplace accidents per one million hours worked. It is calculated as the number of workplace accidents during the financial year/period divided by the number of hours worked, then multiplied by 1,000,000. Number of hours worked for a period is estimated based on the number of our relevant workers directly involved in the provision of our construction services as at the end of the financial year/period multiplied by 3,650 hours per year per worker for the two years ended 31 December 2016 and 3,860 hours per worker for from 1 January 2017 to the Latest Practicable Date.

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As at the Latest Practicable Date, there was no ongoing civil or criminal litigation against our Group relating to reportable accidents and fatal injuries. As illustrated above, we had not recorded any reportable accident at our construction sites and our safety performance was substantially better than the construction industry in Hong Kong for the calendar years ended 31 December 2015 and 2016.

During the Track Record Period and up to the Latest Practicable Date, our Group (including the employees of our subcontractors) recorded no reportable accidents and accidents involving fatal injuries. Our Directors consider that our Group's outstanding safety records during the Track Record Period and up to the Latest Practicable Date were attributable to the successful implementation of occupational health and safety management system. Our effort was recognised by having received certain safety awards from our customers in recognition of our performance in keeping our working environment safe. For further details, please refer to the paragraph headed "Awards and Recognitions" in this section. Going forward, we will continue to reinforce the importance of safety measures and provide more safety training to increase the work safety awareness of our workers and the workers of our subcontractors.

### ENVIRONMENTAL COMPLIANCE

In performing our civil engineering construction works (either as a main contractor or subcontractor), we are subject to certain environmental laws and regulations in Hong Kong. For details of the regulatory requirements, please refer to the section headed "Regulatory Overview" in this prospectus.

Our Directors believe that it is essential for us to be environmentally responsible and to meet our customers' demands in environmental protection and at the same time meet the community's expectation of a healthy living and working environment. Against this notion, we have implemented an environmental management system, which has been certified in compliance with the standard required under ISO 14001:2015.

Of special significance is our environmental management policy aimed at environmental protection and compliance of environmental laws and regulations by both our employees and workers of the subcontractors on, among others, air pollution, noise control and waste disposal.

Set out below are our certain measures and work procedures required to be followed by our project management department and on-site workers on environmental protection compliance:

#### Environmental Measures

##### *Air pollution control*

- Dust suppression by use of spraying water
- Installation of dust screens
- Use of low-dust equipment

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### *Noise control*

- Works to be undertaken in accordance with the permitted work hours as specified by our customers
- Installation of acoustic barriers
- Inspection and maintenance of all equipment before use for compliance of permitted noise level

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

### PROPERTIES

#### Owned property

The following table summarises the information regarding the property owned by us as at the Latest Practicable Date:

Address	Gross floor area (sq.ft.)	Use
Unit 1, 19/F, Global Gateway Tower, 63 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong	1,430	Leasing

Sheung Moon Construction entered into a sale and purchase agreement on 21 November 2014 to purchase the above property at a consideration of HK\$10,055,160. By an assignment dated 20 November 2015 registered by Memorial No. 15121700510010, Sheung Moon Construction became the owner of the property. The property was pledged as security for a bank borrowing with an outstanding principal amount of approximately HK\$3,764,000 as at 31 March 2017 and HK\$3,689,000 as at 31 July 2017. As at 30 November 2017, the market value of the above property was approximately HK\$14,000,000 as assessed by CHFT, an independent property valuer. As at the Latest Practicable Date, the above property was leased to an independent third party for a term of 2 years commencing from 6 October 2017 to 5 October 2019. The monthly rental for the property is HK\$32,890. During the Track Record Period, no rental income was recognised by the Group from the lease of the above property. For further details, please refer to the property valuation set out in Appendix III to this prospectus. For further information regarding our bank loans, please refer to the section headed “Financial Information — Indebtedness” in this prospectus.

Prior to March 2017, we occupied the above property for office use. To cope with business expansion, we leased a larger office at Cheung Sha Wan, details of which are set out below.

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### Leased property

The following table summarises the information regarding the property leased by us during the Track Record Period and up to the Latest Practicable Date:

Address	Landlord	Gross floor area (sq.ft.)	Use	Key terms of the tenancy
Office A, 15 Floor, Kings Tower, No. 111 King Lam Street Kowloon	An independent third party	1,983	Office	Monthly rental of HK\$39,800 with a term commencing from 1 February 2017 to 31 January 2020 (with a rent free period from 1 February 2017 to 28 February 2017)

### INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group has registered a trademark and a domain name. Please refer to the section headed “B. Further Information About The Business Of Our Group — 2. Intellectual property rights of our Group” in Appendix V to this prospectus for further details of our intellectual property rights.

As at the Latest Practicable Date, we were not aware of (i) any dispute or infringement by our Group of any intellectual property rights owned by third parties, and (ii) any dispute or claims (current, pending or threatened) against our Group in relation to material infringement of any intellectual property rights of third parties.

### LITIGATION

During the Track Record Period and as at the Latest Practicable Date, our Group had not been involved in any material claims, litigations and potential claims against our Group.

Our Directors, to the best of their knowledge, information and belief having made all reasonable enquiries, are not aware of any litigation proceedings (current, pending or threatened) against us which could have a material adverse effect on our financial condition or results of operations.

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## **BUSINESS**

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### **COMPLIANCE MATTERS**

As at the Latest Practicable Date, save as disclosed below in the paragraph headed “Failure to register with the Macau Finance Bureau” in this section, we have been in compliance in all material respects with the applicable laws and regulations in Hong Kong and Macau where we operate business and have obtained all necessary approvals, permits, licence and certificates that are material to our business operations from the relevant government authorities.

### **INSURANCE**

Our Group has insurance cover for our liabilities under employees’ compensation and personal injury claims which meets the statutory minimum insurance coverage. We consider such insurance coverage being generally sufficient for our liabilities under employees’ compensation claims and personal injuries actions. For machinery acquired under finance leases, it is also our usual practice to maintain insurance coverage over those machines.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, all our civil engineering construction projects were covered and protected by the employees’ compensation insurance and contractor’s all risks insurance. Such insurance policies covered and protected all tiers of employees working in the relevant construction sites, and the works performed by them in the relevant construction site.

During the Track Record Period, our Group maintained insurance coverage against, among other matters, (i) loss or damage of our site equipment; and (ii) third-party liability in relation to the use of our motor vehicles.

Our Directors believe that our current insurance policies are adequate and consistent with the industry norm, having regard to our current operations and the prevailing industry practice. For the two years ended 31 March 2017 and the four months ended 31 July 2017, our insurance expenses were approximately HK\$213,000, HK\$196,000 and HK\$18,000, respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made, and had not been the subject of, any material insurance claim.

### **FAILURE TO REGISTER WITH THE MACAU FINANCE BUREAU**

During the Track Record Period, Sheung Moon Construction failed to register with the Macau Finance Bureau for taxation purpose.

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### **The legal requirements**

According to our Macau Legal Adviser, entities which do not have permanent establishments in Macau but carry on an ongoing commercial or industrial activity in Macau related to construction works, research or technical or scientific services (including mere consultancy or assistance), are generally subject to Industrial Contribution and Complementary Income Tax in Macau and must register with the Macau Finance Bureau for taxation purposes under Article 9 of the Macau Industrial Contribution Regulation.

### **The incident**

During the Track Record Period, Sheung Moon Construction was engaged by a Macau customer to provide machine leasing services and off-site technical support to the leased machines relating to a site formation project in Macau. In rendering the services mentioned above, the machines leased were transported from Hong Kong to Macau, and the technical support service was provided by staff of Sheung Moon Construction in Hong Kong. According to our Macau Legal Adviser, since Sheung Moon Construction has carried out business in Macau and earned profits in Macau or in light of the business conducted with its customer in Macau, Sheung Moon Construction is subject to Industrial Contribution and Complementary Income Tax in Macau and must register with the Macau Finance Bureau for taxation purposes under Article 9 of the Macau Industrial Contribution Regulation.

### **Reasons for the incident**

Since our services were totally rendered in Hong Kong and Sheung Moon Construction is not a company incorporated in Macau, our Directors had no knowledge that registration with the Macau Finance Bureau for taxation purposes under Article 9 of the Macau Industrial Contribution Regulation was required. The non-compliance did not involve intentional misconduct, fraud, dishonesty or corruption on the part of our Directors and senior management of our Group for the following reasons:

1. at the time of the engagement, our Macau customer agreed to pay any tax payable by us to the tax authority in Macau in relation to the services rendered by us;
2. as all our services were rendered in Hong Kong and we mistakenly believed that we were only liable to pay tax in Hong Kong; and
3. we paid tax in Hong Kong for the Macau project.

### **The legal consequences**

In relation to the period during which Sheung Moon Construction did not register with the Macau Finance Bureau, according to our Macau Legal Adviser, our Group may be subject to the following penalties according to Articles 64 and 68 of the Macau Income Tax Law:

- a fine between MOP200 and MOP100,000 for not submitting the M1 form for the applicable industrial contribution in Macau;

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- if 60 days have passed after the specified period for payment of the tax, the taxpayer which has not settled the relevant amount may be fined a maximum amount equal to half of the tax payable;
- non-submission, inaccuracy or omissions of tax returns and failure to provide clarifications when requested may be sanctioned with a fine between MOP100 and MOP10,000 in negligent cases and with a fine between MOP1,000 and MOP20,000 in intentional cases;
- refusal to exhibit accounting records or documents related thereto to the tax authorities, as well as their hiding, destruction, falsification or vitiation may be sanctioned with a fine between MOP1,000 and MOP20,000; and
- a penalty ranging from MOP500 to MOP10,000 for failure to file the Macau Professional Tax returns.

### **Current status**

As at the Latest Practicable Date, we had not been penalised by the Macau government authority in relation to our failure to comply with Article 9 of the Macau Industrial Contribution Regulation. According to the Macau Legal Adviser, the maximum amount of penalty payable by us is MOP680,000. In relation to the potential tax liability of Sheung Moon Construction, we have made provisions for the Macau Complementary Tax in the amounts of approximately HK\$948,000 and HK\$60,000 in the accounts for the year ended 31 March 2016 and 31 March 2017, respectively. Furthermore, the Macau customer agreed to assume all tax liability which may be incurred by us in connection with the Macau project. On 27 June 2017, Sheung Moon Construction had duly registered with the Macau Finance Bureau for taxation purposes. Since Sheung Moon Construction has registered its activity in Macau, our Macau Legal Adviser is of the view that we, from 28 June 2017 onwards, have complied with all applicable laws, regulations and rules in Macau in all material respects as far as our business in Macau is concerned. In September 2017, we received a tax assessment notice from the Macau tax authority. Pursuant to the notice, we had been assessed to pay profit tax in the amount of MOP432,060 for the profit earned in the year 2015. On 19 October 2017, we paid in full for the assessed profit tax. As at the Latest Practicable Date, we had not received any other notices from the Macau tax authority.

Pursuant to a deed of indemnity, Mr. SW Tang, one of our Controlling Shareholders, has undertaken to indemnify us in respect of any tax liabilities and penalties arising from such failure to register with the Macau Finance Bureau.

### **Measures to prevent recurrence and internal control measures**

We believe that the above failure to register with the Macau Finance Bureau is not crucial to our operation and would not materially affect our business and results of operation and our Directors are of the view that we have taken all reasonable steps to further strengthen our internal control system to prevent future recurrence of non-compliance incidents. In addition, the machine leasing business engaged in Macau was one-off in nature and it is unlikely that our Group will engage business in Macau in the foreseeable future.



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We have established a set of internal control and risk management procedures to address various potential operational, financial and legal risks identified in relation to our operation. These risk management procedures identify, categorise, analyse, mitigate and monitor various risks. These procedures also set forth the relevant reporting hierarchy of risks identified in our operations. Our Board together with our Risk Management Committee are responsible for overseeing our overall risk management.

In particular, in order to prevent recurrence of the above failure to register with the Macau Finance Bureau:

- Our management will ensure our financial management department is equipped with personnel having sufficient experience and knowledge on tax issues and tax filing/registration requirements in Hong Kong and Macau;
- Our Directors have attended training session in which they were given an overview on the applicable laws and regulations in Hong Kong in relation to the Listing. We will continue to arrange training to be provided by external legal advisers and/or other appropriate accredited institutions, to reinforce our Directors' awareness of applicable Hong Kong laws and Macau laws, especially in respect of the tax obligations that may arise from the conduct of business of our Group;
- Our financial management department will be responsible for handling all tax-related matters of our Group and will regularly report to our audit committee on our compliance with tax laws and regulations; and
- Our audit committee will oversee the financial reporting and internal control procedures in accounting and financial matters to ensure compliance with the GEM Listing Rules and all relevant laws and regulations.

### **Views of our Directors and Sole Sponsor**

Our Directors and the Sole Sponsor have reviewed the relevant internal control measures adopted by our Group, and the Sole Sponsor has discussed with our Company's internal control consultant, a Hong Kong professional advisory firm. After due consideration, our Directors are of the view, which the Sole Sponsor concurs, that the above corporate governance measures, when adopted and effectively implemented, will be sufficient to prevent recurrence of such non-compliance incident, and our non-compliance incident does not have any material impact on the suitability for Listing of our Company under Rule 11.06 of the GEM Listing Rules.

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In light of the non-compliance incident disclosed in the paragraph headed “Failure To Register With The Macau Finance Bureau” in this section, the Sole Sponsor has taken into account the following considerations regarding the competency and suitability of our Directors:

1. based on the information available to the Sole Sponsor, the incident is not of material non-compliance and, as confirmed by our Directors, the incident does not involve intentional misconduct, fraud, dishonesty or corruption on the part of our Directors which would affect their suitability as a director of a listed company;
2. as soon as the non-compliance came to the knowledge of the management of our Group, our Directors had exercised their duties of care and diligence to procure Sheung Moon Construction to promptly seek legal advice from our Macau Legal Adviser. Our Directors also acted in accordance with the legal advice rendered by our Macau Legal Adviser by registering the required tax filings with the Macau Finance Bureau and Sheung Moon Construction had duly registered the same;
3. the services were rendered in Hong Kong and Sheung Moon Construction was not a company incorporated, nor had any establishment, in Macau, our Directors did not comprehend in detail the registration requirements of Macau for taxation purposes;
4. following the receipt of the tax assessment notice from the Macau tax authority in September 2017 by Sheung Moon Construction, Sheung Moon Construction paid to Macau tax authority the assessed tax of MOP432,060 in full for the profit earned in the year 2015 in accordance with the said notice;
5. the Macau customer has already agreed to assume all liabilities that may be incurred by us in relation to the Macau project;
6. our Group had already made provisions for the Complementary Income Tax in Macau in an amount of approximately HK\$948,000 and HK\$60,000 in the consolidated statements of profit or loss and other comprehensive income for the two years ended 31 March 2017;
7. our Directors had taken remedial action to rectify such non-compliance, in which they had procured Sheung Moon Construction to present itself to the Macau Finance Bureau for assessment of and payment of the taxes and corresponding fines;
8. our Directors had enhanced their knowledge on the laws, rules and regulations relating to the tax issues in Macau. For example, they engaged in discussion with their legal adviser and tax adviser on compliance with the requirements of Macau. As confirmed by our Directors, they have been keeping themselves updated periodically on the latest development of all the tax-related laws, rules and regulations of Hong Kong and Macau; and

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9. our Directors have endeavoured to enhance and strengthen the internal control system of our Group as disclosed in the paragraphs headed “Measures to prevent recurrence and internal control measures” and “Risk Management and Internal Control System” in this section to prevent the recurrence of the non-compliance incident.

Having considered the above factors, the Sole Sponsor is of the view that our Directors are competent and able to fulfil their duties of skill, care and diligence, and the non-compliance incident does not have any material impact on the suitability and competency of our Directors pursuant to Rules 5.01 and 5.02 of the GEM Listing Rules.

### RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

#### Risk management system

We expect to adopt before Listing certain risk management policies and procedures which will lay down a framework governing the risk management and risk assessment process and set out rules on (i) roles, responsibilities and level of reporting; (ii) risk assessment and management process covering (a) identification of the risks; (b) assessment of the likelihood of the risks arising and their potential impact; (c) prioritizing the risks and developing action plans; and (d) review of and addressing changes in the risks faced by the Company over time, which would include strategic risks, financial risks, operational risks and compliance risks.

Our compliance officer and Risk Management Committee will co-ordinate and facilitate the implementation of the risk management policies and procedures, and such implementation is supervised by our Board. Risks identified by the management will be duly reported to the Board and promptly followed-up and mitigated by our Group.

#### Internal control system

We endeavour to maintain an effective internal control system to safeguard our assets and the Shareholders' value. In preparation of the Listing, we have engaged an independent internal control consultant (the “**IC Consultant**”) in December 2016 to perform an assessment of internal controls as part of the audit on certain business processes of the Company and Sheung Moon Construction, which included corporate controls, financial reporting and disclosure controls, project tendering and management, and cash and treasury management.

The IC Consultant conducted a follow-up review in June 2017 to assess whether we have implemented the internal control measures as recommended and whether the deficiencies identified have been rectified. Based on the result of this follow-up review, we demonstrated we have

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implemented all major internal control measures recommended by the IC Consultant. No material deficiencies were identified during the follow-up review. To further enhance our Group's corporate governance, we have adopted or intend to adopt the following:

- establishment of a Risk Management Committee to review the general goals and fundamental policies of our risk and compliance management, internal control and risk management and internal audit functions and to make recommendations to our Board;
- establishment of an Audit Committee to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group and to oversee the audit process;
- appointment of Ms. Chau Hing Ling as our company secretary, who would be responsible for keeping and updating our statutory records and managing secretarial matters, to ensure ongoing compliance with the Companies Ordinance and the GEM Listing Rules;
- engagement of LY Capital, the Sole Sponsor, as our compliance adviser to advise us on regulatory compliance with the GEM Listing Rules upon Listing;
- engagement of an external legal adviser to advise on and to ensure that our operations will continue to be in compliance with all applicable laws, rules and regulations; and
- adoption and implementation of various policies, including (i) policies and procedures concerning Directors' dealing in Shares or securities of the Company; (ii) conflict of interest policy; (iii) corporate governance code and policies; (iv) whistle blowing policy; and (v) fraud prevention policy.

### Concrete testing

Jacobs China Limited was alleged to be involved in a corruption scandal in relation to the falsified concrete test reports for the Hong Kong-Zhuhai-Macao Bridge project and 55 other infrastructure projects, two of which (i. e. Liantang/Heung Yuen Wai Boundary Control Point and Kai Tak Development) were projects undertaken by the Group during the Track Record Period.

Based on our records and having made all reasonable and verbal enquiries, to the best knowledge and belief of the Directors:

- (i) Jacobs China Limited is/was not one of our customers, suppliers or subcontractors;
- (ii) We did not engage Jacobs China Limited or any other material testing suppliers or laboratories to test any of our projects during the Track Record Period; and
- (iii) We obtained verbal confirmation that the testing was undertaken by Costco Testing Centre Limited, which Costco Testing Centre Limited had their own centre for the testing. And our customers confirmed that it is the ultimate customer, CEDD, in the position to arrange the testing.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### CONTROLLING SHAREHOLDERS

Immediately following completion of the Hong Kong Public Offering and the Capitalisation Issue (but taking 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), Chrysler Investments will be interested in 65% of the issued share capital of our Company. Hence, Chrysler Investments and Mr. SW Tang will be our Controlling Shareholders.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

During the Track Record Period, we entered into certain transactions with Sheung Moon Engineering Co. Limited (“**Sheung Moon Engineering**”) in relation to leasing of machinery and provision of management services. Sheung Moon Engineering is a company incorporated in Hong Kong. As at the Latest Practicable Date, the directors and shareholders of Sheung Moon Engineering are the brothers of Mr. SW Tang, namely, Mr. Tang Kin and Mr. Tang Sze Lun and the nephew of Mr. SW Tang, namely Mr. Cheung Lin Fat. For the years ended 31 March 2016 and 2017, the transactions between the Group and Sheung Moon Engineering amounted to approximately HK\$616,000 and HK\$380,000, respectively. As at the Latest Practicable Date, our Group has not entered into any transaction with Sheung Moon Engineering and all amount due to it has been settled. For further information of the transactions, please refer to the section headed “Financial Information — Related party transactions and balances” in this prospectus. Prior to December 2014, Mr. SW Tang was a director of and held 25% of the shares in Sheung Moon Engineering. Our Directors are of the view that Sheung Moon Engineering does not and is unlikely to compete with our Group’s business in a material respect given, to the best knowledge of our Directors, the principal business of Sheung Moon Engineering is the provision of machinery leasing services in Hong Kong and they do not possess the relevant operating qualifications, approvals and licences to conduct civil engineering construction works in the public sector such as the site formation works undertaken by our Group.

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders or their respective close associates upon or shortly after the Listing. Having considered the following factors, our Directors consider that, our Group is capable of carrying on our business independently of and does not place undue reliance on our Controlling Shareholders and their respective close associates after Listing.

#### **Management independence**

Our Board comprises two executive Directors, and three independent non-executive Directors. Our Board comprises a balanced composition of independent non-executive Directors who have sufficient character, integrity and calibre for their views to carry weight, and thus can effectively exercise independent judgment. In addition, each of our Directors is aware of his fiduciary duties as a director which require, among others, that he must act for the benefit of and in the best interests of our Company and does not allow any conflict between his duties as a director and his personal interests. If there is any potential conflict of interests arising out of any transactions to be entered into between our Group and our Directors or their respective close associates, the interested Directors shall

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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declare such interest to the Board at or prior to the meeting of the Board at which the relevant transactions are to be considered as soon as he becomes aware of the conflicts in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Except in certain circumstances as set out in the Articles of Association, the interested Directors shall also abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum in accordance with the Articles of Association.

In addition, our Group has a senior management team which is capable of carrying out the business decision of our Group independently. None of our senior management team has any family relationship with our Controlling Shareholders or any of their respective close associates.

Three of our Board members are independent non-executive Directors who are experienced in different professions to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions.

Furthermore, our Board's main functions include the approval of our Group's overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles of Association and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board.

### **Operational independence**

While our Board has full rights to make all decisions on the overall strategic development and management and operational aspects of our Group, all essential operational functions (such as financial and accounting management, invoicing and billing) have been and will be overseen by the senior management of our Group (whose biographies are disclosed in the section headed "Directors, Senior Management and Employees" in this prospectus), without unduly requiring the support of our Controlling Shareholders and their close associates.

Our Group has sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders and their respective close associates. Our Group does not rely on our Controlling Shareholders or their close associates and has independent access to our customers.

### **Administrative independence**

Our Group has our own capabilities and staff to perform all essential administrative functions, including financial and accounting management. Our senior management staff is independent of our Controlling Shareholders.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### Financial independence

Our Group has our own financial management system and the ability to operate independently from our Controlling Shareholders from a financial perspective. Our Directors confirm that as at the Latest Practicable Date, our Group was not indebted to our Controlling Shareholders. All guarantees provided by our Controlling Shareholders and/or their respective close associates to secure loans/financing facilities granted to our Group were fully discharged upon Listing. Our Directors are of the view that our Group is able to obtain financing from external sources without reliance on our Controlling Shareholders after Listing. There will be no financial dependence on our Controlling Shareholders or any of their respective close associates.

Having considered the above factors and in light of the non-competition undertakings given by our Controlling Shareholders in favour of our Group (as more particularly disclosed in the paragraph headed “Non-competition Undertakings” below), our Directors are satisfied that they are able to perform their roles in our Group independently and are of the view that they are capable of managing our business independently from our Controlling Shareholders and their respective close associates after Listing.

### NON-COMPETITION UNDERTAKINGS

None of our Directors, our Controlling Shareholders nor any of their respective close associates is a director or a shareholder of any business apart from the business of our Group which competes or is likely to compete, either directly or indirectly, with the business of our Group or has other conflicts of interest with our Group.

To better safeguard our Group from any potential competition, each of our Controlling Shareholders has entered into the Deed of Non-Competition with our Company whereby each of our Controlling Shareholders irrevocably and unconditionally, undertakes with our Company that with effect from the Listing Date and for as long as our Shares remain listed on the Stock Exchange and (i) our Controlling Shareholders collectively are, directly or indirectly, interested in not less than 30% of our Shares in issue; or (ii) the relevant Controlling Shareholder remains as our executive Director, each of our Controlling Shareholders shall, and shall procure that its/his respective close associates shall, except where our Controlling Shareholders hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group:

- (a) not directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activities of our Group or any business activities which our Group may undertake in the future;
- (b) not take any direct or indirect action which constitutes an interference with or a disruption to the business activities of our Group including, but not limited to, solicitation of customers, suppliers and staff of our Group;



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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- (c) keep our Board informed of any matter of potential conflicts of interests between the relevant Controlling Shareholders (including its/his close associates) and our Group, in particular, a transaction between any of the relevant Controlling Shareholders (including its/his close associates) and our Group; and
- (d) provide as soon as practicable upon our Company's request a written confirmation in respect of compliance by it with the terms of the Deed of Non-Competition and their respective consent to the inclusion of such confirmation in our Company's annual report and all such information as may be reasonably requested by our Company for its review.

In addition, each of our Controlling Shareholders hereby irrevocably and unconditionally, undertakes that if any new business opportunity relating to any products and/or services of our Group (the “**Business Opportunity**”) is made available to it/him or its/his close associates (other than members of our Group), he/it will direct or procure the relevant close associate to direct such Business Opportunity to our Group with such required information to enable our Group to evaluate the merits of the Business Opportunity. The relevant Controlling Shareholders shall provide or procure its/ his close associates to provide all such reasonable assistance to enable our Group to secure the Business Opportunity. If he/it (or his/its close associates) plans to participate or engage in any new activities or new business which may, directly or indirectly, compete with the existing business activities of our Group, he/it shall give our Company a first right of refusal to participate or engage in the Business Opportunity and will not participate or engage in these activities unless with the prior written consent of our Company. None of our Controlling Shareholders and their respective close associates (other than members of our Group) will pursue the Business Opportunity until our Group decides not to pursue the Business Opportunity because of commercial reasons. Any decision of our Company will have to be approved by our independent non-executive Directors taking into consideration the prevailing business and financial resources of our Group, the financial resources required for the Business Opportunity and, where necessary, any expert opinion on the commercial viability of the Business Opportunity.

Each of our Controlling Shareholders further irrevocably and unconditionally undertakes that he/it will (i) provide to our Group all information necessary for the enforcement of the undertakings contained in the Deed of Non-Competition; and (ii) confirm to our Company on an annual basis as to whether he/it has complied with such undertakings.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their close associates cease to hold, whether directly or indirectly, 30% or more of our Shares, or our Shares cease to be listed on GEM.

## CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following corporate governance measures to manage the potential conflict of interests between us and our Controlling Shareholders, and to safeguard the interests of our Shareholders:

- (i) our independent non-executive Directors will review, at least on an annual basis, compliance and enforcement of the terms of the Deed of Non-Competition;

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- (ii) we will disclose any decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition either through our annual report or by way of announcement;
- (iii) we will disclose in the corporate governance report of our annual report on how the terms of the Deed of Non-Competition have been complied with and enforced; and
- (iv) in the event that any of our Directors and/or their respective close associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Deed of Non-Competition, he/she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### DIRECTORS

The table below shows certain information in respect of members of the Board:

Name	Age	Position	Responsibilities	Date of joining our Group	Date of appointment as Director	Relationship with other Directors or senior management
Mr. Tang Sze Wo (鄧仕和)	56	Executive Director, chairman of the Board and compliance officer	Overall planning and strategic development and financial management of our Group	February 1997	31 May 2017	Nil
Mr. Lai Yung Sang (黎容生)	49	Executive Director and chief executive officer	General operations and construction project management of our Group	October 2014	12 July 2017	Nil
Dr. Wong Kwok Yiu Chris (王國耀)	59	Independent non-executive Director	Supervising our Group's compliance and corporate governance matters, providing independent judgment to our Board	24 January 2018	24 January 2018	Nil
Mr. Wong Choi Chak (黃在澤)	52	Independent non-executive Director	Supervising our Group's compliance and corporate governance matters, providing independent judgment to our Board	24 January 2018	24 January 2018	Nil
Mr. Leung Kim Hong (梁劍康)	37	Independent non-executive Director	Supervising our Group's compliance and corporate governance matters, providing independent judgment to our Board	24 January 2018	24 January 2018	Nil

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### BOARD OF DIRECTORS

Our Board currently consists of five Directors, being two executive Directors and three independent non-executive Directors. The powers and duties of our Board include determining business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. We have also entered into service contracts with each of our executive Directors and letters of appointment with each of our independent non-executive Directors.

#### Executive Directors

**Mr. Tang Sze Wo** (鄧仕和), aged 56, is our executive Director, chairman of the Board and compliance officer. Mr. SW Tang is primarily responsible for overall planning and strategic development and financial management of our Group. He founded our Group in February 1997. Prior to this, he was employed by Shun Yip Construction Co., Limited from March 1984 to January 1994, mainly responsible for supervision and training. From January 1994 to December 1996, he was employed as a general foreman by Hongkong Macau (Holding) Limited, responsible for the management and supervision of various building development projects in Hong Kong and the PRC. He was an independent non-executive director of Keen Ocean International Holding Limited, a company listed on the Stock Exchange (stock code: 8070) from February 2016 to June 2017.

Mr. SW Tang obtained a Master of Construction Engineering and Management from the Griffith University in Australia in April 2002. He obtained a Bachelor of Science in Construction Project Management with honours from the University of Central Lancashire in June 2005. He was also awarded the Certificate in Legal Studies in July 2006 and the Diploma in Legal Studies in September 2007 from the University of Hong Kong School of Professional and Continuing Education. Mr. SW Tang was admitted as a member of the Hong Kong Institution of Engineers in May 2007 and a registered professional engineer (civil) of the Engineers Registration Board of Hong Kong in September 2008. He was appointed as a member of the Registered Contractors' Disciplinary Board Panel between June 2008 and June 2011. In January 2015, he was appointed as the vice president of The Hongkong Registered Contractors Association and the chairman of Water Supplies, a sub-group of The Hongkong Registered Contractors Association.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. SW Tang was a director of the following companies incorporated in Hong Kong, which were dissolved with details as follows:

Name of company	Nature of business	Date of dissolution	Means of dissolution	Reason for dissolution
Construction Industry Training Authority — Construction Management Graduates Alumni Association Limited	Promotion of industry development	27 December 2006	Dissolution by way of creditors' voluntary winding up	The Construction Industry Training Authority — Construction Management Graduates Alumni Association decided to cease operation of the company
Crown Fame Engineering Consultants Limited	Provision of consultancy services	17 July 2015	Deregistration pursuant to section 750 of the Companies Ordinance	Ceased to carry out business
Fook Hoi International Enterprises Limited	Dormant	16 October 2009	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business
Friendship Construction Engineering Limited	Dormant	18 February 2011	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business
Hung Yue Construction Company Limited	Dormant	11 March 2016	Deregistration pursuant to section 750 of the Companies Ordinance	Ceased to carry out business
Kong Ki Construction Limited	Dormant	15 January 2010	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Name of company	Nature of business	Date of dissolution	Means of dissolution	Reason for dissolution
Organic Farming Service Limited	Dormant	9 October 2015	Deregistration pursuant to section 750 of the Companies Ordinance	Ceased to carry out business
Sheung Fat Construction & Engineering Limited	Dormant	29 September 2000	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business
Sheung Moon Infrastructure Engineering Limited	Dormant	7 November 2014	Deregistration pursuant to section 750 of the Companies Ordinance	Ceased to carry out business
Sheung On Construction & Engineering Limited	Dormant	28 December 2001	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business
The Hong Kong Institute of Professional Engineers Limited	Promotion of industry development	5 August 2011	Striking off under section 291 of the Predecessor Companies Ordinance	Organisation ceased to operate the Company
Trump Engineering Limited	Dormant	29 January 2016	Deregistration pursuant to section 750 of the Companies Ordinance	Ceased to carry out business
Yue Kei Construction Company Limited	Dormant	22 September 2006	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Ceased to carry out business

Mr. SW Tang confirmed that (i) all debts and liabilities of Construction Industry Training Authority — Construction Management Graduates Alumni Association Limited were settled at the time of its dissolution and (ii) each of the other companies stated above of which he was a director was solvent at the time of their respective dissolution.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Mr. Lai Yung Sang** (黎容生), aged 49, is our executive Director and chief executive officer. Mr. Lai is primarily responsible for general operations and construction project management of our Group. He received a Certificate in Civil Engineering from the Haking Wong Technical Institute in Hong Kong in October 1992 and a Higher Certificate in Civil Engineering from the Hong Kong Polytechnic University in October 1995. He further obtained Industrial Centre Training Certification in Metal Scaffolding from the Hong Kong Polytechnic University in January 2002 and a Certificate for Safety Supervisor from the HSE Training Centre in December 2005. He joined our Group in October 2014 as our deputy general manager primarily responsible for preparing and submissions of tenders for potential projects and was promoted as our general manager in August 2015. His employment history prior to this is set out below:

Period	Company	Position	Responsibilities
August 1988 — May 1991	Sho Bond (Hong Kong) Ltd., a company engaging in construction of waterproofing, concrete repairing and finishing works	Works supervisor	Management of project progress
July 1991 — June 1992	Shui On Civil Contractors Ltd., a company engaging in construction of submachine outfall	Assistant site administrator	Administrative support
July 1992 — March 1995	The Express Builders Co., Ltd., a company engaging in construction of formation and foundation works	Construction site engineer	Project management including the management and issuing of project process and co-ordination and meeting with sub-contractors, contractors, consultants and clients
April 1995 — March 1997	Well Technology Engineering Co., Ltd., a company engaging in construction of structural and pipe works	Site engineer	Project management including the management and issuing of project process and co-ordination and meeting with sub-contractors, contractors, consultants and clients



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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Period	Company	Position	Responsibilities
August 1997 to January 2003	Kin Lee Ko Construction Co., Ltd., a company engaging in construction of site formation, structural and road and drainage works	Site agent	Project management including preparation of quotations and tenders, managing and issuing of project progress, co-ordination with sub-contractors, contractors, consultants and clients
February 2003 — July 2015 <sup>(note)</sup>	Kin Lee Civil Engineering Co., Ltd., a company engaging in construction of site formation and structural works	Site agent	Project management including preparation of quotations and tenders, managing and issuing of project progress, co-ordination and meeting with sub-contractors, contractors, consultants and clients

*Note:* From October 2014 to July 2015, Mr. Lai also worked with Kin Lee Civil Engineering Co., Ltd., on a part-time basis to mainly attend to any follow-up works of a completed project.

Mr. Lai was a director of the following company incorporated in Hong Kong, which was dissolved with details as follows:

Name of company	Nature of business	Date of dissolution	Means of dissolution	Reason for dissolution
Ever-Living Industrial Company Limited	Trading of plastic raw materials	9 August 2002	Striking off under section 291 of the Predecessor Companies Ordinance	Ceased to carry out business

Mr. Lai confirmed that the above company of which he was a director was solvent at the time of its dissolution.

### Independent non-executive Directors

**Dr. Wong Kwok Yiu Chris** (王國耀), aged 59, was appointed as our independent non-executive Director on 24 January 2018. Since returning from the United Kingdom in 1992, he has been an specialist in Cardiology at the Heart Center of the Hong Kong Adventist Hospital since December 1992. Dr. Wong has been an Honorary Consultant in Cardiology of St. Paul's Hospital since 1995, where he assisted with the planning and acquisition of a new Cardiac Catheterization Laboratory with full electrophysiology capability; and of the Hong Kong Sanatorium & Hospital since January 1999. He obtained a Bachelor of Medicine and Bachelor of Surgery from the University of Glasgow in July 1983 and has been a member of the Royal Colleges of Physicians of the United Kingdom since November 1986. He was further admitted as a member of the North American Society of Pacing & Electrophysiology in 1991, and the British Medical Association in 1992.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Dr. Wong was elected to fellowship of the Hong Kong College of Physicians and the Hong Kong Academy of Medicine in 1992 and 1993, respectively. In 1993, he was also elected to fellowship of the Hong Kong College of Cardiology, in which he had held different positions in the council including the honorary treasurer, the honorary secretary, the president elect and the president. Dr. Wong was further elected to fellowship of the Royal College of Physicians of Edinburgh in 1996; the Royal College of Physicians and Surgeons of Glasgow in September 1999, having been a member of the same since 1987; the Royal College of Physicians of London in 2002; as well as the European Society of Cardiology where he served as the Governor between 2011 and 2016 and the American College of Cardiology in 2012, respectively. Dr. Wong was a non-executive director of Aptus Holdings Limited, a company listed in the Stock Exchange (stock code: 8212) between January 2002 and August 2004. Since 2012, Dr. Wong has served as the vice-president of the New Life Psychiatric Rehabilitation Association.

Dr. Wong was a director of the following company incorporated in Hong Kong, which was dissolved with details as follows:

Name of company	Nature of business	Date of dissolution	Means of dissolution	Reason for dissolution
168 Flower's Limited	Floristry and manufacturing	22 August 2008	Deregistration pursuant to section 291AA of the Predecessor Companies Ordinance	Cessation of investment in the company

Dr. Wong confirmed that the above company of which he was a director was solvent at the time of its dissolution.

**Mr. Wong Choi Chak** (黃在澤), aged 52, was appointed as our independent non-executive Director on 24 January 2018. Mr. Wong has worked for various listed companies for over 20 years primarily responsible for financial projection, finance control and accounting matters. Mr. Wong is currently the joint company secretary of China Minsheng Financial Holding Corporation Limited (formerly known as China Seven Star Holdings Limited) (stock code: 245) on a full-time basis, as well as an independent non-executive director of Keen Ocean International Holding Limited (stock code: 8070) since February 2016. From 1992 to 1998, he worked in Lippo Limited (stock code: 226) with his last position as the general accountant. He was the chief senior accountant in Paradise Entertainment Limited (formerly known as LifeTec Group Limited) (stock code: 1180) from June 1999 to March 2000. From March 2000 to October 2001, he was the accounting manager of Yu Tak International Holdings Limited (formerly known as Hong Kong Jewellery Holdings Limited) (stock code: 8048). He was the senior finance manager in Soundwill Holdings Limited (stock code: 878) from July 2002 to June 2003. He was also the financial controller and company secretary of De Team Company Limited (stock code: 65) from October 2003 to January 2015. All of the above companies are listed on the Stock Exchange. Mr. Wong obtained a bachelor's degree in Business Accounting from

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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the University of Lincolnshire & Humberside, England in June 2000. He was admitted as an associate member of the Hong Kong Institute of Certified Public Accountants in May 2000 and a fellow member of the Association of Chartered Certified Accountants in April 2015.

**Mr. Leung Kim Hong** (梁劍康), aged 37, was appointed as our independent non-executive Director on 24 January 2018. Mr. Leung was employed with the last position as a graduate engineer by Maunsell Consultants Asia Ltd. and its group companies between July 2002 and February 2007 and acted as a licensed representative of Angus Moore Limited between July 2007 and July 2008. In July 2009, he was engaged by T G Holborn (HK) Limited as a consultant and since July 2013 he worked in KGI Hong Kong Limited and its associate companies with the last position as an investment representative. He has been a full-time consultant at Target Capital Management Ltd since December 2016, responsible for asset management. Mr. Leung graduated from the University of Hong Kong with a Bachelor of Engineering in Civil Engineering in December 2002 and from the Chinese University of Hong Kong with a Master of Business Administration (Weekend Mode) in November 2015. Mr. Leung was conferred by CFA Institute as a Chartered Financial Analyst in March 2013, by Global Association of Risk Professionals as a Financial Risk Manager in April 2010. He is currently a licensed representative under the SFO to carry out Types 1, 4 and 9 regulated activities under the SFO. He has also been a member of The Hong Kong Institution of Engineers since March 2007.

Save as disclosed above, each of our Directors has not been involved in any of the events described under Rule 13.51(2) of the GEM Listing Rules. Save as disclosed above, none of our Directors has been a director of other listed entities for the three years immediately preceding the date of this prospectus.

### SENIOR MANAGEMENT

The table below shows certain information in respect of members of our senior management:

Name	Age	Position	Responsibility	Date of joining our Group	Relationship with other Directors or senior management
Mr. Kan Wai On Thomas (簡維安)	55	Project manager	Planning and project management	April 2017	Nil
Mr. Ho Wai Cheong (何偉昌)	50	Senior quantity surveyor	Quantity surveying of civil projects	March 2017	Nil
Mr. Sek Wai Kit (石偉杰)	36	Senior accounting manager	Financial control	November 2016	Nil
Mr. Tse Wai Chun (謝維俊)	27	Accounting manager	Accounting management	March 2015	Nil

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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**Mr. Kan Wai On Thomas** (簡維安), aged 55, joined our Group as a project manager in April 2017. Mr. Kan is primarily responsible for planning and project management. He obtained a Certificate in Civil Engineering Studies from the Haking Wong Technical Institute in September 1991 and a Higher Certificate in Civil Engineering from the Hong Kong Polytechnic University in October 1995. Mr. Kan obtained the Certificate for Safety Supervisor from the HSE Training Centre in September 2007 and the Construction Industry Safety Training Certificate from the Hong Kong Human Resources Ltd in April 2016. Mr. Kan's employment history prior to joining our Group is set out below:

<b>Period</b>	<b>Company</b>	<b>Position</b>	<b>Responsibilities</b>
February 1992 — May 1995	Gammon Construction Ltd, a company engaging in construction of G1 works and providing technical advice	Senior technician	Monitoring site works and safety
May 1995 — January 1998	Chung Wah Machine Well Eng. Ltd, a company engaging in construction of ground investigation work and piling work	Site agent	Monitoring site works and safety
February 1998 — September 2002	City Geo.Eng. Co., Ltd., a company engaging in site investigation and gravity works	Site agent	Monitoring site works and safety
February 2002 — September 2006	Falcon Construction Engineering Ltd., a company engaging in construction of gravity, piling and foundation works	Supervisor	Monitoring site works and safety
October 2006 — September 2007	Chesco Engineering Ltd., a company engaging in construction of gravity, piling and foundation works	Site agent	Monitoring site works and safety
October 2007 — October 2010	Falcon Foundation Engineering Company Limited, a company engaging in construction of ground treatment and piling foundation work	Senior supervisor	Monitoring site works and safety

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Period	Company	Position	Responsibilities
October 2010 — August 2011	China National Chemical Engineering Group Corporation, a company engaging in construction of cyclor track and formation work	Senior supervisor	Preparing the work program and materials
August 2011 — October 2016	Win Win Way Construction Company Ltd, a company engaging in construction of site investigation piling and foundation including building works	Site agent	Preparing the work program and materials
December 2016 — April 2017	Leadtops Raymond Limited, a company engaging in building and formation work	Consultant inspector	Inspecting work progress

**Mr. Ho Wai Cheong** (何偉昌), aged 50, is the senior quantity surveyor of our Group, responsible for quantity surveying of civil projects. Mr. Ho obtained a diploma in Surveying (Quantity Surveying) from the College of Estate Management in February 1994, a Higher Diploma in Building Technology and Management from the Hong Kong Polytechnic University in November 1990. He joined our Group in March 2017 as a senior quantity surveyor. Mr. Ho's employment history prior to joining our Group is set out below:

Period	Company	Position	Responsibilities
June 1992 — June 1995	Acer Freeman Fox Consultant TW74/90, a company engaging in government projects	Surveyor officer (quantity)	Preparing final accounts and contract claims; liaising with contractors
June 1996 — June 1997	Balfour Beatty Limited, a company engaging in railway projects	Project quantity surveyor	Post contract, cost control and project administration
June 1998 — June 1999	Downer Construction Ma On Shan Reservoir and Associated, a company engaging in government water works	Project quantity surveyor	Post contract, cost control and final accounts

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Period	Company	Position	Responsibilities
April 2000 — May 2002	(HKACEJV — CC 213), a company engaging in railway projects	Building quantity surveyor	Post contract sub-contractor management and contract claims
May 2005 — August 2010	China International Water & Electricity Corporation, a company engaging in government projects	Project quantity surveyor	Negotiating contracts; project cost control; obtaining permits; preparing temporary traffic arrangement designs
July 2011 — July 2013	Kwan Lee Construction Ltd, a company engaging in drainage projects of the government	Senior quantity surveyor	Preparing final accounts; negotiating settlements
June 2014 — October 2016	Chevalier Construction HK, a company engaging in waterworks projects	Senior quantity surveyor	Preparing final accounts and contract claims submission and settlement

**Mr. Sek Wai Kit** (石偉杰), aged 36, is the senior accounting manager of our Group, responsible for financial control of our Group. Mr. Sek received a Bachelor of Business Accounting from the Australia Catholic University in November 2004. He has been a member of CPA Australia since September 2009. Mr. Sek joined our Group as an accountant in November 2016. His employment history prior to joining our Group is set out below:

Period	Company	Position	Responsibilities
November 2004 — March 2006	Chan, Seing & Company, a company engaging in accounting, audit and tax services	Junior audit assistant	Providing audit, taxation and accountancy services for trading, property investment and manufacturing companies; client management

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Period	Company	Position	Responsibilities
May 2006 — May 2011	Y. W. Ip & Company, a company engaging in accounting, audit and tax services	Senior audit assistant	Providing audit, taxation and accountancy services for and reviewing internal control systems of trading, property investment and manufacturing companies incorporated in Hong Kong and China; drafting audit report and consolidated financial statements in statutory format; preparing audit planning memorandum and audit highlights; supervising junior colleagues
July 2011 — March 2014	Wing Tai Properties (Hong Kong) Limited, a company engaging in property development	Internal auditor	Preparing risk assessment for the audit projects; performing internal control, operational and financial reviews; drafting internal audit reports; supervising the internal audit assistants
March 2014 — March 2016	Hong Kong Red Cross	Internal audit officer	Preparing risk assessment; performing internal control and operational reviews; drafting internal audit reports
April 2016 — November 2016	China Technical Markets Limited, a company engaging in construction	Accountant	Preparing account and financial statements; providing analysis of bar-bending construction work; handling monthly payroll; preparing budgets

**Mr. Tse Wai Chun** (謝維俊), aged 27, is the accounting manager of our Group and is responsible for accounting management. He joined our Group as an accountant in March 2015, responsible for handling accounts and customer relations. He obtained a Certificate in Disciplinary Forces from the Lingnan Institute of Further Education in July 2011 and is currently pursuing an Advanced Diploma in Accounting at the University of Hong Kong School of Professional and Continuing Education. He was an administrative assistant of Best Global Asia Pacific Limited between November 2012 and November 2014, responsible for stock management, data collection and organisation and customer relations.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### COMPANY SECRETARY

**Ms. Chau Hing Ling** (周慶齡), aged 43, was appointed as our company secretary on 12 July 2017. Ms. Chau has over 15 years of experience in the corporate services industry. Ms. Chau received a Master of Laws in Corporate and Financial Law from the University of Hong Kong in November 2007. She was admitted as a fellow member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries in May 2013. Ms. Chau joined Vistra Corporate Services (HK) Limited since June 2013 and now serves as a director of corporate services, where she leads a team of professional staff to provide a full range of corporate services and listed company secretary services. Prior to joining Vistra Corporate Services (HK) Limited, she was the associate director of corporate secretarial of an international corporate services provider.

Ms. Chau is currently the company secretary of Keen Ocean International Holding Limited (stock code: 8070) and Rici Healthcare Holdings Limited (stock code: 1526) and the joint company secretary of Persta Resources Inc. (stock code: 3395), COFCO Meat Holdings Limited (stock code: 1610) and Guangdong Kanghua Healthcare Co., Ltd. (stock code: 3689), respectively, all of the above companies are listed on the Stock Exchange.

### BOARD COMMITTEES

#### Audit Committee

We established the Audit Committee on 24 January 2018 with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee consists of three independent non-executive Directors, Mr. Wong Choi Chak (who is the chairman), Dr. Wong Kwok Yiu Chris and Mr. Leung Kim Hong. The primary duties of the Audit Committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

#### Remuneration Committee

We established the Remuneration Committee on 24 January 2018 with written terms of reference in compliance with the GEM Listing Rules. The Remuneration Committee consists of three members, being Dr. Wong Kwok Yiu Chris (who is the chairman), Mr. Wong Choi Chak and Mr. Leung Kim Hong. All of the members of the Remuneration Committee are our independent non-executive Directors. The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to our Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants to the Share Option Scheme.



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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### Nomination Committee

We established the Nomination Committee on 24 January 2018 with written terms of reference. The Nomination Committee consists of three members, being Mr. Leung Kim Hong (who is the chairman), Dr. Wong Kwok Yiu Chris and Mr. Wong Choi Chak. All of the members of the Nomination Committee are our independent non-executive Directors. The primary function of the Nomination Committee is to make recommendations to our Board on the appointment of members of our Board.

### Risk Management Committee

We have established the Risk Management Committee on 24 January 2018 to review the general goals and fundamental policies of our risk and compliance management, internal control and risk management and internal audit functions and made recommendations to our Board on the same. The Risk Management Committee comprises four members, namely Mr. Wong Choi Chak (who is the chairman), Mr. SW Tang, Dr. Wong Kwok Yiu Chris and Mr. Leung Kim Hong. Three of the members of the Risk Management Committee are our independent non-executive Directors.

### COMPENSATION OF EMPLOYEES

For each of the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017, we incurred employee costs (including Directors' remuneration) of approximately HK\$7,720,000, HK\$14,979,000 and HK\$15,937,000, respectively, representing approximately 19.16%, 16.65% and 25.4%, respectively of our revenue during those periods.

### COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary and cash bonus.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, allowances and benefits in kind and discretionary bonuses which were paid to our Directors for the year ended 31 March 2016 and 2017 and the four months ended 31 July 2017 was approximately HK\$2,822,000, HK\$3,286,000 and HK\$1,012,000, respectively.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, allowances and benefits in kind and discretionary bonuses which were paid by our Group to our five highest paid individuals for each of the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017 was approximately HK\$3,549,000, HK\$4,591,000 and HK\$1,616,000, respectively.

No remuneration was paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office in respect of each of the years ended 31 March 2016 and 2017 and the four months ended 31 July 2017. Further, none of our Directors waived any remuneration during the same periods.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, allowances and benefits in kind) of our Directors (including the independent non-executive Directors) for the year ending 31 March 2018 is estimated to be approximately HK\$3,830,000.

### SHARE OPTION SCHEME

We have adopted the Share Option Scheme. For details of the Share Option Scheme, please refer to the section headed “Share Option Scheme” in Appendix V to this prospectus.

### PENSION SCHEME

Our employees in Hong Kong have joined a mandatory provident fund scheme (the “**MPF Scheme**”). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The Group has complied with the relevant laws and regulations, and the relevant contributions have been paid by the Group in accordance with the aforesaid laws and regulations.

### COMPLIANCE ADVISER

We have appointed LY Capital Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. The compliance adviser will advise us in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (iii) if we propose to use the proceeds of the Hong Kong Public Offering in a manner different from that detailed in this prospectus or if the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this prospectus; and
- (iv) if the Stock Exchange makes an inquiry of our Group under the GEM Listing Rules regarding unusual movements in the price or trading volume of the Shares.

The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the two full financial year ending 31 March 2020, and such appointment may be subject to extension by mutual agreement.

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## SHARE CAPITAL

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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 following the completion of the Hong Kong Public Offering and the Capitalisation Issue (assuming no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme):

*Authorised share capital:* HK\$

2,000,000,000	Shares	20,000,000
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*Issued and to be issued, fully paid or credited as fully paid:* HK\$

30,000	Shares in issue as at the date of this prospectus	300
299,970,000	Shares to be issued pursuant to the Capitalisation Issue	2,999,700
<u>100,000,000</u>	Shares to be issued pursuant to the Hong Kong Public Offering	<u>1,000,000</u>
400,000,000	Shares	4,000,000

### ASSUMPTIONS

The above tables assume that the Hong Kong Public Offering becomes unconditional and the issue of Shares pursuant to the Hong Kong Public Offering and Capitalisation Issue are made. They take 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 any Shares which may be issued or repurchased by us pursuant to the general mandate granted to our Directors to issue or repurchase Shares as described below.

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The 100,000,000 Offer Shares represent 25% of the issued share capital of the Company upon Listing (without taking into account of any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme).

### RANKINGS

The Offer Shares will rank equally with all of the Shares in issue or to be issued as mentioned in this prospectus and, in particular, will qualify for all dividends or other distributions declared, paid or made on the Shares after the date of this prospectus, except for the entitlements under the Capitalisation Issue.

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## SHARE CAPITAL

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### GENERAL MANDATE TO ISSUE SHARES

Subject to the Hong Kong Public Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total number of not more than the sum of:

- (a) 20% of the total number of Shares in issue immediately following the completion of Hong Kong Public Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and
- (b) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorized to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any option granted or which may be granted under the Share Option Scheme.

This mandate will expire:

- at the conclusion of our Company's next annual general meeting; or
- at the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Further information on this general mandate is set out in the section headed "Statutory and General Information — A. Further information about our Company and its subsidiaries — 3. Resolutions in writing of all our Shareholders passed on 24 January 2018" in Appendix V to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Hong Kong Public Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares of not more than 10% of the total number of Shares in issue immediately following the completion of the Hong Kong Public Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange

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## SHARE CAPITAL

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for this purpose), and which are in accordance with the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the section headed “Statutory and General Information — A. Further information about our Company and its subsidiaries — 6. Repurchases of our Shares by our Company” in Appendix V to this prospectus.

This mandate will expire:

- at the conclusion of our Company’s next annual general meeting; or
- at the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

whichever is earliest.

Further information on this general mandate is set out in the section headed “Statutory and General Information — A. Further information about our Company and its subsidiaries — 3. Resolutions in writing of all our Shareholders passed on 24 January 2018” in Appendix V to this prospectus.

### SHARE OPTION SCHEME

Pursuant to the resolutions in writing of the Shareholders dated 24 January 2018, we conditionally adopted the Share Option Scheme. Summaries of the principal terms of the Share Option Scheme are set out in the sections headed “Statutory and General Information — D. Other information — 1. Share Option Scheme” in Appendix V to this prospectus.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles of Association. For details, please refer to section headed “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix IV to this prospectus.

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## SUBSTANTIAL SHAREHOLDERS

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So far as our Directors are aware, immediately following completion of the Hong Kong Public Offering and the Capitalisation Issue (but without taking into account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), the following persons will have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding in our Company
Chrysler Investments ( <i>note 1</i> )	Beneficial owner	260,000,000 Shares (long position)	65%
Mr. SW Tang ( <i>note 1</i> )	Interest of a controlled corporation	260,000,000 Shares (long position)	65%
Altivo Ventures ( <i>note 2</i> )	Beneficial owner	40,000,000 Shares (long position)	10%
Sigma Square ( <i>note 2</i> )	Interest of a controlled corporation	40,000,000 Shares (long position)	10%
Mr. Tang Siu Fung Calvin ( <i>note 2</i> )	Interest of a controlled corporation	40,000,000 Shares (long position)	10%

*Notes:*

1. Chrysler Investments is a company incorporated in the BVI, the entire issued share capital of which is held by Mr. SW Tang. Mr. SW Tang is deemed to be interested in these Shares held by Chrysler Investments under the SFO.
2. Altivo Ventures is a company incorporated in the BVI, the entire issued share capital of which is held by Sigma Square, a company incorporated in Hong Kong and wholly owned by Mr. Tang Siu Fung Calvin, the son of Mr. SW Tang. Each of Sigma Square and Mr. Tang Siu Fung Calvin is deemed to be interested in these Shares held by Altivo Ventures under the SFO.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the Hong Kong Public Offering and Capitalisation Issue (but without taking into account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the issued voting shares of any other member of our Group.

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## FINANCIAL INFORMATION

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*The following discussion and analysis should be read in conjunction with the audited consolidated financial information of our Group for the two years ended 31 March 2017 and the four months ended 31 July 2017 and the accompanying notes (“**Financial Information**”), included in the accountants’ report as set out in Appendix I to this prospectus. The Financial Information and the consolidated financial statements of our Group have been prepared in accordance with HKFRS, which may differ in certain respects from generally accepted accounting principles in certain other countries. Potential investors should read the whole of the accountants’ report as set out in Appendix I to this prospectus and should not rely merely on the information contained in this section.*

*The discussion and analysis set out in this section contain forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected. Factors that might cause our future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this prospectus, particularly in the section headed “Risk Factors”.*

### OVERVIEW

Our Group is principally engaged in civil engineering construction works in both public and private sectors. The civil engineering construction works undertaken by us mainly relate to (i) site formation works; (ii) road and drainage works; and (iii) structural works.

During the Track Record Period, our revenue was approximately HK\$40,298,000, HK\$89,977,000 and HK\$62,827,000, respectively, whilst our total comprehensive income for the same period was approximately HK\$5,326,000, HK\$12,439,000 and HK\$936,000, respectively.

### BASIS OF PREPARATION

Our Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law on 31 May 2017. The addresses of the Company’s registered office and the principal place of business are disclosed in the section headed “Corporate Information” in this prospectus.

Before completion of the Reorganisation, Sheung Moon Construction was wholly owned by Mr. SW Tang. Through a corporate reorganisation as more fully explained in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus, our Company has become the holding company of the companies now comprising our Group.

The historical financial information of our Group was prepared on the basis of the consolidated financial statements of Attaway Developments and its subsidiary for the Track Record Period. The consolidated financial statements of the Group as at 31 March 2016, 31 March 2017 and 31 July 2017 as set out in the Accountants’ Report in Appendix I to this prospectus have been prepared as if the Company had always been the holding company of the Group and the current group structure had been in existence during the Track Record Period. The financial statements of our subsidiaries now comprising the Group are prepared for the same reporting period as our Company, using consistent accounting policies.

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## FINANCIAL INFORMATION

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The functional currency of companies comprising the Group is HK\$.

### **SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

Our financial condition, results of operations and the period-to-period comparability of our financial results are principally affected by the factors set out below.

#### **The availability and the market demand for civil engineering construction works in the public sector projects**

We have relied on and derived our revenue mainly from civil engineering construction works in the public sector projects. During the Track Record Period, our revenue attributable to public sector projects amounted to approximately HK\$34,341,000, HK\$79,306,000 and HK\$62,406,000 respectively, representing approximately 85.22%, 88.14% and 99.33% of our total revenue, respectively.

Public sector projects are non-recurring in nature and the level of the Government's spending expenditure may change from year to year. Since there is no guarantee on the demand of construction activities, a decrease in the number of construction projects in Hong Kong will generally affect our business and our results of operations.

#### **Fluctuations in our costs and probability of success in the bids and the pricing of tenders**

The direct costs mainly consist of subcontracting fee, rental of site equipment, construction materials, direct labour and MPF, transportation and depreciation. During the Track Record Period, the direct costs amounted to approximately HK\$28,149,000, HK\$66,332,000 and HK\$51,976,000, respectively. The actual time and costs involved in completing our projects may be adversely affected by a number of uncontrollable or unforeseen factors, including shortage and cost escalation in materials and labour, adverse weather conditions and changes in the requirements of the rules, regulations and policies set out by the Government. If we are unable to factor in these potential fluctuations into each of our tenders or quotations, pass on a part or the whole of any additional costs to our customers or reduce other costs, our financial results and position may be materially and adversely affected.

Furthermore, we determine a tender price by estimating the civil engineering construction costs under the contract duration as specified in the tender invitation documents. In order to finalise the bids, we need to estimate the time and costs to be involved in a project.

We expect that our financial condition and results of operations may be materially affected if we fail to win the bid and/or properly estimate our costs.



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## FINANCIAL INFORMATION

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### **Collectability and timing of collection of our trade debts and retention money receivables**

We normally receive progress payments from our customers with reference to the value of works done on a monthly basis, and subject to contract, our customers may retain up to 10% of each interim payment and up to a maximum of 5% of the contract sum as retention money for a contract. 50% of the retention money will be remitted to us within 6 months upon substantial completion of a contract and the remaining 50% will be remitted to us after practical completion of the contract. There can be no assurance that the retention money or any future retention money will be remitted by our customers to us on a timely basis. Any late payment, whether arising from payment practice of our customers or delay in completion of a contract, may adversely affect our future liquidity position.

### **CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS**

Our Group's financial information have been prepared in accordance with HKFRSs issued by the HKICPA. We have identified certain accounting policies that are critical to the preparation of our financial information. These accounting policies are important for an understanding of our results of operations and financial position and are set forth in Note 4 to the Accountants' Report in Appendix I to this prospectus.

#### **Accounting policies**

##### ***Revenue recognition***

Revenue is measured at fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to our Group; and when specific criteria have been met for each of our Group's activities, as described below:

- Revenue from civil engineering construction contracts is based on the stage of completion at the end of each reporting period. Our Group's policy for recognition of revenue from foundation engineering services is described in the accounting policy for civil engineering construction contracts below;
- Service income is recognised when the services are rendered; and
- Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Our Group expects to apply HKFRS 15 at the date of initial application (i.e. 1 April 2018). Our Group has assessed that the contracts with customers fulfill the criteria for recognising revenue over time under HKFRS 15. Two methods can be used under HKFRS 15 to measure the Group's progress towards complete satisfaction of a performance obligation satisfied over time, including output method and input method. In measuring the work progress under HKFRS 15, the Group considers that

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## FINANCIAL INFORMATION

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an input method with reference to the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs would appropriately depict the transfer of control of goods or services to customers for individual projects under HKFRS 15. Based on the assessment performed with reference to the existing contractual arrangements with its customers, the management of the Group anticipates that the application of HKFRS 15 in the future may result in more disclosures but will have no material change on the timing and amounts of revenue recognised in the consolidated financial statements of the Group in the future.

Based on the current accounting policies adopted by our Company, the revenue is recognised with reference to the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs. In accordance with HKFRS 15, input methods recognise revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation (for example, resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the satisfaction of that performance obligation. The timing of revenue recognition based on current accounting policies is similar to the timing of revenue recognition based on HKFRS 15. Thus, the management of the Group anticipates that no material impact on the timing and amounts of revenue recognised in the consolidated financial statements of our Group in the future.

### *Civil engineering construction contracts*

In relation to civil engineering construction contracts:

- Where the outcome of a civil engineering construction contract can be estimated reliably, revenue are recognised by reference to the stage of completion of the contract activity at the end of each reporting period and estimated total contract revenue. The stage of completion of the contract activity is measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.
- Where the outcome of a civil engineering construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expense in the period in which they are incurred.
- When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.
- Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts billed for works performed but not yet paid by customers are included in the consolidated statements of financial position under trade and other receivables.

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## FINANCIAL INFORMATION

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### *Investment property*

Investment property is property held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its fair value. All of our Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment property and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property is included in profit or loss for the period in which they arise.

Investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

### *Property, plant and equipment*

Property, plant and equipment including leasehold land and buildings held for use in the supply of services, or for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted on for a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful life.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, 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.

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## FINANCIAL INFORMATION

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### *Leasing*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessee*

Assets held under finance leases are recognised as assets of our Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with our Group's general policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

#### *Leasehold land and building*

When a lease includes both land and building elements, our Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

### *Impairment loss on tangible assets*

At the end of each reporting period, our Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, our Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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## FINANCIAL INFORMATION

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Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

### ***Financial instruments***

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### **Financial assets**

Our Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of loans and receivables below).

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## FINANCIAL INFORMATION

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Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

### *Impairment of loans and receivables*

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include our Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### *Financial liabilities and equity instruments*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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## FINANCIAL INFORMATION

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### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

### *Financial liabilities at fair value at through profit or loss*

Financial liabilities are classified as at fair value through profit or loss when the financial liability is (i) held for trading or (ii) it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with our Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

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## FINANCIAL INFORMATION

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Financial liabilities at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss and is included in the ‘other gains and losses’ line item. Fair value is determined in the manner described in Note 34 to the Accountants’ Report in Appendix I to this prospectus.

### *Financial liabilities at amortised cost*

Financial liabilities including trade and other payables, amount due to a director and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

### *Convertible loan notes*

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of our Group’s own equity instruments is a conversion option derivative.

At the date of issue of the convertible loan notes, both the debt component and derivative component are recognised at fair value. In subsequent periods, the debt component of the convertible loan notes is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible loan notes using the effective interest method.

### *Derivative financial instruments*

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

### *Embedded derivatives*

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

### *Derecognition*

Our Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.



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## FINANCIAL INFORMATION

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Our Group derecognises financial liabilities when, and only when, our Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### KEY SOURCES OF ESTIMATION UNCERTAINTY

#### *Civil engineering construction contract*

Our Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each civil engineering construction contract as the contract progresses. Budgeted construction costs are prepared by the management of our Group on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management of our Group. In order to keep the budget accurate and up-to-date, the management of our Group conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

Recognised amounts of civil engineering construction contract revenue and related receivables reflect the management's best estimate of each contract's outcome and stage of completion, which are in turn determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going civil engineering construction contracts (such as the budgeted construction costs). For more complex contracts, in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

#### **Fair value of convertible loan notes and embedded derivative financial instruments**

The management of the Group uses their judgements in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. In determining the fair value of convertible loan notes and its embedded derivative, assumptions are made based on quoted market rates adjusted for specific features of the instrument (see Note 34 to the Accountants' Report in Appendix I for details of the valuation technique adopted and inputs for fair value measurements).

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent qualified valuers to perform the valuation. The management of the Group works closely with the independent qualified valuers to establish the appropriate valuation techniques and inputs to the model.

## FINANCIAL INFORMATION

### RESULTS OF OPERATIONS OF OUR GROUP

The following table sets out the consolidated results of our Group for the two years ended 31 March 2017 and for the four months ended 31 July 2017, which are derived from, and should be read in conjunction with, the consolidated financial information set out in the Accountants' Report in Appendix I to this prospectus:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
<b>Revenue</b>	<b>40,298</b>	<b>89,977</b>	<b>17,215</b>	<b>62,827</b>
Direct costs	<u>(28,149)</u>	<u>(66,332)</u>	<u>(10,954)</u>	<u>(51,976)</u>
<b>Gross profit</b>	<b>12,419</b>	<b>23,645</b>	<b>6,261</b>	<b>10,851</b>
Other income	109	31	5	10
Other gains and losses	—	(1,989)	—	80
Administrative expenses	(4,338)	(5,654)	(1,621)	(2,272)
Finance costs	(395)	(1,317)	(320)	(1,074)
Listing expenses	<u>—</u>	<u>(2,320)</u>	<u>—</u>	<u>(5,311)</u>
<b>Profit before taxation</b>	<b>7,525</b>	<b>12,396</b>	<b>4,325</b>	<b>2,284</b>
Taxation	<u>(2,199)</u>	<u>(2,652)</u>	<u>(774)</u>	<u>(1,348)</u>
<b>Profit for the year/period</b>	<b>5,326</b>	<b>9,744</b>	<b>3,551</b>	<b>936</b>
Other comprehensive income for the year/period:				
<i>Item that will not be subsequently reclassified to profit or loss:</i>				
<i>Surplus on transfer from property, plant and equipment to investment property</i>	<u>—</u>	<u>2,695</u>	<u>—</u>	<u>—</u>
<b>Total comprehensive income for the year/period</b>	<b><u>5,326</u></b>	<b><u>12,439</u></b>	<b><u>3,551</u></b>	<b><u>936</u></b>

## FINANCIAL INFORMATION

### PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

#### Revenue

Revenue represents the fair value of amounts received and receivable from the civil engineering construction works undertaken by our Group to our customers. Our Group's revenue is solely derived from civil engineering construction works during the Track Record Period. For the purposes of resources allocation and performance assessment, the management of our Group reviews the overall results and financial position of our Group as a whole prepared on the basis of the same accounting policies set out in Note 4 to the Accountants' Report in Appendix I to this prospectus. Accordingly, our Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

The following table sets out our revenue based on the locations of the projects:

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Hong Kong	34,669	86.03	89,046	98.97	16,284	94.59	62,827	100.00
Macau	5,629	13.97	931	1.03	931	5.41	—	—
<b>Total</b>	<u>40,298</u>	<u>100.00</u>	<u>89,977</u>	<u>100.00</u>	<u>17,215</u>	<u>100.00</u>	<u>62,827</u>	<u>100.00</u>

The following table sets out a breakdown of our revenue during the Track Record Period attributable to the public and private sector projects:

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Public sector	34,341	85.22	79,306	88.14	15,764	91.57	62,406	99.33
Private sector	5,957	14.78	10,671	11.86	1,451	8.43	421	0.67
<b>Total</b>	<u>40,298</u>	<u>100.00</u>	<u>89,977</u>	<u>100.00</u>	<u>17,215</u>	<u>100.00</u>	<u>62,827</u>	<u>100.00</u>

Public sector projects refer to projects originated from the Government and/or statutory bodies; whereas private sector projects refer to those that are not public sector projects. The majority of our revenue during the Track Record Period was derived from public sector projects. As at the Latest Practicable Date, we had a total of 30 projects on hand.

## FINANCIAL INFORMATION

The following table sets out a breakdown of our revenue based on the nature of construction works:

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Site formation works	29,743	73.81	45,584	50.67	10,008	58.14	40,245	64.06
Road and drainage works	8,494	21.08	8,675	9.64	1,037	6.02	3,025	4.81
Structural works	2,018	5.01	27,455	30.51	6,007	34.89	19,557	31.13
Other works	43	0.10	8,263	9.18	163	0.95	—	—
Total	<u>40,298</u>	<u>100.00</u>	<u>89,977</u>	<u>100.00</u>	<u>17,215</u>	<u>100.00</u>	<u>62,827</u>	<u>100.00</u>

### Site formation works

Site formation works generally refers to works performed to prepare a construction site for subsequent works for foundation and superstructure. They generally involve the clearance of construction site, demolition of existing structures, forming the site (including excavation and filling) to the design formation and/or basement level, reduction and stabilisation of existing slopes and associated infrastructure works.

For the two years ended 31 March 2017 and the four months ended 31 July 2017, the revenue generated from site formation works amounted to approximately HK\$29,743,000, HK\$45,584,000 and HK\$40,245,000, respectively, representing approximately 73.81%, 50.67% and 64.06% of our total revenue, respectively.

### Road and drainage works

Road and drainage works generally refers to construction of transport interchange, carriageway and walkway, road improvement and widening works, while drainage works generally include flood prevention or improvement works and sewage improvement works comprising construction of drainage channel, outfall pipe, box culvert and pumping station and drainage-related infrastructure. Both road and drainage works also include associated building works and landscaping works.

For the two years ended 31 March 2017 and the four months ended 31 July 2017, the revenue generated from road and drainage works amounted to approximately HK\$8,494,000, HK\$8,675,000 and HK\$3,025,000, respectively, representing approximately 21.08%, 9.64% and 4.81% of our total revenue, respectively.

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### Structural works

Structural works generally refers to construction of major frameworks which provide an infrastructure with supportive structures and allow such infrastructure to withstand various extreme forces.

For the two years ended 31 March 2017 and the four months ended 31 July 2017, the revenue generated from structural works amounted to approximately HK\$2,018,000, HK\$27,455,000 and HK\$19,557,000, respectively, representing approximately 5.01%, 30.51% and 31.13% of our total revenue, respectively.

### Other works

Other works generally refer to civil engineering construction management services, building works, alterations and additions works.

For the two years ended 31 March 2017 and the four months ended 31 July 2017, the revenue generated from other works amounted to approximately HK\$43,000, HK\$8,263,000 and nil, respectively, representing approximately 0.10%, 9.18% and nil of our total revenue, respectively.

### Direct costs

The following table sets out the breakdown of our direct costs<sup>(Note)</sup> by nature and percentage contribution to total direct costs for the periods indicated:

	Year ended 31 March				Four months ended 31 July			
	2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Subcontracting fee	17,386	61.76	24,445	36.86	3,369	30.76	8,878	17.08
Rental of site equipment	881	3.13	1,708	2.57	587	5.36	4,825	9.28
Construction materials	1,771	6.29	14,259	21.50	2,089	19.07	10,113	19.46
Direct labour and MPF	4,457	15.83	10,920	16.46	2,570	23.45	14,515	27.93
Transportation	450	1.60	8,720	13.15	369	3.37	7,300	14.04
Depreciation	1,443	5.13	2,125	3.20	715	6.53	847	1.63
Other direct costs	1,761	6.26	4,155	6.26	1,255	11.46	5,498	10.58
Total	<u>28,149</u>	<u>100.00</u>	<u>66,332</u>	<u>100.00</u>	<u>10,954</u>	<u>100.00</u>	<u>51,976</u>	<u>100.00</u>

*Note: The cost structure may vary from project to project.*

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### **Subcontracting fee**

Subcontracting fee represents the expenses for rebar fixing, formboard erecting, concreting and drainage works outsourced to other subcontractors for carrying out the civil engineering construction works undertaken by us. For the two years ended 31 March 2017 and the four months ended 31 July 2017, subcontracting fee amounted to approximately HK\$17,386,000, HK\$24,445,000 and HK\$8,878,000, respectively, representing approximately 61.76%, 36.86% and 17.08% of our total direct costs, respectively. The increase in the amount of subcontracting fee during the two years ended 31 March 2017 was in line with the increase in the volume of our business during the two years ended 31 March 2017. The proportion of subcontracting fee to the total direct costs incurred for the year ended 31 March 2017 decreased due to the nature of the projects undertaken by us during the year which did not require us to subcontract a substantial components of our works to subcontractors. And the proportion of the subcontracting fee was significantly decreased from approximately 30.76% for the four months ended 31 July 2016 to approximately 17.08% for the four months ended 31 July 2017, as we undertook our civil engineering construction works using our resources more than subcontract our construction works. Also, the latest sizable project in Tseung Kwan O Area 137 mainly involved site equipment and direct labour, rather than subcontracting services such as rebar fixing, formboard erecting, concreting and drainage works during the four months ended 31 July 2017.

### **Rental of site equipment**

Rental of site equipment represents charges and fees paid to our subcontractors or suppliers which mainly provide additional site equipment and services necessary for the completion of the civil engineering construction works undertaken by us. For the two years ended 31 March 2017 and the four months ended 31 July 2017, rental of site equipment amounted to approximately HK\$881,000, HK\$1,708,000 and HK\$4,825,000, representing approximately 3.13%, 2.57% and 9.28% of our total direct costs, respectively. The increase was primarily due to the increase in the volume of our business during the Track Record Period which required us to rent more site equipment and services to carry out the civil engineering construction works. Also, in order to handle the substantial civil engineering construction works of the sizable project in Tseung Kwan O Area 137, extensive site equipment was necessary. With the consideration of better cash management and gearing ratio control of our Group, we prefer to rent site equipment more during the four months ended 31 July 2017 and may acquire site equipment when our available cash and gearing ratio are improved.

### **Construction materials**

Construction materials represents the purchase of concrete, steel reinforcement bars, structural steel and diesel fuels, and these costs are directly charged to our civil engineering construction works. For the two years ended 31 March 2017 and the four months ended 31 July 2017, construction materials amounted to approximately HK\$1,771,000, HK\$14,259,000 and HK\$10,113,000, respectively, representing approximately 6.29%, 21.50% and 19.46% of our total direct costs, respectively. The increase was primarily due to the project at Liantang/Heung Yuen Wai Boundary Control Point and Tseung Kwan O Area 137 undertaken by us during the Track Record Period, which required more construction materials to be purchased and consumed.

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Given that the construction materials are usually delivered by our suppliers to our project sites directly for immediate consumption, we generally do not stock up any excess inventory of construction materials at our project sites. Due to the limitation of the storage in the field work, our project managers are responsible for the overall scheduling of orders and deliveries of the materials, so as to match materials deliveries with the project's requirements. As such, our Group did not have any significant amount of uninstalled materials as at the end of each reporting period. Therefore, the financial impact of the uninstalled materials in the application of HKFRS 15 is considered to be insignificant.

### **Direct labour and MPF**

Direct labour and MPF mainly represent the labour costs (including MPF contributions of employer) in connection with our civil engineering construction works. For the two years ended 31 March 2017 and the four months ended 31 July 2017, direct labour and MPF amounted to approximately HK\$4,457,000, HK\$10,920,000 and HK\$14,515,000, respectively, representing approximately 15.83%, 16.46% and 27.93% of our total direct costs, respectively. The increase was due to recruitment of additional staff to serve the increase in the volume of our business during the Track Record Period.

### **Transportation**

Transportation represents charges and fees paid to our subcontractors or suppliers which mainly provide motor vehicles like vans and crane lorries for transporting the required material and site equipment to and/or from our construction sites. For the two years ended 31 March 2017 and the four months ended 31 July 2017, transportation amounted to approximately HK\$450,000, HK\$8,720,000 and HK\$7,300,000, respectively, representing approximately 1.60%, 13.15% and 14.04% of our total direct costs, respectively. The increase was primarily due to the project at Kai Tak Cruise Terminal Development undertaken by us during the Track Record Period, which required substantial transportation of soil and debris in the civil engineering construction site.

### **Depreciation**

Depreciation represents the depreciation of the property, plant and equipment for our motor vehicles and site equipment used in our civil engineering construction projects. For the two years ended 31 March 2017 and the four months ended 31 July 2017, depreciation amounted to approximately HK\$1,443,000, HK\$2,125,000 and HK\$847,000, respectively, representing approximately 5.13%, 3.20% and 1.63% of our total direct costs, respectively. The increase was primarily due to an increase in the number of motor vehicles and site equipment machinery acquired during the Track Record Period.

The expected useful life of our major types of site equipment, namely excavator, hydraulic driller, dump truck, crane lorry, hydraulic breaker and vibrating roller are 10 years, which are in line with the practice adopted by established subcontractor engaged in civil engineering works in Hong

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## FINANCIAL INFORMATION

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Kong. For further details of the useful life and average age of our major types of site equipment, please refer to the section headed “Business — Site Equipment — Age and value of our site equipment” of this prospectus.

### Sensitivity analysis

The following sensitivity analysis illustrate the impact of hypothetical changes in subcontracting fee, rental of site equipment, construction materials, direct labour and MPF and transportation under direct costs during the Track Record Period:

The following table illustrates the sensitivity analysis of the potential impact on our financial performance in relation to general percentage changes to the cost of subcontracting fee assuming all other variables are being constant, with reference to the historical fluctuations during the Track Record Period, which the management of our Group considers reasonable for the purposes of this sensitivity analysis.

Percentage change in subcontracting fee	Increase/(decrease) of our profit before taxation for the year ended 31 March		Increase/(decrease) of our profit before taxation for the four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
+40.60%	(7,059)	(9,925)	(1,368)	(3,604)
-40.60%	7,059	9,925	1,368	3,604

The following table illustrates the sensitivity analysis of the potential impact on our financial performance in relation to general percentage changes to the rental cost of site equipment assuming all other variables are being constant, with reference to the historical fluctuations during the Track Record Period, which the management of our Group considers reasonable for the purposes of this sensitivity analysis.

Percentage change in rental of site equipment	Increase/(decrease) of our profit before taxation for the year ended 31 March		Increase/(decrease) of our profit before taxation for the four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
+93.87%	(827)	(1,603)	(551)	(4,529)
-93.87%	827	1,603	551	4,529



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The following table illustrates the sensitivity analysis of the potential impact on our financial performance in relation to general percentage changes to the price of construction materials assuming all other variables are being constant, with reference to historical fluctuations during the Track Record Period, which the management of our Group considers reasonable for the purposes of this sensitivity analysis.

Percentage change in construction materials	Increase/(decrease) of our profit before taxation for the year ended 31 March		Increase/(decrease) of our profit before taxation for the four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
+705.14%	(12,488)	(100,546)	(14,730)	(71,311)
-705.14%	12,488	100,546	14,730	71,311

The following table illustrates the sensitivity analysis of the potential impact on our financial performance in relation to general percentage changes to the cost of direct labour and MPF assuming all other variables are being constant, with reference to historical fluctuations during the Track Record Period, which the management of our Group considers reasonable for the purposes of this sensitivity analysis.

Percentage change in direct labour and MPF	Increase/(decrease) of our profit before taxation for the year ended 31 March		Increase/(decrease) of our profit before taxation for the four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
+145.01%	(6,463)	(15,835)	(3,725)	(21,048)
-145.01%	6,463	15,835	3,725	21,048

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The following table illustrates the sensitivity analysis of the potential impact on our financial performance in relation to general percentage changes to the cost of transportation assuming all other variables are being constant, with reference to the historical fluctuations during the Track Record Period, which the management of our Group considers reasonable for the purposes of this sensitivity analysis.

Percentage change in transportation	Increase/(decrease) of our profit before taxation for the year ended 31 March		Increase/(decrease) of our profit before taxation for the four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(Unaudited)</i>	
+1,837.78%	(8,270)	(160,254)	(6,781)	(134,158)
-1,837.78%	8,270	160,254	6,781	134,158

### Gross profit and gross profit margin

Our gross profit for the Track Record Period is calculated by deducting our direct costs from our revenue. The table below sets out our gross profit and gross profit margin for the periods indicated:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
			<i>(Unaudited)</i>	
Gross profit (HK\$'000)	12,149	23,645	6,261	10,851
Gross profit margin	30.15%	26.28%	36.37%	17.27%

During the Track Record Period, our overall gross profit was approximately HK\$12,149,000, HK\$23,645,000 and HK\$10,851,000, respectively and our overall gross profit margin was approximately 30.15%, 26.28% and 17.27%, respectively.

During the Track Record Period, the gross profit margin varied from one project to another. It depends on a number of factors including (i) the technical nature and complexity of the project undertaken by us; (ii) progress of the projects in the relevant financial year or period; and (iii) the effectiveness of our cost control and management. As a result, our gross profit margin may not be an indication of the gross profit margin of the subsequent financial years.

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In determining our gross profit margin, we take into account a number of factors, including (i) nature and complexity of the projects undertaken by us; (ii) progress of our projects during the two years ended 31 March 2017 and the four months ended 31 July 2017; and (iii) the effectiveness of our cost control and management. Gross profit margin decreased by approximately 3.87%, from approximately 30.15% for the year ended 31 March 2016 to approximately 26.28% for the year ended 31 March 2017. The decrease in the gross profit margin was due to (i) changes to the mix of our civil engineering construction projects. Revenue attributable to structural works increased from 5.01% (for the year ended 31 March 2016) to 30.51% (for the year ended 31 March 2017) to our total revenue; while the revenue attributable to site formation works decreased from 73.81% (for the year ended 31 March 2016) to 50.67% (for the year ended 31 March 2017) to our total revenue; and we were generally able to achieve a higher profit margin for undertaking site formation works; and (ii) involvement in projects with a higher project margin such as the site formation project in Macau and projects that demanded a tight delivery schedule during the year ended 31 March 2016.

Gross profit margin decreased by approximately 19.10%, from approximately 36.37% for the four months ended 31 July 2016 to approximately 17.27% for the four months ended 31 July 2017. The decrease in the gross profit was due to the profit margin for the sizable project in Tseung Kwan O Area 137, which is estimated at approximately 5% only, is relatively lower than other projects undertook by us.

### Other income

Our other income consists primarily of an one-off ex-gratia payment for phasing out a diesel car for the year ended 31 March 2016, management income for the year ended 31 March 2017 and consultancy income for the four months ended 31 July 2017.

### Administrative expenses

Our administrative expenses consist primarily of depreciation, directors' remuneration, staff salaries and MPF (Office), auditors' remuneration and other administrative expenses. The following table sets out our administrative expenses by nature during the Track Record Period:

	<b>Year ended 31 March</b>		<b>Four months ended 31 July</b>	
	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>			
Depreciation	155	495	155	109
Directors' remuneration	2,822	3,286	1,095	1,012
Staff salaries and MPF (Office)	441	773	162	410
Auditor's remuneration	60	300	100	100
Other administrative expenses	860	800	109	641
	<u>4,338</u>	<u>5,654</u>	<u>1,621</u>	<u>2,272</u>

## FINANCIAL INFORMATION

### Finance costs

The table below sets out a breakdown of our finance costs for the periods indicated:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Interests on:				
- bank borrowings	196	411	151	228
- finance leases	199	453	169	202
	395	864	320	430
Effective interest expenses on convertible loan notes	—	453	—	644
	395	1,317	320	1,074

### Taxation

Taxation consists of current tax and deferred income tax. The table below sets out a breakdown of our taxation during the Track Record Period indicated:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Tax charge comprises:				
Hong Kong Profits Tax:				
- Current tax	—	1,981	308	580
- Underprovision in prior years	9	—	—	—
	9	1,981	308	580
Macau Complementary Tax	948	60	60	—
	957	2,041	368	580
Deferred taxation	1,242	611	406	768
	2,199	2,652	774	1,348

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During the two years ended 31 March 2017 and the four months ended 31 July 2017, the effective tax rate of our Group was approximately 29.22%, 21.39% and 59.02%, respectively. We did not have any tax liability for the year ended 31 March 2016 due to the tax losses brought forward from the prior year, which the tax losses were mainly caused by the depreciation allowances granted for the acquisition of certain plant and machinery during the year ended 31 March 2015. And the significant increase of the effective tax rate for the four months ended 31 July 2017 was mainly due to the inclusive of significant non-deductible expenses such as Listing expenses and the effect arising from the different calculation methods adopted between tax authorities and the accounting treatment on the depreciation of our property, plant and equipment.

Our Company and its subsidiaries are corporations incorporated in different jurisdictions, with different taxation requirements illustrated below:

### *Hong Kong*

Hong Kong profits tax was calculated at 16.5% on the estimated assessable profits for the Track Record Period. For the year ended 31 March 2016, no provision for Hong Kong profits tax had been made as the assessable profit was wholly absorbed by tax losses brought forward from the year of assessment 2014/2015.

### *Macau*

Under the applicable corporate tax law in Macau, income tax is charged at 12% of the estimated assessable profits for the Track Record Period. As Sheung Moon Construction was involved in a site formation project in Macau, we have accordingly made provision for Macau tax during the Track Record Period. We, however, have not made any provision for penalty for failure to register with the Macau Finance Bureau because we have received a confirmation from our customer in the Macau project confirming that the Macau Complementary Tax, if any, together with any fine or penalty payable by us to the Macau government authority will be reimbursed to us. Further, pursuant to a deed of indemnity issued by Mr. SW Tang in favour to us, we will be indemnified in respect of any tax and penalties arising from such failure to register with the Macau Finance Bureau.

## PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

### **Year ended 31 March 2017 compared with year ended 31 March 2016**

#### ***Revenue***

Our Group's revenue increased by approximately HK\$49,679,000, or 123.28%, from approximately HK\$40,298,000 for the year ended 31 March 2016 to HK\$89,977,000 for the year ended 31 March 2017. The increase is mainly due to an increase in our business such as our involvement in the key project at Liantang/Heung Yuen Wai Boundary Control Point and a number of other smaller contracts.

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The project at Liantang/Heung Yuen Wai Boundary Control Point project is a major infrastructure project in Hong Kong recently which demands a high input of resources such as various types of site equipment and strong financial resources. The timeline for completion of this project is also tight. For these reasons, its margin is higher than many others.

Prior to the award of the first contract for the project at Liantang/Heung Yuen Wai Boundary Control Point, the main contractor has considered, among others, (i) our tendering price; and (ii) our capabilities to fulfil the requirements of the contract including but not limited to the assessment of our previous job reference and financial strength. In June 2015, we were awarded the first contract for the project at Liantang/Heung Yuen Wai Boundary Control Point project by way of an open tender process. The contract value for such first contract we obtained was in a sum of approximately HK\$62 million. The revenue recognised for the contract for the year ended 31 March 2016 was approximately HK\$18.7 million.

We were able to demonstrate our capabilities in fulfilling the various requirements for the contract by, among others, during the tendering process, (i) proving financial strength and (ii) providing relevant job references to substantiate our proven track record and during performance of the contract, deploying site equipment as indicated in the tender and showcasing our know-how in the technique used in the relevant works, all to the satisfaction of our customer. Our audited accounts together with banking facilities letters demonstrated our financial viability by satisfying the working capital and net current asset requirements (i.e. typically, each of working capital and net current asset is at least no less than 10% of the contract sum). The reference letters issued by certain customers for which we had completed construction projects. More importantly, our substantial experiences in sizable site formation projects speak for themselves. The more relevant and significant project references provided by us are set out below:

- (i) a contract with an aggregate contract value of approximately HK\$33.6 million for site formation works relating to the construction of the Northern Access Road for Cyberport Development at Telegraph Bay, Hong Kong for the CEDD in 2002 (prior experience in completing contracts for the CEDD is a good indicator of the Group's capability as the CEDD is well known for its special requirements on safety, compliance and deadlines); and
- (ii) a contract with an aggregate contract value of approximately HK\$14.1 million (together with variation orders of an aggregate value of approximately HK\$12.9 million awarded and completed subsequently) for excavation and earthworks relating to the construction of the sludge treatment facilities at Nim Wan, Tuen Mun District, New Territories, Hong Kong for the Environmental Protection Department of the Government in 2010.

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Equally important is our expertise in soil nail construction, which is relevant to the project at Liantang/Heung Yuen Wai Boundary Control Point. Soil nailing is an insitu soil reinforcement technique used for stabilising soil mass and enhancing the stability of slopes, retaining walls and excavations. We have the know-how and the equipment specially designed for soil nailing and has completed 3 sizable contracts for soil nail construction, as listed below:

- (i) an aggregate contract value of approximately HK\$33.6 million relating to the construction of the Northern Access Road for Cyberport Development at Telegraph Bay, Hong Kong for the CEDD in 2002;
- (ii) an aggregate contract value of approximately HK\$23.8 million relating to the construction of the KCRC East Rail extensions: Ma On Shan Rail (from Tai Wai to Shek Mun) with a construction period of 2 years commencing from June 2011; and
- (iii) an aggregate contract value of approximately HK\$7.3 million relating to the construction of the remaining works for redevelopment of Caritas Medical Centre, Phase 2 in 2013.

On the deployment of site equipment, we had on a timely basis made available at the construction site the necessary site equipment which was listed in the tender.

We have subsequently been awarded 11 more contracts for the project at Liantang/Heung Yuen Wai Boundary Control Point during the Track Record Period due to our good performance in this project. We believe that the following factors explained why we were subsequently awarded more contracts for this project:

- (i) we maintained an excellent safety record during the Track Record Period;
- (ii) we were able to meet the tight timelines for the contracts awarded to us for this project; and
- (iii) the civil engineering construction works completed by us were up to the satisfaction of our customer.

### ***Direct costs***

Our Group's direct costs increased by approximately HK\$38,183,000, or 135.65%, from approximately HK\$28,149,000 for the year ended 31 March 2016 to HK\$66,332,000 for the year ended 31 March 2017. While direct costs increased as a result of increase in the volume of our business and commencement of the key projects during the Track Record Period: subcontracting fee increased by approximately 40.60%, rental of site equipment increased by approximately 93.87%, construction materials increased by approximately 705.14%, direct labour and MPF increased by approximately 145.01%, transportation increased by approximately 1,837.78% for the year ended 31 March 2017 compared with the year ended 31 March 2016. In addition, depreciation increased by approximately 47.26% for the year ended 31 March 2017 compared with the year ended 31 March 2016 due to the addition of property, plant and equipment during the year ended 31 March 2017.

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### *Gross profit and gross profit margin*

The following table sets out a breakdown of our gross profit during the Track Record Period attributable to public and private sector projects:

	Year ended 31 March			
	2016		2017	
	HKD'000	%	HKD'000	%
Public sector	7,000	57.62	19,538	82.63
Private sector	5,149	42.38	4,107	17.37
Total	12,149	100.00	23,645	100.00

During the Track Record Period, the proportion of the gross profit of public sector were 57.62% and 82.63%, respectively. While the proportion of the gross profit of private sector were 42.38% and 17.37%, respectively. The decrease of the proportion of the gross profit for the private sector was due to the involvement in the project in Macau with a higher project margin during the year ended 31 March 2016.

The following table sets out a breakdown of our gross profit based on the nature of construction works:

	Year ended 31 March			
	2016		2017	
	HK\$'000	%	HK\$'000	%
Site formation works	11,372	93.60	15,395	65.11
Road and drainage works	510	4.20	1,912	8.09
Structural works	224	1.85	3,340	14.13
Other works	43	0.35	2,998	12.67
Total	12,149	100.00	23,645	100.00

The following table sets out the gross profits margins by the location of the projects:

	Year ended 31 March	
	2016	2017
Hong Kong	20.88%	26.39%
Macau	87.25%	15.57%



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During the Track Record Period, the gross profit margin of the projects in Hong Kong represented approximately 20.88% and 26.39% respectively, while the gross profit margin of the project in Macau represented approximately 87.25% and 15.57% of our total gross profit margin, respectively, while the overall gross profit was approximately HK\$5,056,000 for the whole contract. The project in Macau, which spanned two financial years, had a high gross profit margin for the year ended 31 March 2016 for the following reasons: (i) the majority of the construction works was carried out in the year ended 31 March 2016; (ii) the project only required us to provide site equipment and off-site technical supports to our customers in Macau; (iii) the site equipment provided was owned by us, and thus no rental expenses were incurred for such site equipment resulting in a low costs for the Macau project for the year ended 31 March 2016; (iv) the customer also accelerated the progress of the project in the middle of it, allowing us to charge more since we charged our customer for every cubic metre of soil and stones excavated; and (v) generally speaking, the Macau local construction machinery market was at a development phase and there was a strong demand for site equipment in the years 2014 and 2015 allowed construction machinery suppliers to charge a higher margin. For the year ended 31 March 2017, the gross profit margin was lower because we incurred costs on the transportation of the site equipment and maintenance fees for the site equipment returned after project completion and a lesser sum of revenue was generated in the year ended 31 March 2017 as the majority of our customer's construction works was completed in the preceding financial year.

The following table sets out gross profits margin of our contracts and variation orders:

	<b>Year ended 31 March</b>	
	<b>2016</b>	<b>2017</b>
Contracts	32.97%	21.94%
Variation orders	23.38%	54.53%

During the Track Record Period, the gross profit margins of the construction contracts were approximately 32.97% and 21.94%, respectively. The decrease in the gross profit margin of the construction contracts was mainly due to the project in Macau as explained above. While the gross profit margins of variation orders were approximately 23.38% and 54.53%, respectively. The increase in the gross profit margins of variation orders were mainly due to (i) the significant increase in the number of variation orders with higher gross profit margin for the projects at Liantang/Heung Yuen Wai Boundary Control Point and Kai Tak Development during the year ended 31 March 2017, and (ii) we had subcontracted the works with significant variation orders of Cartias Medical Centre and Shek Mun Estate Phase 2 and thus reduced the gross profit margins of the variation orders for the year ended 31 March 2016.

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The following table sets out gross profits margins by the nature of construction works during the Track Record Period:

	Year ended 31 March		
	2016	2017	Difference
	%	%	%
Site formation works	38.23	33.77	(4.46%)
Road and drainage works	6.00	22.04	16.3%
Structural works	11.10	12.17	1.05%
Other works	100.00	36.28	(3.87%)

### Site formation works

During the Track Record Period, the largest proportion of our civil engineering construction works was site formation works, representing approximately 93.60% and 65.11% of our total gross profit, respectively. We were able to achieve a higher gross profit margin for our site formation works comparing with our road and drainage works and structural works, as we had been focusing on and specialising in the site formation works and were able over the years to adopt a more effective cost control on site formation works. Moreover, since we had undertaken a sizable project in Liantang/Heung Yuen Wai Boundary Control Point which also involved a relatively large volume of structural works during the year ended 31 March 2017, this led to a significant increase in our gross profit for structural works.

The gross profit margin of site formation works decreased from approximately 38.23% in the financial year of 2016 to approximately 33.77% in the financial year of 2017. The decrease was mainly caused by the drop in the gross profit margin for the Macau project for the year ended 31 March 2017. The Macau project recorded a gross profit margin of 87.25% for the year ended 31 March 2016 and 15.57% for the year ended 31 March 2017 was mainly due to the reason that the majority of the construction works was carried out in the year ended 31 March 2016 and the corresponding revenue of approximately HK\$5,629,000 for the project was also booked in the year ended 31 March 2016, and only a revenue of approximately HK\$931,000 was booked with the following direct costs incurred in respect of the project in Macau for the year ended 31 March 2017: (i) transportation costs of approximately HK\$73,000 for transferring back the leased site equipment from Macau back to Hong Kong after completion of the project; (ii) maintenance fees of approximately HK\$225,000 (of which approximately HK\$197,000 was the post-contract maintenance fee) for the site equipment; and (iii) depreciation costs of approximately HK\$488,000.

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As the majority of revenue of the Macau project was booked in the year ended 31 March 2016 and a smaller amount of revenue of the Macau project was thus recorded in the year ended 31 March 2017, and we incurred similar amount of direct costs of the Macau project of approximately HK\$718,000 and HK\$786,000, respectively for the years ended 31 March 2016 and 2017, the gross profit margin for the Macau project was decreased significantly in the year ended 31 March 2017. Please refer to the table below for the breakdowns of the gross profit of the Macau project:

	<b>For the year ended 31 March</b>	
	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5,629	931
Direct costs		
- Depreciation	650	488
- Maintenance fee	68	225
- Transportation	—	73
	<u>718</u>	<u>786</u>
Gross profit	<u>4,911</u>	<u>145</u>
Gross profit margin	87.25%	15.57%

The maintenance fee increased from approximately HK\$68,000 for the year ended 31 March 2016 to approximately HK\$225,000 for the year ended 31 March 2017 was mainly due to the reason that approximately HK\$197,000 of the maintenance fee for the year ended 31 March 2017 attributable for post-contract maintenance. The lessee returns the leased equipment to us on an “as is” basis. Upon return of the leased equipment, we would incur costs in checking, repairing and maintaining the equipment to a condition ready for use or re-lease.

Depreciation of the site equipment leased in Macau was accounted as part of the costs for Macau project as the site equipment was solely used for the project. Accordingly, depreciation of the site equipment was booked as part of costs for the years ended 31 March 2016 and 31 March 2017. The same amount of depreciation would still be accounted on the monthly basis after 1 April 2016 until the site equipment was eventually traded in December 2016.

We adopt the same pricing policy for the projects located in Hong Kong and Macau by using a cost-plus pricing model in general with markup determined on a project-by-project basis. For details of our pricing policies, please refer to the paragraph headed “Marketing Activities and Pricing” in the “Business” section to the prospectus. The overall gross margin of the Macau project was approximately 77.08%. The high gross profit margin was primarily due to (i) the site equipment leased was owned by us, and thus we incurred no rental expenses for the site equipment leased and this led to very low costs; (ii) the provision of off-site technical supports and the equipment leasing nature of

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the project with limited costs incurred for depreciation, transportation and maintenance; and (iii) our customer accelerated the progress of the project in the middle of it, and this allowed us to charge higher rates for every cubic metre of soil and stones excavated. For the two years ended 31 March 2017, the Macau project had contributed (i) a revenue of approximately HK\$5,629,000 and HK\$931,000, respectively, which accounted for approximately 13.97% and 1.03% of the total revenue, respectively; and (ii) a gross profit of approximately HK\$4,911,000 and HK\$145,000, respectively, which accounted for approximately 40.42% and 0.61% of the total gross profit, respectively.

### **Road and drainage works**

The gross profit margin of road and drainage works increased from approximately 6.00% in the financial year of 2016 to approximately 22.04% in the financial year of 2017. The increase was due to an increase in the number of projects, including contracts and variation orders, for road and drainage works with higher profit margin for the project at Liantang/Heung Yuen Wai Boundary Control Point during the year ended 31 March 2017. As our management has a number of considerations like our resource capacity, working capital capacity and the benefits of our developments before undertaking the construction works, we tendered road and drainage works with good profit margins, but we may take other consideration into account such as the availability of resource and working capital and the benefits of the project to us before tendering.

We generally prefer to undertake our projects by deploying our internal resources instead of subcontracting them because it would provide higher profit margin to us. The project at Liantang/Heung Yuen Wai Boundary Control Point offered a decent profit margin as we have concrete experience particularly in site formation works and road and drainage works, and we undertake the project at Liantang/Heung Yuen Wai Boundary Control Point mainly by deploying our internal resources. For details of our capabilities in the project at Liantang/Heung Yuen Wai Boundary Control Point, please refer to the subparagraph headed “Revenue” under the paragraph headed “Period to Period Comparison of Results of Operations — Year ended 31 March 2017 Compared with Year Ended 31 March 2016” in “Financial Information” section to this prospectus. In comparison, our profit margin of the project at Shek Mun Estate Phase 2, which was the only road and drainage works for the year ended 31 March 2016, was comparatively lower as we subcontracted almost all of the construction works to our subcontractors and we were only responsible for the overall project management such as monitoring the overall project progress and the compliance in safety, environmental and other relevant regulations.

In deciding whether to subcontract the works for the project at Shek Mun Estate Phase 2, our management team considered factors including the availability of internal resources, and the comparative advantage in terms of technical skills among our labour force. The project at Shek Mun Estate Phase 2 was awarded in March 2015 and our Directors and the project managers at that time were fully occupied for the preparatory works for tendering the first contract at Liantang/Heung Yuen Wai Boundary Control Point. Given the facts that two projects had overlapping construction period, and the first contract at Liantang/Heung Yuen Wai Boundary Control Point offered a contract sum of approximately HK\$62 million with much higher potential for further contracts to be awarded, our Directors believed that the project at Liantang/Heung Yuen Wai Boundary Control Point should take

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priority in terms of allocation of our internal resource and labour force. Due to the insufficiency of internal resource and labour force, we subcontracted almost all of the construction works to a subcontractor who had been engaged by us before. This subcontractor's past performance was up to our satisfaction and we considered it as a capable subcontractor both in terms of financial strength and technical calibre. As such, our main input for the Shek Mun Estate Phase 2 project was limited to the overall project management and the subcontractor would undertake almost all of the works and be responsible for the daily operation on the site. Accordingly, majority of the contract amount of the Shek Mun Estate Phase 2 project was paid to the subcontractor and we retained a small portion of the contract amount. Given the limited input by us in the Shek Mun Estate Phase 2 project, the profit margin of approximately 5% was considered to be reasonable and adequate in the particular circumstance.

### Structural works and other works

The gross profit margin of structural works remained stable during the Track Record Period. The gross profit margin of other works decreased from 100.00% in the financial year of 2016 to approximately 36.28% in the financial year of 2017 since the civil engineering construction management services we provided as other works during the year ended 31 March 2016 which did not require us to incur any direct costs whilst in contrast, the major project in other works, namely Tuen Mun Town Hall project, was undertaken during the year ended 31 March 2017 which incurred the usual direct costs.

### Overall

The following table sets out the gross profit ratio, percentage in revenue and the portion of gross profits margins by the nature of construction works:

	Year ended 31 March					
	2016			2017		
	<i>Gross profit margin of the relevant project/nature of works</i>	<i>Attribution to total revenue</i>	<i>Attribution to overall gross profit margin</i>	<i>Gross profit margin of the relevant project/nature of works</i>	<i>Attribution to total revenue</i>	<i>Attribution to overall gross profit margin</i>
Site formation works-Liantang	32.58%	35.48%	11.56%	39.12%	29.05%	11.36%
Site formation works-Macau	87.25%	13.97%	12.19%	15.57%	1.03%	0.16%
Site formation works-Other	18.37%	24.36%	4.47%	27.14%	20.59%	5.59%
Road and drainage works	6.00%	21.08%	1.27%	22.04%	9.64%	2.13%
Structural works	11.10%	5.01%	0.56%	12.17%	30.51%	3.71%
Other works	100.00%	0.10%	0.10%	36.28%	9.18%	3.33%
Total		<u>100.00%</u>	<u>30.15%</u>		<u>100.00%</u>	<u>26.28%</u>

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The above table illustrates the effect of the relevant site formation project or nature of works (as the case may be) to the overall gross profit margin of the Group for the relevant year. For instance, for the financial year ended 31 March 2016, site formation works — Liantang having a gross profit margin of 32.58% attributed to approximately 35.48% of the total revenue of the Group, and as such, it attributed approximately 11.56% of the overall gross profit margin of the Group for the financial year ended 31 March 2016. The decrease of the attribution to overall gross profit margin was mainly due to a drop in the gross profit margin of the project in Macau as the majority works of which were completed during the year ended 31 March 2016. For details of the reason for the lower gross profit margin of Macau project during the year ended 31 March 2017, please refer to the paragraph headed “Period to period comparison of results of operations — Gross profit and gross profit margin — Site formation works” in this section.

The gross profit margin of site formation works at Liantang/Heung Yuen Wai Boundary Control Point increased from approximately 32.58% for the year ended 31 March 2016 to approximately 39.12% for the year ended 31 March 2017. The increase was mainly due to the contribution of a number of variation orders during the year ended 31 March 2017.

The increase of the portions of the road and drainage works and structural works, was mainly due to the major project at Liantang/Heung Yuen Wai Boundary Control Point which commenced in June 2015. At the preliminary stages, more site formation works (such as excavation works, vegetation works) were required during the year ended 31 March 2016, the middle stages which commenced during the year ended 31 March 2017 concentrated more on road and drainage works and structural works.

### ***Other income***

Our Group’s other income decreased by approximately HK\$78,000, or 71.56%, from approximately HK\$109,000 for the year ended 31 March 2016 to approximately HK\$31,000 for the year ended 31 March 2017. Decrease in other income was due to the receipt of an one-off ex-gratia payment for phasing out a diesel car during the year ended 31 March 2016 which did not occur during the year ended 31 March 2017.

### ***Other gains and losses***

Our Group’s other gains and losses increased by approximately HK\$1,989,000, from nil for the year ended 31 March 2016 to approximately HK\$1,989,000 for the year ended 31 March 2017, due to a loss on disposal/written-off of property, plant and equipment of approximately HK\$1,449,000 and a loss on fair value change of convertible loan notes of approximately HK\$540,000 during the year ended 31 March 2017.

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The loss on disposal/written-off of property, plant and equipment of approximately HK\$1,449,000 was mainly due to the disposals of three old hydraulic drillers (collectively, the “**Old Drillers**”) which were used in the site formation project in Macau to fund the acquisition of hydraulic drillers (namely, Ranger DQ500 Drill rig, DX Ranger DX700 and DX Ranger DQ500 Drill rig) that are more suitable for used in the project at Liantang/Heung Yuen Wai Boundary Control Point (please refer to the section headed “Business — Competitive Strengths — Ownership of a broad range of site equipment for different types of civil engineering constructions works” for details). The loss on disposal/written-off of site equipment amounted to approximately HK\$1,080,000 (taking into account the aggregate net book value of the Old Drillers at the time of disposal was approximately HK\$5,200,000 and the sales proceed was approximately HK\$4,120,000 (representing approximately 80% of their aggregate net book value)). Though the Old Drillers were relatively new upon their disposal, it was difficult for us to realise them at their aggregate net book value at that time. In particular, given the limited secondary market available for this nature of site equipment and the timing required to deploy appropriate site equipment on site for the Liantang/Heung Yuen Wai Boundary Control Point project, we were not able to identify other potential purchasers who would offer a higher purchase price for the Old Drillers. However, the timely purchase and deployment of the appropriate hydraulic drillers, allowed us to complete our contract on time and as a result, the Group have been subsequently awarded more contracts for the project at Liantang/Heung Yuen Wai Boundary Control Point during the Track Record Period.

### *Administrative expenses*

Our Group’s administrative expenses increased by approximately HK\$1,316,000, or 30.34%, from approximately HK\$4,338,000 for the year ended 31 March 2016 to approximately HK\$5,654,000 for the year ended 31 March 2017. Directors’ remuneration, representing the largest item within our administrative expenses, had increased by approximately HK\$464,000 from approximately HK\$2,822,000 for the year ended 31 March 2016 to approximately HK\$3,286,000 for the year ended 31 March 2017 as a result of the appointment of a director in August 2015. Depreciation increased significantly due to the recognition of the depreciation expenses relating to the three motor vehicles acquired during the year ended 31 March 2017. Staff salaries and MPF (Office) increased by approximately HK\$332,000, from approximately HK\$441,000 for the year ended 31 March 2016 to approximately HK\$773,000 for the year ended 31 March 2017 mainly as a result of an increase in the number of office staff recruited during the year ended 31 March 2017.

### *Finance costs*

Our Group’s finance costs increased by approximately HK\$922,000, or 233.42%, from approximately HK\$395,000 for the year ended 31 March 2016 to approximately HK\$1,317,000 for the year ended 31 March 2017. The increase was mainly due to effective interest expense on convertible loan notes and the additional financing for the acquisition of site equipment to meet the requirements of the various projects undertaken during the year ended 31 March 2017.



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### ***Taxation***

Our taxation increased by approximately HK\$453,000, or 20.60%, from approximately HK\$2,199,000 for the year ended 31 March 2016 to approximately HK\$2,652,000 for the year ended 31 March 2017, due to an increase in the assessable income for the year ended 31 March 2017. During the two years ended 31 March 2017, the effective tax rate of our Group was approximately 29.22% and 21.39%, respectively, which were slightly higher than the statutory tax rate of 16.50% due to (i) a provision for the Macau Complementary Tax during the Track Record Period; and (ii) the inclusive of non-deductible expenses.

### ***Profit for the year and net profit margin***

Our Group's profit for the year increased by approximately HK\$4,418,000, or 82.95%, from approximately HK\$5,326,000 for the year ended 31 March 2016 to approximately HK\$9,744,000 for the year ended 31 March 2017. The increase was due to a significant increase in our revenue. In contrast, our net profit margin decreased from 13.22% for the year ended 31 March 2016 to 10.83% for the year ended 31 March 2017 mainly because of the Listing expenses.

### ***Other comprehensive income for the year***

Our other comprehensive income for the year increased from nil for the year ended 31 March 2016 to approximately HK\$2,695,000 for the year ended 31 March 2017. The increase is due to the addition of the surplus on transfer from property, plant and equipment to investment property which arose from the fair value gain on the investment property.

### ***Total comprehensive income for the year***

Our Group's total comprehensive income for the year increased by approximately HK\$7,113,000, or 133.55%, from approximately HK\$5,326,000 for the year ended 31 March 2016 to approximately HK\$12,439,000 for the year ended 31 March 2017. The increase is mainly due to the addition of the surplus on transfer from property, plant and equipment to investment property which arose from the fair value gain on the investment property.

### **Four months ended 31 July 2016 compared to four months ended 31 July 2017**

#### ***Revenue***

Our Group's revenue increased by approximately HK\$45,612,000, or 264.95%, from approximately HK\$17,215,000 for the four months ended 31 July 2016 to HK\$62,827,000 for the four months ended 31 July 2017. The increase is mainly due to the new contracts undertook during the four months ended 31 July 2017 as set out below:

- (i) 3 contracts with the aggregate contract value of approximately HK\$14.78 million for site formation and structural works relating to the project at Liantang/Heung Yuen Wai Boundary Control Point;



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- (ii) a contract with an aggregate contract value of approximately HK\$4.06 million for site formation works relating to a project at Hong Kong-Zhuhai-Macao Bridge;
- (iii) a contract with an aggregate contract value of approximately HK\$0.17 million for road and drainage works relating to a project at TKO-LT Tunnel; and
- (iv) a sizable contract with an aggregate contract value of approximately HK\$180 million for public works in site formation relating to a project at Tseung Kwan O Area 137.

The above contracts can be undertaken due to our capacity expansion during the four months ended 31 July 2017, which we employed a project manager, Mr. Thomas Kan, hired over 100 experienced workers and acquired site equipment including 7 excavators, 1 vibration roller, and 8 on-site motor vehicles.

### *Direct costs*

Our Group's direct costs increased by approximately HK\$41,022,000, or 374.49%, from approximately HK\$10,954,000 for the four months ended 31 July 2016 to HK\$51,976,000 for the four months ended 31 July 2017. While direct costs increased as a result of increase in the volume of our business and commencement of the key projects during the four months ended 31 July 2017: subcontracting fee increased by approximately 163.52%, rental of site equipment increased by approximately 721.98%, construction materials increased by approximately 384.11%, direct labour and MPF increased by approximately 464.79%, transportation increased by approximately 1,878.32% for the four months ended 31 July 2017 compared with the four months ended 31 July 2016, which the increase was due to the primarily due to the projects at Kai Tak Cruise Terminal Development and Tseung Kwan O Area 137 undertaken by us, which required substantial transportation of soil and debris in the civil engineering construction site. In addition, depreciation increased by approximately 18.46% for the four months ended 31 July 2017 compared with the four months ended 31 July 2016 due to the addition of property, plant and equipment during the four months ended 31 July 2017.

### *Gross profit and gross profit margin*

The following table sets out a breakdown of our gross profit during the four months ended 31 July 2017 attributable to public and private sector projects:

	Four months ended 31 July			
	2016		2017	
	HK\$'000	%	HK\$'000	%
	<i>(Unaudited)</i>			
Public sector	5,413	86.46	10,563	97.35
Private sector	848	13.54	288	2.65
Total	<u>6,261</u>	<u>100.00</u>	<u>10,851</u>	<u>100.00</u>

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During the four months ended 31 July 2017, the proportion of the gross profit of public sector were 86.46% and 97.35%, respectively. While the proportion of the gross profit of private sector were 13.54% and 2.65%, respectively. The increase of the proportion of the gross profit for the public sector was due to the sizable project in Tseung Kwan O Area 137 undertook during the four months ended 31 July 2017. And the decrease of the proportion of the gross profit margin for the private sector was because we concentrated on the public sector projects of the sizable project in Tseung Kwan O Area 137 and undertook less private sector projects during the four months ended 31 July 2017.

The following table sets out a breakdown of our gross profit based on the nature of construction works:

	Four months ended 31 July			
	2016		2017	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	<i>(Unaudited)</i>			
Site formation works	5,290	84.49	6,906	63.64
Road and drainage works	225	3.59	842	7.76
Structural works	583	9.32	3,103	28.60
Other works	<u>163</u>	<u>2.60</u>	<u>—</u>	<u>—</u>
Total	<u>6,261</u>	<u>100.00</u>	<u>10,851</u>	<u>100.00</u>

The following table sets out the gross profits margins by the location of the projects:

	Four months ended 31 July	
	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	
Hong Kong	34.45%	17.27%
Macau	52.51%	Nil

During the four months ended 31 July 2017, the projects in Hong Kong represented approximately 34.45% and 17.27% of our total gross profit margin, respectively. While the projects in Macau represented approximately 52.51% and nil of our total gross profit, respectively. The project in Macau were completed during the four months ended 31 July 2016 and we did not undertake any project in Macau afterwards. The gross profit margin of the projects in Hong Kong was significantly

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lower as the profit margin for the sizable project in Tseung Kwan O Area 137, which is estimated at approximately 5% only, is relatively lower than other projects undertaken by us due to the followings reasons:

- (i) The works involved in this project are not technical in nature, compared with the other site formation projects undertaken by us;
- (ii) The profit margin for works such as public fill, stockpiling, transportation etc. would generally be lower than other site formation projects in the market; and
- (iii) We incurred substantial rental costs for this project.

We are engaged to handle surplus public fill in the project at Tseung Kwan O Area 137. The public fill arises from construction, excavation, renovation, demolition and road works. Comprising of rocks, concrete, asphalt, rubbles, bricks, stones and earth, public fill is suitable for reuse in reclamation and site formation. Hard materials such as rocks and concrete can be recycled as aggregates for concrete/asphalt production or as granular materials for road sub-base and drainage layers.

The works involved in this project are acceptance of public fill, classification, processing, stockpiling, transportation, and filling in the barging point, etc. Unlike other projects undertaken by us, the construction works for the project at Tseung Kwan O Area 137 are non-technical in nature such as the relocation and internal transportation of materials within the site at the Tseung Kwan O Area 137. However, the works involved are machinery-intensive and site equipment such as excavators, hydraulic drillers, lorries and generators would be required. Furthermore, this project also involves extensive labour to operate the mentioned site equipment.

In comparison with our other projects, a significant amount of rental costs for site equipment was incurred, and other related costs such as transportation costs for site equipment and petrol costs were also incurred for the Tseung Kwan O Area 137 project. During the four months ended 31 July 2017, we incurred significant costs such as (i) rental of site equipment of approximately HK\$3,801,000; (ii) transportation of approximately HK\$4,689,000; and (iii) petrol of approximately HK\$1,978,000 for this project. In addition, a number of on-site workers are hired to (i) operate the site equipment, (ii) to measure and record the quantity of internal transportation, and (iii) to guide and manage the logistics within the site, and we incurred a direct labour and MPF costs of approximately HK\$8,548,000 for the four months ended 31 July 2017. Furthermore, since the site of Tseung Kwan O Area 137 is open to persons who are approved by CEDD, we are required to arrange security services to maintain the security of the site as well as to upkeep the condition of the site. As such, a security fee of approximately HK\$321,000 and a cleaning fee of approximately HK\$174,000 were incurred for this project, which had not been incurred by us for the other projects during the four months ended 31 July 2017. For further details of the project at Tseung Kwan O Area 137, please refer to the paragraph headed “the project at Tseung Kwan O Area 137 Fill Bank” in the “Business” section to this prospectus.

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The table below sets out our revenue, cost structure, gross profit and gross profit margin of the project at Tseung Kwan O Area 137 and our other projects during the four months ended 31 July 2017:

	Four months ended 31 July 2017			
	Tseung Kwan O		Other contracts	
	Area 137			
	HK\$'000	%	HK\$'000	%
Revenue	23,446		39,381	
Direct costs				
- Subcontracting fee	—	—	8,878	29.12
- Rental of site equipment	3,801	17.69	1,024	3.36
- Construction materials	372	1.73	9,741	31.95
- Direct labour and MPF	8,548	39.77	5,967	19.57
- Transportation	4,689	21.82	2,611	8.56
- Depreciation	198	0.92	649	2.13
- Petrol	1,978	9.20	885	2.90
- Repairs and maintenance	260	1.21	475	1.56
- Security fee	321	1.49	—	—
- Cleaning fee	174	0.81	—	—
- Other direct costs	1,150	5.36	255	0.85
	<u>21,491</u>	<u>100.00</u>	<u>30,485</u>	<u>100.00</u>
Gross profit	<u>1,955</u>		<u>8,896</u>	
Gross profit margin	8.34%		22.59%	

Comparing our other projects with the Tseung Kwan O Area 137 project, we generally undertake projects with higher technical components. For example, the construction works at Liantang/Heung Yuen Wai Boundary Control Point includes more technical construction works such as devising construction methods for retaining wall, and noise barriers, and we had made a number of submissions to the main contractor in this regard. For projects involved technical components, we made various submissions to the relevant main contractors in relation to i) the construction methods for demolition, excavation and structural work; ii) the design for lateral support and retaining wall; and iii) different plans for environmental protection, noise control and safety management. Most of the submissions involve technical calculations, mathematical formulae that would require knowledge and experience in the civil engineering construction industry. On the contrary, we were not required to make any submissions in relation to the construction works at the Tseung Kwan O Area 137 due to their non-technical nature. We would generally be able to charge higher profit margins for construction works that have higher technical components.

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Our principal business objectives are to capture more business opportunities on the market, to further strengthen our market position in the civil engineering construction industry in Hong Kong and to create long-term Shareholders' value. For further information on the our business strategies, please refer to the paragraph headed "Business Strategies" in the "Business" section to this prospectus. It is not part of our business strategy to focus on sizeable project with low profit margin. We engage the project at Tseung Kwan O Area 137 mainly because (i) this project involved a substantial contract value of approximately HK\$184.7 million and will generate stable revenue and cashflow in the coming years, (ii) this project may assist us to tender future projects in the Tseung Kwan O area, and (iii) this project would enhance our relationship with the joint-venture partners of Customer E and may assist us in tendering projects from them in the future.

We expect that the project at Tseung Kwan O Area 137 will lower our total gross profit margin for the coming financial years. It is because the project at Tseung Kwan O Area 137 has a substantial contract value of approximately HK\$184.7 million and the overall gross margin of such project was estimated to approximately 5.00%.

The following table sets out gross profits margin of our contracts and variation orders:

	<b>Four months ended 31 July</b>	
	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	
Contracts	23.66%	11.53%
Variation orders	74.40%	34.82%

During the four months ended 31 July 2016 and 31 July 2017, the gross profit margins of the construction contracts were approximately 23.66% and 11.53%, respectively. The decrease in the gross profit margin of the construction contracts was mainly due to the gross profit margin of the sizable project in Tseung Kwan O Area 137 was significantly lower, which is estimated at approximately 5% only. While the gross profit margins of variation orders were approximately 74.40% and 34.82%, respectively. The decrease in the gross profit margins of variation orders were mainly due to a drop in the profit margin of the project in Liantang/Heung Yuen Wai Boundary Control Point during the four months ended 31 July 2017. The variation orders of which were completed during the four months ended 31 July 2016 were mainly removal works. The gross profit margins of such works were much higher since we provided our site equipment only and no materials were needed for doing such works.

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The following table sets out gross profits margins by the nature of construction works during the four months ended 31 July 2016 and 31 July 2017:

	<b>Four months ended 31 July</b>		
	<b>2016</b>	<b>2017</b>	<b>Difference</b>
	<i>%</i>	<i>%</i>	<i>%</i>
	<i>(Unaudited)</i>		
Site formation works	52.85	17.16	(35.69%)
Road and drainage works	21.67	27.84	6.17%
Structural works	9.72	15.87	6.15%
Other works	100.00	—	(100.00)

### Site formation works

For the four months ended 31 July 2016 and 31 July 2017, the largest proportion of our civil engineering construction works was site formation works, representing approximately 84.49% and 63.64% of our total gross profit, respectively. Although we had undertaken a sizable project in Tseung Kwan O Area 137 which involved a relatively large volume of site formation works during the four months ended 31 July 2017, the gross profit margin was significantly lower than other projects undertook by us, this led to a significant decrease in our gross profit margin of site formation works.

### Road and drainage works

The gross profit margin of road and drainage works increased from approximately 21.67% for the four months ended 31 July 2016 to approximately 27.84% for the four months ended 31 July 2017. The increase was due to the TKO-LT Tunnel project undertook during the four months ended 31 July 2017.

### Structural works and other works

The gross profit margin of structural works increased from approximately 9.72% for the four months ended 31 July 2016 to approximately 15.87% for the four months ended 31 July 2017. The increase was because we had undertaken a sizable project in Liantang/Heung Yuen Wai Boundary Control Point which involved a relatively large volume of structural works during the four months ended 31 July 2017, this led to a significant increase in our gross profit for structural works.

The gross profit margin of other works decreased from 100.00% for the four months ended 31 July 2016 to nil for the four months ended 31 July 2017 since the civil engineering construction management services we provided as other works during the four months ended 31 July 2016 which did not require us to incur any direct costs and no other work was undertaken during the four months ended 31 July 2017.

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### Overall

The following table sets out the gross profit ratio, percentage in revenue and the portion of gross profits margins by the nature of construction works:

	Four months ended 31 July					
	2016			2017		
	<i>Gross profit margin of the relevant project/nature of works</i>	<i>Attribution to total revenue</i>	<i>Attribution to overall gross profit margin</i>	<i>Gross profit margin of the relevant project/nature of works</i>	<i>Attribution to total revenue</i>	<i>Attribution to overall gross profit margin</i>
Site formation works-Liantang	54.79%	48.05%	26.33%	30.16%	18.31%	5.52%
Site formation works-Macau	52.51%	5.42%	2.85%	—	—	—
Site formation works-Tseung Kwan O Area 137	—	—	—	8.34%	37.32%	3.11%
Site formation works-Other	33.29%	4.67%	1.55%	27.98%	8.43%	2.36%
Road and drainage works	21.67%	6.02%	1.30%	27.83%	4.81%	1.34%
Structural works	9.72%	34.89%	3.39%	15.87%	31.13%	4.94%
Other works	100.00%	0.95%	0.95%	—	—	—
		<u>100.00%</u>	<u>36.37%</u>		<u>100.00%</u>	<u>17.27%</u>

The above table illustrates the effect of the relevant site formation project or nature of works (as the case may be) to the overall gross profit margin of the Group for the relevant period. The decrease of the attribution to overall gross profit margin was mainly due to a drop in the gross profit margin of the project in Liantang/Heung Yuen Wai Boundary Control Point during the four months ended 31 July 2017. The site formation works of which were completed during the four months ended 31 July 2016 were mainly removal works. The gross profit margins of such works were much higher since we provided our site equipment only and no materials were needed for doing such works.

The gross profit margin of site formation works at Liantang/Heung Yuen Wai Boundary Control Point decreased from approximately 54.79% for the four months ended 31 July 2016 to approximately 30.16% for the four months ended 31 July 2017.

### Other income

Our Group's other income increased by approximately HK\$5,000, or 100.00%, from approximately HK\$5,000 for the four months ended 31 July 2016 to approximately HK\$10,000 for the four months ended 31 July 2017. The increase was due to the consultancy income received for the four months ended 31 July 2017.

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### *Other gains and losses*

Our Group's net other gains and losses increased by approximately HK\$80,000, from nil for the four months ended 31 July 2016 to approximately HK\$80,000 for the four months ended 31 July 2017, due to a gain on fair value of investment property of approximately HK\$700,000 and a loss on fair value change of convertible loan notes of approximately HK\$620,000 during the four months ended 31 July 2017.

### *Administrative expenses*

Our Group's administrative expenses increased by approximately HK\$651,000, or 40.16%, from approximately HK\$1,621,000 for the four months ended 31 July 2016 to approximately HK\$2,272,000 for the four months ended 31 July 2017. Directors' remuneration, representing the largest item within our administrative expenses, had slightly decreased by approximately HK\$83,000 from approximately HK\$1,095,000 for the four months ended 31 July 2016 to approximately HK\$1,012,000 for the four months ended 31 July 2017 as the bonus of the Directors were not accounted for the four months ended 31 July 2017. Staff salaries and MPF (Office) increased by approximately HK\$248,000, from approximately HK\$162,000 for the four months ended 31 July 2016 to approximately HK\$410,000 for the four months ended 31 July 2017 mainly due to an increase in the number of office staff recruited during the four months ended 31 July 2017. Other administrative expenses increased by approximately HK\$532,000, from approximately HK\$109,000 for the four months ended 31 July 2016 to approximately HK\$641,000 for the four months ended 31 July 2017 mainly because we incurred extra rental expense from leasing a new office and application fees for the certification of ISO 14001:2015 and OHSAS 18001:2007 during the four months ended 31 July 2017.

### *Finance costs*

Our Group's finance costs increased by approximately HK\$754,000, or 235.63%, from approximately HK\$320,000 for the four months ended 31 July 2016 to approximately HK\$1,074,000 for the four months ended 31 July 2017. The increase was mainly due to the effective interest expense on convertible loan notes and the additional financing for the acquisition of site equipment and supporting working capital to meet the requirements of the various projects undertaken during the four months ended 31 July 2017.

### *Taxation*

Our taxation increased by approximately HK\$574,000, or 74.16%, from approximately HK\$774,000 for the four months ended 31 July 2016 to approximately HK\$1,348,000 for the four months ended 31 July 2017, due to an increase in the assessable income for the four months ended 31 July 2017. During the four months ended 31 July 2016 and 31 July 2017, the effective tax rate of our Group was approximately 17.90% and 59.02%, respectively, which were higher than the statutory tax rate of 16.50% due to the inclusive of non-deductible expenses such as Listing expenses and the effect arising from the different calculation methods adopted between tax authorities and the accounting treatment on the depreciation of our property, plant and equipment.



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### *Profit for the period, net profit margin and total comprehensive income for the period*

Our Group's profit for the period and total comprehensive income for the period decreased by approximately HK\$2,615,000, or 73.64%, from approximately HK\$3,551,000 for the four months ended 31 July 2016 to approximately HK\$936,000 for the four months ended 31 July 2017. And our net profit margin decreased from 20.63% for the four months ended 31 July 2016 to 1.49% for the four months ended 31 July 2017 mainly because of the Listing expenses and the decrease of the gross profit margin.

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the Track Record Period, we met our liquidity requirements principally through funds generated internally, finance leases and bank borrowings. On 22 December 2016, we issued convertible loan notes and the proceeds of the loan notes were used for settling part of the Listing expenses. Our use of cash is mainly for working capital and capital expenditures on our property, plant and equipment. On 28 June 2017, Mr. SW Tang subscribed for 4,000 Shares for a consideration of HK\$10,000,000. As at the Latest Practicable Date, we had not experienced any liquidity problems in settling our payables in the normal course of business.

#### Cash flows

The following table sets out our Group's cash flows for the years/periods indicated:

	<b>Year ended 31 March</b>		<b>Four months ended 31 July</b>	
	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>			
Operating cash flows before movements in working capital	<u>9,518</u>	<u>18,322</u>	<u>5,515</u>	<u>4,234</u>
Net cash from/(used in) operating activities	5,936	(1,564)	(1,432)	(1,095)
Net cash (used in)/from investing activities	(1,802)	2,337	(133)	(6,060)
Net cash from/(used in) financing activities	<u>3,022</u>	<u>3,806</u>	<u>(1,256)</u>	<u>19,186</u>
Net increase/(decrease) in cash and cash equivalents	7,156	4,579	(2,821)	12,031
Cash and cash equivalents as at beginning of year/period	<u>1,423</u>	<u>8,579</u>	<u>8,579</u>	<u>13,158</u>
Cash and cash equivalents as at end of year/period	<u>8,579</u>	<u>13,158</u>	<u>5,758</u>	<u>25,189</u>

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### *Net cash from/used in operating activities*

During the year ended 31 March 2017, our operating activities generated operating cash flows of approximately HK\$18,322,000 before movements in working capital, and we had net cash used in operating activities of approximately HK\$1,564,000. Movements in working capital were (i) an increase in rental deposits of approximately HK\$80,000; (ii) an increase in trade and other receivables of approximately HK\$12,860,000, which is in line with an increase in revenue of approximately HK\$49,679,000; (iii) an increase in amounts due from customers for contract work of approximately HK\$15,268,000; (iv) an increase in trade and other payables of approximately HK\$11,867,000; and (v) a decrease in amounts due to customers for contract work of approximately HK\$3,000,000.

During the year ended 31 March 2016, our cash generated from operations consisted of operating profit of approximately HK\$9,518,000 before working capital changes, and we had net cash from operating activities of approximately HK\$5,936,000. Working capital changes primarily included (i) an increase in trade and other receivables of approximately HK\$4,910,000; (ii) an increase in amounts due from customers for contract work of approximately HK\$985,000; (iii) an increase in trade and other payables of approximately HK\$250,000; and (iv) an increase in amount due to customers for contract work of approximately HK\$1,986,000. Total amount due from/to customers for contract works of each year varies in volume and value which is determined by the nature of our work.

A tax refund of HK\$77,000 was received during the year ended 31 March 2016 and a tax of HK\$545,000 was paid during the year ended 31 March 2017.

During the four months ended 31 July 2017, our cash used in operations consisted of operating profit of approximately HK\$4,234,000 before working capital changes, and we had net cash used in operating activities of approximately HK\$1,095,000. Working capital changes primarily included (i) an increase in trade and other receivables of approximately HK\$21,688,000; (ii) an decrease in amounts due from customers for contract work of approximately HK\$3,004,000; (iii) an increase in trade and other payables of approximately HK\$13,681,000; and (iv) an decrease in amount due to customers for contract work of approximately HK\$170,000. Total amount due from/to customers for contract works of each year varies in volume and value which is determined by the nature of our work.

Please refer to the section headed “Amount due to/from customers for contract work” in this prospectus for a discussion of amounts due to and from customers for contract work.

### *Net cash used in/from investing activities*

During the year ended 31 March 2017, we recorded net cash generated from investing activities amounted to approximately HK\$2,337,000, which was mainly derived from proceeds of the disposal of property, plant and equipment of approximately HK\$4,130,000 and partly offset by the payment of purchases for property, plant and equipment of approximately HK\$1,793,000.

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During the year ended 31 March 2016, we recorded net cash used in investing activities amounted to approximately HK\$1,802,000, which was mainly due to purchases of property, plant and equipment of approximately HK\$1,652,000 and the deposits paid for acquisition of property, plant and equipment of approximately HK\$150,000. The deposits paid was for a motor car which was purchased by our Group.

During the four months ended 31 July 2017, we recorded net cash used in investing activities amounted to approximately HK\$6,060,000, which was partly derived from the payment of purchases for property, plant and equipment of approximately HK\$3,060,000 and the placement of pledged bank deposit of approximately HK\$3,000,000.

### *Net cash from/used in financing activities*

During the year ended 31 March 2017, we recorded net cash generated from financing activities amounted to approximately HK\$3,806,000. Cash inflows from financing activities included (i) the raising of new bank borrowings of approximately HK\$1,253,000 for working capital purposes; (ii) the advance from a Director of approximately HK\$6,456,000 for working capital purposes; and (iii) the issue of convertible loan notes of approximately HK\$10,000,000 for general working capital and Listing expenses. Cash outflows for financing activities included (i) repayments of bank borrowings of approximately HK\$2,343,000; (ii) repayment of a Director of approximately HK\$6,476,000; (iii) repayment of capital element of finance leases of approximately HK\$4,220,000 for the hire purchase of certain motor vehicles and plant and machinery; (iv) interest paid on bank borrowings of approximately HK\$411,000; and (v) payment of interest element of finance leases of approximately HK\$453,000 for the hire purchase of certain motor vehicles and plant and machinery.

During the year ended 31 March 2016, we recorded net cash generated from financing activities amounted to approximately HK\$3,022,000. Cash inflows from financing activities included (i) the raising of new bank borrowings of approximately HK\$8,111,000 for working capital purposes; and (ii) the advance from a Director of approximately HK\$1,832,000 for working capital purposes. Cash outflows for financing activities included (i) repayment of bank borrowings of approximately HK\$1,642,000; (ii) repayment to a Director of approximately HK\$1,812,000; (iii) repayment of capital element of finance leases of approximately HK\$3,072,000 for the hire purchase of certain motor vehicles and plant and machinery; (iv) interest paid for bank borrowings of approximately HK\$196,000; and (v) payment of interest element of finance leases of approximately HK\$199,000 for the hire purchase of certain motor vehicles and plant and machinery.

During the four months ended 31 July 2017, we recorded net cash generated from financing activities amounted to approximately HK\$19,186,000. Cash inflows from financing activities included (i) the raising of new bank borrowings of approximately HK\$18,152,000 for working capital purposes; and (ii) the issue of shares of the Company of approximately HK\$10,000,000 for general working capital and Listing expenses. Cash outflows for financing activities included (i) repayments of bank borrowings of approximately HK\$6,616,000; (ii) repayment of capital element of finance leases of approximately HK\$1,920,000 for the hire purchase of certain motor vehicles and plant and machinery;

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(iii) interest paid on bank borrowings of approximately HK\$222,000; and (iv) payment of interest element of finance leases of approximately HK\$208,000 for the hire purchase of certain motor vehicles and plant and machinery.

### Net current assets and liabilities

The following table sets out details of our Group's net current assets and liabilities as at the respective dates indicated:

	As at 31 March		As at 31 July	As at 30 November
	2016	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
<b>Current assets</b>				
Trade and other receivables	9,206	22,066	43,754	63,021
Amounts due from customers for contract work	985	16,253	13,249	19,061
Bank balances and cash	<u>8,579</u>	<u>13,158</u>	<u>25,189</u>	<u>11,057</u>
	<u>18,770</u>	<u>51,477</u>	<u>82,192</u>	<u>93,139</u>
<b>Current liabilities</b>				
Trade and other payables	3,089	15,436	32,002	35,608
Amounts due to customers for contract work	4,695	1,695	1,525	1,151
Amount due to a director	20	—	—	—
Tax payable	948	2,444	2,868	2,527
Bank borrowings	7,642	6,552	18,088	16,994
Obligations under finance leases	<u>4,111</u>	<u>5,061</u>	<u>5,091</u>	<u>4,309</u>
	<u>20,505</u>	<u>31,188</u>	<u>59,574</u>	<u>60,589</u>
Net current (liabilities)/assets	<u>(1,735)</u>	<u>20,289</u>	<u>22,618</u>	<u>32,550</u>

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We recorded net current assets of approximately HK\$20,289,000 as at 31 March 2017 due to an increase of the revenue which comprised (i) trade and other receivables of approximately HK\$22,066,000; (ii) amounts due from customers for contract work of approximately HK\$16,253,000; and (iii) cash and bank balances of approximately HK\$13,158,000. Our current liabilities of approximately HK\$31,188,000 as at 31 March 2017 comprised (i) trade and other payables of approximately HK\$15,436,000; (ii) amounts due to customers for contract work of approximately HK\$1,695,000; (iii) tax payable of approximately HK\$2,444,000; (iv) bank borrowings of approximately HK\$6,552,000; and (v) obligations under finance leases of approximately HK\$5,061,000.

We recorded net current liabilities of approximately HK\$1,735,000 as at 31 March 2016 which comprised (i) trade and other receivables of approximately HK\$9,206,000; (ii) amounts due from customers for contract work of approximately HK\$985,000; and (iii) cash and bank balances of approximately HK\$8,579,000. Our current liabilities of approximately HK\$20,505,000 as at 31 March 2016 comprised (i) trade and other payables of approximately HK\$3,089,000; (ii) amounts due to customers for contract work of approximately HK\$4,695,000; (iii) amount due to a director of approximately HK\$20,000; (iv) tax payable of approximately HK\$948,000; (v) bank borrowings of approximately HK\$7,642,000; and (vi) obligations under finance leases of approximately HK\$4,111,000.

We recorded net current assets of approximately HK\$22,618,000 as at 31 July 2017 which comprised (i) trade and other receivables of approximately HK\$43,754,000; (ii) amounts due from customers for contract work of approximately HK\$13,249,000; and (iii) cash and bank balances of approximately HK\$25,189,000. Our current liabilities of approximately HK\$59,574,000 as at 31 July 2017 comprised (i) trade and other payables of approximately HK\$32,002,000; (ii) amounts due to customers for contract work of approximately HK\$1,525,000; (iii) tax payable of approximately HK\$2,868,000; (iv) bank borrowings of approximately HK\$18,088,000; and (v) obligations under finance leases of approximately HK\$5,091,000.

We recorded net current assets of approximately HK\$32,550,000 as at 30 November 2017 which comprised (i) trade and other receivables of approximately HK\$63,021,000; (ii) amounts due from customers for contract work of approximately HK\$19,061,000; and (iii) cash and bank balances of approximately HK\$11,057,000. Our current liabilities of approximately HK\$60,589,000 as at 31 November 2017 comprised (i) trade and other payables of approximately HK\$35,608,000; (ii) amounts due to customers for contract work of approximately HK\$1,151,000; (iii) tax payable of approximately HK\$2,527,000; (iv) bank borrowings of approximately HK\$16,994,000; and (v) obligations under finance leases of approximately HK\$4,309,000.

During the year ended 31 March 2017, our net current assets increased by approximately HK\$22,024,000, from the net current liabilities of approximately HK\$1,735,000 as at 31 March 2016 to the net current assets of approximately HK\$20,289,000 as at 31 March 2017. Such increase is mainly due to an increase in our construction activities during the year ended 31 March 2017 resulting in an increase in our trade and other receivables and amounts due from customers for contract work. Our current liabilities also increased as we incurred more direct costs and raised bank borrowings to support our increasing construction activities.

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During the period from 1 April 2017 to 31 July 2017, our net current assets increased by approximately HK\$2,329,000, from the net current assets of approximately HK\$20,289,000 as at 31 March 2017 to the net current assets of approximately HK\$22,618,000 as at 31 July 2017. Such increase was mainly due to a significant increase in our trade and other receivables and bank balances and cash during the period from 1 April 2017 to 31 July 2017, which partly set-off by the increase of the trade and other payables and bank borrowings. The drawdowns for bank borrowings of HK\$12,000,000 during the period from 1 April 2017 to 31 July 2017 were mainly utilised for the sizable project at Tseung Kwan O Area 137 as significant costs were incurred at the preliminary stage during the period from 1 April 2017 to 31 May 2017, but our income can only be recorded after our construction works were certified by the customer's surveyors.

During the period from 1 April 2017 to 30 November 2017, our net current assets increased by approximately HK\$12,261,000, from the net current assets of approximately HK\$20,289,000 as at 31 March 2017 to the net current assets of approximately HK\$32,550,000 as at 30 November 2017. Such increase was mainly due to the significant increase in our trade and other receivables generated from the sizeable project in Tseung Kwan O Area 137, which were partly off-set by the increase in the trade and other payables, and bank borrowings incurred in relation to Tseung Kwan O Area 137; and repayments of finance leases which led to a decrease in obligations under finance leases.

Our Directors confirmed that we have not had material defaults in payment of trade and non-trade payables and bank borrowings, and/or breaches of finance covenants during the Track Record Period.

### WORKING CAPITAL

Taking into consideration of our internal resources including internally generated funds and cash and cash equivalents on hand, available facilities and the estimated net proceeds from the Hong Kong Public Offering, our Directors are of the opinion that we have sufficient working capital for our present requirements and for at least 12 months from the date of this prospectus.

Our bank borrowing agreements, finance lease arrangement and the convertible loan notes do not contain any material covenants that will have a material adverse effect on our Group's outstanding borrowings, finance leases and the convertible loan notes during the Track Record Period and up to the Latest Practicable Date.

### DISCUSSION OF CERTAIN CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

#### Property, plant and equipment

Our Group's property, plant and equipment mainly consist of plant and machinery, motor vehicles and leasehold land and buildings. The property, plant and equipment are depreciated on a straight-line basis per annum of which (i) leasehold land and buildings are depreciated over the shorter of the terms of the lease or 50 years; (ii) leasehold improvements are depreciated over the lease terms;

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(iii) office equipment, furniture and fixtures are depreciated at 20%; and (iv) motor vehicles are depreciated at 10% to 20%; and (v) plant and machinery are depreciated at 10%. We purchased our plant and machinery, motor vehicles and leasehold land and buildings mainly with our internally generated earnings, bank loans and/or through finance lease arrangements.

Our Group owned a property in Hong Kong for leasing and rented a property in Hong Kong for office use. For details of our properties, please refer to the section headed “Business — Properties” of this prospectus.

Also, as at 31 March 2016, our Group had pledged leasehold land and buildings with a net book value of approximately HK\$10,721,000 to secure general banking facilities granted to our Group.

Plant and machinery are primarily the various types of site equipment for our civil engineering construction works, which include excavators, hydraulic drillers, dump trucks, crane lorries, hydraulic breakers and vibrating rollers. The plant and machinery had a carrying amount of approximately HK\$13,953,000 as at 31 March 2016, which decreased slightly to approximately HK\$12,695,000 as at 31 March 2017 due to depreciation of plant and machinery and replacement of certain hydraulic drillers during the year. And increased to approximately HK\$16,638,000 as at 31 July 2017 by comparing to 31 March 2017 due to acquisition of certain site equipment including 8 hydraulic excavators during the period. Please refer to the section headed “Business — Site equipment” of this prospectus.

Motor vehicles are mainly vans and crane lorries used for transportation of employees between civil engineering construction sites. The carrying amount of our motor vehicles was approximately HK\$5,982,000 as at 31 March 2016 which increased to approximately HK\$6,082,000 as at 31 March 2017 due to acquisition of motor vehicles, although partly offset by the annual depreciation of the motor vehicles.

Some of our motor vehicles and plant and machinery were purchased by entering into finance lease arrangements during the Track Record Period. As at 31 March 2016, 2017 and 31 July 2017, the net book value of our motor vehicles held under finance leases were approximately HK\$5,960,000, HK\$6,072,000 and HK\$7,246,000, respectively. As at 31 March 2016, 2017 and 31 July 2017, our plant and machinery with a net book amount of approximately HK\$7,692,000, HK\$10,974,000 and HK\$10,563,000, respectively, were held under finance leases.

### Investment property

	<i>HK\$'000</i>
Fair value	
Transferred from property, plant and equipment	
and as at 31 March 2017	13,200
Fair value change during the period	<u>700</u>
As at 31 July 2017	13,900
Fair value change during the period	<u>100</u>
As at 30 November 2017	<u><u>14,000</u></u>



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The reconciliation of our investment property as at 31 July 2017 and such investment property in our consolidated financial information as at 30 November 2017 as above are required under Rule 8.30 of the GEM Listing Rules, is set out solely for illustrative purpose. CHFT, an independent firm of professional valuer, has valued the property interests held by the Company as at 30 November 2017. Details of the valuation are set out in Appendix III to this prospectus.

Our Group's property interests held under operating leases to earn rental or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment property.

During the year ended 31 March 2017, the use of property of our Group has changed from owner-occupation to leasing out for rental income. The leasehold land and building with net book value of HK\$10,505,000 are transferred from property, plant and equipment to investment property at the date of the end of owner-occupation. Upon the change of intended use, the difference of HK\$2,695,000 between the net book value and the fair value of the property of HK\$13,200,000 is recognised in other comprehensive income and accumulated in "property revaluation reserve".

As at 31 March 2017 and 31 July 2017, our Group had pledged investment property with a carrying amount of HK\$13,200,000 and HK\$13,900,000 to secure general banking facilities granted to our Group, respectively.

### Amounts due to/from customers for contract work

Our construction contracts in progress are recorded based on the amount of costs incurred plus/(less) recognised profit/(losses) less progress billings.

Amounts due from customers for contract work represent the surplus of civil engineering construction contracts at the end of each reporting period when the contract costs incurred plus recognised profits (less recognised losses) exceed progress billings. When our Group recognised revenue by reference to the proportion of contract cost incurred for work performed to date relative to the budgeted construction costs, amounts due from customers for contract work represented unbilled revenue. And the amounts due to customers for contract work represent construction contracts in progress at the end of each reporting period and are incurred when the progress billings exceeds contract costs incurred plus recognised profit less recognised loss.

The following table sets out our Group's amounts due to/from customers for contract work as at the respective dates indicated:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
			HK\$'000
Contracts in progress at the end of each reporting period:			
Contract costs incurred plus recognised profits less recognised loss	74,868	138,324	184,276



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	As at 31 March		As at 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Less: Progress billings	<u>(78,578)</u>	<u>(123,766)</u>	<u>(172,552)</u>
Total	<u><u>(3,710)</u></u>	<u><u>14,558</u></u>	<u><u>11,724</u></u>
Analysed as:			
Amounts due from customers for contract work	985	16,253	13,249
Amounts due to customers for contract work	<u>(4,695)</u>	<u>(1,695)</u>	<u>(1,525)</u>
	<u><u>(3,710)</u></u>	<u><u>14,558</u></u>	<u><u>11,724</u></u>

The amounts due from customers for contract work increased from approximately HK\$985,000 as at 31 March 2016 to HK\$16,253,000 as at 31 March 2017, while the amounts due to customers for contract work decreased from approximately HK\$4,695,000 as at 31 March 2016 to HK\$1,695,000 as at 31 March 2017. And the amounts due from customers for contract work decreased from approximately HK\$16,253,000 as at 31 March 2017 to HK\$13,249,000 as at 31 July 2017, while the amounts due to customers for contract work decreased from approximately HK\$1,695,000 as at 31 March 2017 to HK\$1,525,000 as at 31 July 2017. The amounts due from/to customers for contract works are usually affected by the volume and value of construction works we performed close to the end of each reporting period and the timing of receiving interim certificates, and thus vary from period to period. The amounts due from customers for contract works increased mainly due to an increase in projects costs, as a result of which the revenue booked in the accounts was of a larger sum than the payment bills to customers issued after the year-end date for certain projects. The project at Liantang/Heung Yuen Wai Boundary Control Point undertaken by us accounted for a significant increase in the amounts due from customer for contract works by approximately HK\$16,147,000 as at 31 March 2017 and decreased approximately HK\$1,987,000 as at 31 July 2017. Considering the amount of time needed not only for our customer to undertake detailed assessment of the civil engineering construction works performed, but also for all parties to reach a consensus on the final account, the certification process would normally take between six months to one year to complete. Interim bills are issued on a monthly basis. The amounts due to customers for contract work decreased mainly as the revenue booked according to the related costs by stages were smaller than the payment bills to customers issued after the year-end date for certain projects.

As at 31 March 2016, 31 March 2017 and 31 July 2017, the amounts due from customers for contract work were approximately HK\$985,000, HK\$16,253,000 and HK\$13,249,000, respectively, of which the amounts of approximately HK\$7,219,000 or 54.49% was certified by our customers as at the Latest Practicable Date. The amounts due from customers for contract work as at 31 March 2016 was relatively small by comparing to the other construction works done by us during the year ended 31 March 2017 and the four months ended 31 July 2017 since we mainly acted as project supervisors and subcontracted most of the construction works of our projects with significant amount to our

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subcontractors. As a project supervisor, we would pay our subcontractors after we received monies from the main contractors due to the low gross profit margin for this kind of projects. Furthermore, most of our construction works for the year ended 31 March 2016 were either at the final stages or at the preliminary stages while most of our construction works for the year ended 31 March 2017 and the four months ended 31 July 2017 were at the middle stages. Timing differences between the completion of site works, issuance and billing of payment certificates would generally be shorter at the preliminary stages and the final stages. At the preliminary stages, we would often have our preliminary costs certified rather quickly as the preliminary costs are often the expenses arising from the preparation of a project. During the middle stages of the projects, our customer would normally certify the relevant construction works at the time of its full completion. It is therefore, the case that the interim payment from our customer would tend to take longer than the other stages. At the final stages of the projects, as most of construction works would generally be completed, we would generally be able to catch up the progress payment from our customer. Given that the main projects at Liantang/Heung Yuen Wai Boundary Control Point and Kai Tak Development were in the middle stage as of 31 March 2017 and 31 July 2017, there was a significant increase in the amounts due from customers for contract works at that time.

Approximately HK\$11,504,000 and HK\$4,329,000 as at 31 March 2017 and approximately HK\$9,959,000 and HK\$1,729,000 as at 31 July 2017 were the amounts due from CRBC-CEC-KADEN Joint Venture and Customer D, respectively, relating to the major projects at Liantang/Heung Yuen Wai Boundary Control Point and Kai Tak Development, respectively, which are expected to be completed by the end of 2018 and in March 2018, respectively. As of the Latest Practicable Date, approximately HK\$4,746,000 or 41.26% and HK\$1,549,000 or 35.78% had been certified by the aforesaid customers respectively, which approximately 85.39% of the amounts had been settled, and the total outstanding balances which are not yet approved/ certified as stated in the interim payment certificates from the customers were approximately HK\$6,031,000, of which approximately HK\$5,213,000 or 86.44% and HK\$180,000 or 2.98% were related to our major projects at Liantang/Heung Yuen Wai Boundary Control Point and Kai Tak Development, respectively. Settlement of payments from the customers would take longer because it took time for us to make an application for interim payments and prepared the necessary supporting documents while it also took time for our customers to approve our payment applications, inspect and certify completion of the underlying construction works and to issue the relevant payment certificates to us. It is difficult to estimate the stages of completion accurately, particularly after all the preliminary costs were certified at the preliminary stages of the projects. There are normally timing differences between the completion of site works and issuance and billing of payment certificates. For the project located at Liantang/Heung Yuen Wai Boundary Control Point, certain construction works such as installing and bedding pipes, the construction works will only be certified by our customer after they have been fully completed by us. In addition, the construction of retaining walls were paused during the period between June 2017 to July 2017 which caused delay in reforming the underlying construction works and receiving payments from the customer. We recognised revenue based on our cost incurred on those performed works as at 31 July 2017, and thus a large sum was recorded in the amounts due from our customers for the partially completed contract work. As we used our actual costs each month to account for the revenue each month and most of our projects were public sector projects originated by the Government, such as the projects located at Liantang/Heung Yuen Wai Boundary Control Point and Kai Tak Development, the payment certificates

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will eventually catch up our recognised revenue and our actual stages of construction works when the projects are fully completed. In light of the above, our Directors consider that no impairment of amounts due from customers for contract work for the key projects at Liantang/Heung Yuen Wai Boundary Control Point and Kai Tak Development is necessary.

### Trade and other receivables

Our trade and other receivables consisted of (i) trade receivables; (ii) retention receivables; (iii) prepayments and deposits; and (iv) prepaid and deferred Listing expenses. The following table sets out the breakdown of trade and other receivables as at the respective dates indicated:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
			HK\$'000
Trade receivables	5,531	13,871	30,670
Retention receivables	3,652	7,630	10,020
Prepayments and deposits	23	76	487
Deferred Listing expenses	—	—	2,350
Prepaid Listing expenses	—	489	227
	<u>9,206</u>	<u>22,066</u>	<u>43,754</u>

### Trade receivables

Trade receivables were mainly derived from our civil engineering construction works. Before accepting any new customer, we assess the potential customers' credit quality, their qualifications and experience in the civil engineering construction industry.

We have a policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on the management's judgement including the creditworthiness and the past collection history of each customer. During the Track Record Period, our Group did not have any bad debt or no provision was made for our trade receivables.

Our trade receivables increased from approximately HK\$5,531,000 as at 31 March 2016 to approximately HK\$13,871,000 as at 31 March 2017 and approximately HK\$30,670,000 as at 31 July 2017 due to an increase in civil engineering construction works during the period from 1 April 2016 to 31 July 2017, which led to an increase in our revenue.

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To a certain extent, our trade receivables (including retention money receivables) were concentrated to our largest debtor and the five largest debtors as illustrated in the table below for the respective dates indicated:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2016</b>	<b>2017</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Largest debtor	6,280	12,312	19,720
Five largest debtors	<u>8,891</u>	<u>20,516</u>	<u>38,305</u>

An aging analysis of the trade receivables based on the customer's payment certificate date at the end of each reporting period is presented as follows:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2016</b>	<b>2017</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	2,505	9,139	16,868
31-60 days	2,460	4,225	12,914
61-90 days	50	507	50
Over 90 days	<u>516</u>	<u>—</u>	<u>838</u>
	<u>5,531</u>	<u>13,871</u>	<u>30,670</u>

We grant a credit term of 30 to 45 days to our customers from the date of invoice on progress payments of contract work.

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK\$3,026,000, HK\$607,000 and HK\$938,000 which are past due at 31 March 2016, 31 March 2017 and 31 July 2017, respectively, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivables and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Our trade receivables turnover days were approximately 38.94 days for the year ended 31 March 2016, 39.35 days for the year ended 31 March 2017 and 42.54 days for the four months ended 31 July 2017, which were within our normal credit terms. As at the Latest Practicable Date, approximately HK\$29,820,000 or 97.23% of our trade receivables as at 31 July 2017 had been settled.

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An aging analysis of the trade receivables which are past due but not impaired is presented as follows:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
			HK\$'000
Overdue by:			
0-30 days	2,460	100	50
31-60 days	50	507	50
61-90 days	516	—	50
91 to 180 days	—	—	788
	<u>3,026</u>	<u>607</u>	<u>938</u>

A significant increase in past due trade receivables balance which was overdue by 91 to 180 days as at 31 July 2017 was mainly due to the certification of final payment of our works having been completed at Lok Ma Chau (The Boxes, San Tin Shopping City), which would generally take six months to one year to complete. We expect it to be settled by the end of the financial year 2018.

In determining the recoverability of a trade receivable, we consider any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of each reporting period. The trade receivables past due but not impaired as at the end of each reporting period were either subsequently settled or no historical default of payments was noted by the respective customers and our management of the Group believes that no recognition of impairment is required.

### ***Retention receivables***

Retention receivables represented retention monies withheld by customers of contract works, which are unsecured, interest-free and recoverable after completion of the maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

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Retention receivables to be settled upon expiry of the defects liability period as at the end of each reporting period is presented as follows:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
			HK\$'000
On demand or within one year	1,515	1,066	1,284
After one year	<u>2,137</u>	<u>6,564</u>	<u>8,736</u>
	<u>3,652</u>	<u>7,630</u>	<u>10,020</u>

As at Latest Practicable Date, the amount of HK\$10,020,000 being the entire amount of the retention monies receivable has yet been settled. The remaining amount will be settled after the projects were completed and the final accounts were agreed with the customers.

### *Prepayments and deposits*

Prepayments and deposits mainly represented amounts paid for rental and utility deposits for office. Prepayments and deposits amounted to approximately HK\$23,000, HK\$76,000 and HK\$487,000 as at 31 March 2016, 31 March 2017 and 31 July 2017, respectively. The increase in amount was due to payment of rental deposit during the year ended 31 March 2017 and the increase of the deposit paid to our suppliers for the four months ended 31 July 2017.

### *Prepaid Listing expenses and deferred Listing expenses*

Prepaid Listing expenses and deferred Listing expenses amounted to approximately HK\$489,000 and nil as at 31 March 2017, respectively and approximately HK\$227,000 and HK\$2,350,000 as at 31 July 2017, respectively for the Listing expenses to be recognised to equity upon the Listing.

### **Bank balance and cash**

Bank balance and cash increased from approximately HK\$8,579,000 as at 31 March 2016 to approximately HK\$13,158,000 as at 31 March 2017 and approximately HK\$25,189,000 as at 31 July 2017 due to the proceeds from the issuance of the convertible loan notes, including the paid-up capital for the allotment of Shares in June 2017 and increase in revenue, which were partly offset by acquisition of site equipment, working capital and Listing expenses.

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### Trade and other payables

Our trade and other payables mainly consisted of (i) trade payables; (ii) retention payables; (iii) accruals and other payables; (iv) accrued Listing expenses; (v) salaries payables; (vi) receipt in advance; and (vii) payables for acquisition of property, plant and equipment. The following table sets out the breakdown of trade and other payables as at the respective dates indicated:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
			HK\$'000
Trade payables			
- third parties	659	8,674	10,658
- a related company <i>(Note)</i>	64	—	—
	723	8,674	10,658
Retention payables	938	1,091	1,717
Accruals and other payables	818	1,523	585
Accrued Listing expenses	—	353	5,441
Salaries payables	610	1,789	6,283
Receipt in advance	—	1,526	3,953
Payables for acquisition of property, plant and equipment	—	480	3,365
	<u>3,089</u>	<u>15,436</u>	<u>32,002</u>

*Note: The amount payable to the related company was unsecured and interest-free.*

### Trade payables

Our trade payables mainly represented amounts payable to our suppliers, from whom we purchased construction materials, and subcontracting fee.

As our business is project-based and our civil engineering construction projects may not be recurring, our direct costs during the Track Record Period increased due to an increase in the volume of our business during the year ended 31 March 2017 and thus our trade payables balance as at the Track Record Period or during the Track Record Period would be increased accordingly. Our trade payables increased from approximately HK\$723,000 as at 31 March 2016 to approximately HK\$8,674,000 as at 31 March 2017 and approximately HK\$10,658,000 as at 31 July 2017.

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The following table sets out our aging analysis of trade payables presented based on the invoice date as at the respective dates indicated:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2016</b>	<b>2017</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	556	8,289	8,530
31-60 days	44	373	830
61-90 days	120	—	936
Over 90 days	3	12	362
	<u>723</u>	<u>8,674</u>	<u>10,658</u>

The credit period of trade payables ranges from 0 to 30 days. Our trade payables turnover days were approximately 17.16 days for the year ended 31 March 2016, 25.85 days for the year ended 31 March 2017 and 22.32 days for the four months ended 31 July 2017, which were within our normal credit period. As at the Latest Practicable Date, 72.23% of our trade payables as at 31 July 2017 had been settled and the unsettled trade payables as at the Latest Practicable Date remained undue mainly within 30 days.

### Amount due to a Director

The amount due to a Director was approximately HK\$20,000, nil and nil as at 31 March 2016, 31 March 2017 and 31 July 2017, respectively. Such amount was due to Mr. SW Tang, which was of non-trade nature, unsecured, interest-free and repayable on demand. And the amount was fully repaid during the year ended 31 March 2017.

### RELATED PARTY TRANSACTIONS AND BALANCES

Please refer to Notes 21, 22 and 36 to the Accountants' Report in Appendix I to this prospectus for details of the related parties transactions and balances with related parties. Our Group entered into the following material related party transactions during the Track Record Period:

<b>Name of related parties</b>	<b>Nature</b>	<b>Year ended 31 March</b>		<b>Four months ended 31 July</b>	
		<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>(Unaudited)</i>					
Sheung Moon Engineering	Rental fee for site machinery	608	324	232	—
Sheung Moon Engineering	Management fee	<u>8</u>	<u>56</u>	<u>32</u>	<u>—</u>



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We are of the view that these transactions were conducted on normal commercial terms, and such terms were similar to those offered to any independent third parties, fair and reasonable and in the interests of our Shareholders as a whole.

Our Directors confirm that the amount due to Sheung Moon Engineering under aforesaid related party transactions has been settled and all personal guarantees given by Mr. SW Tang and Mr. Lai in favour of our Group will be released or replaced by corporate guarantees before Listing.

### INDEBTEDNESS

The following table sets out our Group's indebtedness as at the respective dates indicated:

	As at 31 March		As at 31 July	As at 30 November
	2016	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Amount due to a director	20	—	—	—
Bank borrowings	7,642	6,552	18,088	16,994
Obligations under finance leases	10,888	10,819	11,292	10,319
Convertible loan notes — debt component	—	8,418	9,062	9,756
	<u>18,550</u>	<u>25,789</u>	<u>38,442</u>	<u>37,069</u>

For financial reporting presentation purpose, the following is the analysis between current liabilities and non-current liabilities:

	As at 31 March		As at 31 July	As at 30 November
	2016	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
<b>Current liabilities</b>				
Amount due to a director	20	—	—	—
Bank borrowings	7,642	6,552	18,088	16,994
Obligations under finance leases	<u>4,111</u>	<u>5,061</u>	<u>5,091</u>	<u>4,309</u>
	<u>11,773</u>	<u>11,613</u>	<u>23,179</u>	<u>21,303</u>

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	As at 31 March		As at 31 July 2017	As at 30 November 2017
	2016	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
<b>Non-current liabilities</b>				
Obligations under finance leases	6,777	5,758	6,201	6,010
Convertible loan notes — debt component	—	8,418	9,062	9,756
	<u>6,777</u>	<u>14,176</u>	<u>15,263</u>	<u>15,766</u>
	<u>18,550</u>	<u>25,789</u>	<u>38,442</u>	<u>37,069</u>

The amount due to a Director was of non-trade nature, unsecured, interest-free and repayable on demand.

At the close of business on 30 November 2017, being the latest practicable date for the purposes of this indebtedness statement, we had existing banking facilities in an amount of approximately HK\$32,164,000, of which HK\$13,000,000 of revolving loan facilities and overdraft facility remain unused.

### Bank borrowings

The following table sets out a breakdown of bank borrowings as at the respective dates indicated:

	As at 31 March		As at 31 July 2017	As at 30 November 2017
	2016	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Secured and guaranteed	3,984	3,764	15,325	14,520
Unsecured and guaranteed	<u>3,658</u>	<u>2,788</u>	<u>2,763</u>	<u>2,474</u>
	<u>7,642</u>	<u>6,552</u>	<u>18,088</u>	<u>16,994</u>
Fixed-rate bank borrowings	2,579	2,090	2,197	2,045
Variable-rate bank borrowings	<u>5,063</u>	<u>4,462</u>	<u>15,891</u>	<u>14,949</u>
	<u>7,642</u>	<u>6,552</u>	<u>18,088</u>	<u>16,994</u>

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The carrying amounts that contain a repayment on demand clause (shown under current liabilities) but repayable based on scheduled repayment terms are as follows:

	As at 31 March		As at 31 July	As at 30 November
	2016	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
The carrying amounts are repayable*:				
Within one year	1,991	2,156	3,804	3,916
More than one year but not exceeding two years	1,741	1,052	3,259	3,001
More than two years but not exceeding five years	1,342	1,036	8,805	7,946
More than five years	<u>2,568</u>	<u>2,308</u>	<u>2,220</u>	<u>2,131</u>
Amounts due within one year shown under current liabilities**	<u>7,642</u>	<u>6,552</u>	<u>18,088</u>	<u>16,994</u>

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

\*\* The amounts contained a repayable on demand clause and are classified as current liabilities.

The above variable-rate bank borrowings bear interest ranging from HK\$ Best Lending Rate less a spread or Hong Kong Prime Rate plus a spread as at 31 March 2016, 31 March 2017 and 31 July 2017, respectively.

The ranges of effective interest rates (being equal to contracted interest rates) on our Group's bank borrowings as at the respective dates indicated:

	As at 31 March		As at 31 July	As at 30 November
	2016	2017	2017	2017
				(unaudited)
Effective interest rate per annum:				
Fixed-rate bank borrowings	<u>7.59% to 8.75%</u>	<u>7.70% to 8.75%</u>	<u>7.70% to 8.75%</u>	<u>7.70% to 8.75%</u>
Variable-rate bank borrowings	<u>2.84% to 7.50%</u>	<u>2.84% to 7.50%</u>	<u>2.84% to 7.50%</u>	<u>2.84% to 7.50%</u>

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## FINANCIAL INFORMATION

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The bank borrowings are secured by the pledged bank deposit as stated in Note 20 to the Accountants' Report in Appendix I to this prospectus and/or the properties owned by our Group as stated in Notes 14 and 15 to the Accountants' Report in Appendix I to this prospectus. Entire bank borrowings as at 31 March 2016 and 2017 and bank borrowings of HK\$5,317,000 as at 31 July 2017 are guaranteed by Mr. SW Tang and the bank borrowings of HK\$12,771,000 as at 31 July 2017 are guaranteed by Mr. SW Tang and Mr. Lai.

### **Obligations under finance leases**

During the Track Record Period, we leased certain of our motor vehicles and site equipment under finance leases, whereby our Group had to pay stipulated monthly rent for use of the motor vehicles and site equipment with fixed terms ranging from 3 to 5 years. The effective interest rates range from 3.55% to 6.48% per annum as at 31 March 2016, 31 March 2017 and 31 July 2017. These finance leases provide for a fixed price purchase option which allows our Group to purchase the leased assets at the end of the term.

Since the terms of these finance leases transfer substantially all the risks and rewards of ownership of the motor vehicles and site equipment to our Group as the lessee, the relevant motor vehicles and site equipment were accounted for as our Group's assets under the category of property, plant and equipment. Our Group had motor vehicles under finance leases with a net book value amounted to approximately HK\$5,960,000, HK\$6,072,000 and HK\$7,246,000 as at 31 March 2016, 31 March 2017 and 31 July 2017, respectively, representing approximately 99.63%, 99.84% and 76.77% of the net book value of motor cars as at 31 March 2016, 31 March 2017 and 31 July 2017, respectively. The plant and machinery under finance leases with a net book value amounted to approximately HK\$7,692,000, HK\$10,974,000 and HK\$10,563,000 as at 31 March 2016, 2017 and 31 July 2017, respectively.

## FINANCIAL INFORMATION

The following table sets out our obligations under finance leases repayable as at the respective dates indicated:

	Minimum lease payments				Present value of minimum lease payments			
	As of 31 March		As at 31 July	As of 30 November	As of 31 March		As at 31 July	As of 30 November
	2016	2017	2017	2017	2016	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)				(unaudited)
Amounts payable under finance leases:								
Within one year	4,543	5,473	5,491	4,670	4,111	5,061	5,091	4,309
More than one year but within two years	4,543	2,869	2,826	2,804	4,305	2,630	2,559	2,554
More than two years but within five years	2,625	3,346	3,840	3,612	2,472	3,128	3,642	3,456
	11,711	11,688	12,157	11,086	10,888	10,819	11,292	10,319
Less: Future finance charges	(823)	(869)	(865)	(767)	N/A	N/A	N/A	N/A
Present value of lease obligations	<u>10,888</u>	<u>10,819</u>	<u>11,292</u>	<u>10,319</u>	10,888	10,819	11,292	10,319
Less: Amounts due for settlement within one year (Shown as current liabilities)					(4,111)	(5,061)	(5,091)	(4,309)
Amounts due for settlement after one year (shown under non-current liabilities)					<u>6,777</u>	<u>5,758</u>	<u>6,201</u>	<u>6,010</u>

Our Group's obligations under finance leases were secured by the lessor's charge over the motor vehicles and site equipment. Entire obligations under finance leases as at 31 March 2016 and 2017 and obligations under finance leases of HK\$8,131,000 and HK\$7,359,000, respectively, as at 31 July 2017 and 30 November 2017 are guaranteed by Mr. SW Tang and the obligations under finance leases of HK\$3,161,000 and HK\$2,960,000, respectively, as at 31 July 2017 and 30 November 2017 are guaranteed by Mr. SW Tang and Mr. Lai.

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### Convertible loan notes

An agreement was entered between our Group and Sigma Square for the grant of a loan to our Group with a principal amount of HK\$10,000,000 with an interest rate of 12.0% per annum (the “Loan”) on 22 December 2016. In the event that the Listing takes place within 18 months from the date of agreement, the Loan will be converted into 10% equity interest of the enlarged share capital of the Company immediately before completion of the Listing. In the event that the Listing does not take place within 18 months from the date of agreement, the Company is required to repay the Loan plus accrued interest on the expiry of 24 months from the date of agreement.

The convertible loan notes contain two components, debt component and derivative (representing conversion option) component. The effective interest rate of the debt component is 22.34% per annum. The derivative component is measured at fair value with changes in fair value subsequent to the initial recognition recognised in profit or loss.

The movement of the debt and derivative components of the convertible loan notes for the Track Record Period is set out as below:

	<b>Debt component</b>	<b>Derivative component</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Grant of the Loan	7,965	2,035	10,000
Interest charge	453	—	453
Loss arising on changes of fair value	—	540	540
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 March 2017	8,418	2,575	10,993
Interest charge	644	—	644
Loss arising on changes of fair value	—	620	620
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 July 2017	<u>9,062</u>	<u>3,195</u>	<u>12,257</u>

The fair value of the Group’s conversion option as at the date of grant of the Loan, 31 March 2017 and 31 July 2017 has been arrived at on the basis of a valuation carried out on the dates by Crowe Horwath (HK) Consulting & Valuation Limited, an independent qualified professional valuer not connected with the Group. The fair value was determined based on Binominal option pricing model. The key inputs used in the model are disclosed in Note 34 to the Accountants’ report in Appendix I to this prospectus.

As at 30 November 2017, the principal amount of unguaranteed and unsecured convertible loan notes is HK\$10,000,000 and the carrying amount of the related debt component is HK\$9,756,000.

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### Contingent liabilities

We had no significant contingent liabilities as at 31 March 2016, 31 March 2017, 31 July 2017 and 30 November 2017.

Save as disclosed above and apart from intra-group liabilities, we had not been granted any borrowings and did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, guarantees or other material contingent liabilities.

### Operating lease commitments

Our Group has commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
			HK\$'000
Within one year	—	464	464
In the second to fifth year inclusive	—	851	697
	—	1,315	1,161

Operating lease payments represented rental payable by our Group for the office premise. Lease and fixed rental are negotiated for a term of 3 years. The increase in our operating leases commitment as at 31 March 2017 was primarily due to the newly rented office since February 2017, which resulted in an increase in rental payable under the relevant lease.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, our Group had not entered into any material off-balance sheet commitments and arrangement.

## FINANCIAL INFORMATION

### SUMMARY OF KEY FINANCIAL RATIOS

The table below sets out a summary of key financial ratios of our Group's results of operations for the two years or as at 31 March 2016 and 2017 and for the four months ended or as at 31 July 2017:

		<b>As at/for the year ended 31 March 2016</b>	<b>As at/for the year ended 31 March 2017</b>	<b>As at/for the four months ended 31 July 2017</b>
	<i>Notes</i>			
Gross profit margin (%)	1	30.15	26.28	17.27
Net profit margin (%)	2	13.22	10.83	1.49
Current ratio	3	0.92	1.65	1.38
Gearing ratio (%)	4	86.65	83.86	93.02
Interest coverage (times)	5	20.05	10.41	3.13
Net debt to equity ratio (%)	6	46.53	44.95	36.75
Return on total assets (%)	7	10.63	11.62	N/A <sup>Note 9</sup>
Return on equity (%)	8	24.90	28.81	N/A <sup>Note 9</sup>

*Notes:*

1. Gross profit margin is calculated by dividing the gross profit by the revenue for the year/period.
2. Net profit margin equals to profit for the year/period divided by revenue for the year/period.
3. Current ratio is calculated by dividing the total current assets by the total current liabilities.
4. Gearing ratio is calculated by dividing all interest-bearing borrowings, obligations under finance leases and convertible loan notes by total equity.
5. Interest coverage is calculated based on the profit before taxation and interest divided by the total finance costs.
6. Net debt to equity ratio is calculated by dividing all interest-bearing borrowings, obligations under finance leases and convertible loan notes net of cash and cash equivalents by total equity.
7. Return on total assets is calculated by dividing profit for the year/period by the closing balance of total assets at the end of the year.
8. Return on equity is calculated by dividing profit for the year/period by the total equity at the end of the year.
9. Not applicable as the ratios are not meaningful to compare the profit for four months ended 31 July 2017 with the profit for the years ended 31 March 2016 and 2017.



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### *Gross profit margin*

Our gross profit margin decreased from approximately 30.15% for the year ended 31 March 2016 to approximately 26.28% for the year ended 31 March 2017. The decrease was mainly due to (i) change in the mix of our civil engineering construction projects. Revenue attributable to structural works increased from 5.01% (for the year ended 31 March 2016) to 30.51% (for the year ended 31 March 2017) to our total revenue; while the revenue attributable to site formation works decreased from 73.81% (for the year ended 31 March 2016) to 50.67% (for the year ended 31 March 2017) to our total revenue; and we were generally able to achieve a higher profit margin for undertaking site formation works; and (ii) involvements in projects with higher profit margins such as the site formation project in Macau and projects that demanded a tight delivery schedule during the year ended 31 March 2016.

Our gross profit margin decreased from approximately 26.28% for the year ended 31 March 2017 to approximately 17.27% for the four months ended 31 July 2017. The decrease was mainly due to the gross profit margin of the sizable project in Tseung Kwan O Area 137 was significantly lower than other projects undertook by us, which is estimated at approximately 5% only.

### *Net profit margin*

Our net profit margin decreased from approximately 13.22% for the year ended 31 March 2016 to approximately 10.83% for the year ended 31 March 2017. The decrease in net profit margin is due to a smaller net profit after payment of the Listing expenses during the year ended 31 March 2017.

Our net profit margin decreased from approximately 10.83% for the year ended 31 March 2017 to approximately 1.49% for the four months ended 31 July 2017. The decrease was mainly due to the Listing expenses and the decrease of the gross profit margin during the four months ended 31 July 2017.

### *Current ratio*

Our current ratio increased from approximately 0.92 as at 31 March 2016 to approximately 1.65 as at 31 March 2017. The increase was attributable to an increase in trade and other receivables, amounts due from customers for contract work and cash received from the convertible loan notes at a percentage greater than that in the increase in trade and other payables and amounts due to customers for contract work.

Our current ratio decreased from approximately 1.65 as at 31 March 2017 to approximately 1.38. The decrease was due to the working capital consumed and additional bank borrowings for supporting new projects, including the sizable project in Tseung Kwan O Area 137, which partly set-off with paid-up capital of HK\$10,000,000 injected in June 2017.

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### *Gearing ratio*

Our gearing ratio decreased from approximately 86.65% as at 31 March 2016 to approximately 83.86% as at 31 March 2017. The gearing ratio was relatively high due to the finance leases for the acquisition of site equipment. The decrease in the gearing ratio was mainly due to a relatively high level of total equity as a result of the increase in reserves.

Our gearing ratio increased from approximately 83.86% as at 31 March 2017 to approximately 93.02% as at 31 July 2017. The increase was due to the additional drawn up bank borrowings and finance leases to support the acquisition of site equipment for new projects during the four months ended 31 July 2017.

### *Interest coverage ratio*

Our interest coverage ratio decreased from approximately 20.05 times as at 31 March 2016 to approximately 10.41 times as at 31 March 2017. The decrease in the interest coverage ratio was mainly due to an increase in the finance costs of the bank borrowings, finance lease arrangements and convertible loan notes.

Our interest coverage ratio decreased from approximately 10.41 times as at 31 March 2017 to approximately 3.13 times as at 31 July 2017. The decrease was due to additional drawn up bank borrowings and finance leases to support the acquisition of site equipment for new projects, the increase in the effective interest rate of the convertible loan notes and the listing expenses during the four months ended 31 July 2017.

### *Net debt to equity ratio*

Our net debt to equity ratio decreased from approximately 46.53% as at 31 March 2016 to approximately 44.95% as at 31 March 2017. The decrease in the gearing ratio was mainly due to a relatively high level of total equity as a result of the increase in reserves, and the cash received from the convertible loan notes.

Our net debt to equity ratio decreased from approximately 44.95% as at 31 March 2017 to approximately 36.75% as at 31 July 2017. The decrease was mainly due to the paid-up capital of HK\$10,000,000 injected in June 2017.

### *Return on total assets*

Our return on total assets increased from 10.63% for the year ended 31 March 2016 to 11.62% for the year ended 31 March 2017 mainly due to an increase in the revenue and the profit for the year at a rate greater than the increase in our total assets.

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### *Return on equity*

We recorded an increase in return on equity from approximately 24.90% for the year ended 31 March 2016 to approximately 28.81% for the year ended 31 March 2017 mainly due to an increase in the revenue and the profit for the year at a rate greater than the increase in our total equity.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

### **Interest rate risk**

Our Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings. We are also exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposit, bank balances, bank borrowings and obligations under finance leases. We currently do not have any interest rate hedging policy. Our management of the Group monitors interest rate exposure and may consider hedging interest rate risk should the need arise.

Our cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HK\$ Best Lending Rate or Hong Kong Prime Rate arising from our Group's variable-rate bank borrowings.

### *Sensitivity analysis*

Our management considers that our Group's exposure of the bank balances are not significant as interest bearing bank balances are within short maturity period and thus they are not included in sensitivity analysis.

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable bank borrowings. The analysis is prepared assuming that the variable-rate bank borrowings at the end of the reporting period were outstanding for the whole year/period and 50 basis points increase or decrease are used.

If interest rates have been 50 basis points higher/lower for variable-rate bank borrowings and all other variables were held constant, our post-tax profit for the year ended 31 March 2016 and 31 March 2017 and the four months ended 31 July 2017 would decrease/increase by HK\$21,000, HK\$19,000 and HK\$22,000, respectively.

### **Credit risk**

Our Group's credit risk is primarily attributable to trade and other receivables and bank balances.

Our Group's maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge the obligations by counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position at the end of each reporting period.

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Our management adopted a policy on providing credit facilities to new customers. A credit investigation, including assess to financial information, advice from business partners in relation to potential customers and credit search, is required to be launched. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis.

We have concentration of credit risks on trade receivables and retention receivables from the top debtor amounting to HK\$4,143,000 and HK\$2,137,000, respectively as at 31 March 2016 (representing approximately 74.9% and 58.5% of our Group's trade receivables and retention receivables) and HK\$6,145,000 and HK\$6,167,000, respectively as at 31 March 2017 (representing approximately 44.3% and 80.8% of our Group's trade receivables and retention receivables) and HK\$14,118,000 and HK\$5,602,000, respectively as at 31 July 2017 (representing approximately 46.0% and 55.9% of our Group's trade receivables and retention receivables). Our management closely monitors the subsequent settlement of the customers. In addition, our Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our management considers that our Group's credit risk is significantly reduced.

The credit risk for bank balances is considered limited as such amounts are placed in banks with good reputations.

### **Liquidity risk**

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of our Group to finance our Group's operations and mitigate the effects of unexpected fluctuations in cash flows. The management of our Group monitors to the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details our Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which our Group can be required to pay. Specially, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

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The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	On demand or less than 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>As at 31 March 2016</b>						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	N/A	2,416	—	—	2,416	2,416
Amounts due to a director	N/A	20	—	—	20	20
Bank borrowings	5.42	7,642	—	—	7,642	7,642
Obligations under finance leases	5.32	4,543	4,543	2,625	11,711	10,888
		<u>14,621</u>	<u>4,543</u>	<u>2,625</u>	<u>21,789</u>	<u>20,966</u>

	Weighted average interest rate %	On demand or less than 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>As at 31 March 2017</b>						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	N/A	11,419	—	—	11,419	11,419
Bank borrowings	5.04	6,552	—	—	6,552	6,552
Obligations under finance leases	4.96	5,473	2,869	3,346	11,688	10,819
Convertible loan notes	12.00	—	12,400	—	12,400	8,418
		<u>23,444</u>	<u>15,269</u>	<u>3,346</u>	<u>42,059</u>	<u>37,208</u>

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	Weighted average effective interest rate %	On demand or less than 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>As at 31 July 2017</b>						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	N/A	21,285	—	—	21,285	21,285
Bank borrowings	4.15	18,088	—	—	18,088	18,088
Obligations under finance leases	4.72	5,491	2,826	3,840	12,157	11,292
Convertible loan notes	12.0	—	12,400	—	12,400	9,062
		<u>44,864</u>	<u>15,226</u>	<u>3,840</u>	<u>63,930</u>	<u>59,727</u>

Bank borrowings with a repayment on demand clause are included in the “On demand or less than 1 year” time band in the above maturity analysis. As at 31 March 2016, 2017 and 31 July 2017, the aggregate carrying amounts of these bank borrowings HK\$7,642,000, HK\$6,552,000 and HK\$18,088,000, respectively. Taking into account our Group’s financial position, management of our Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Management of our Group believes that such bank borrowings of our Group will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, the management of our Group reviews the expected cash flow information of our Group’s bank borrowings based on the scheduled repayment dates set out in the bank borrowings agreements as set out in the table below:

	Weighted average interest rate %	On demand or less than 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Bank borrowings							
As at 31 March 2016	5.42	<u>2,321</u>	<u>1,925</u>	<u>1,686</u>	<u>2,878</u>	<u>8,810</u>	<u>7,642</u>
As at 31 March 2017	5.04	<u>2,393</u>	<u>1,177</u>	<u>1,353</u>	<u>2,574</u>	<u>7,497</u>	<u>6,552</u>
As at 31 July 2017	4.15	<u>4,460</u>	<u>3,739</u>	<u>9,584</u>	<u>2,464</u>	<u>20,247</u>	<u>18,088</u>

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### Foreign exchange risk

Our Group is a subcontractor in the civil engineering construction industry in Hong Kong with all of our transactions settled in Hong Kong Dollars. As such, our Directors are of the view that our Group did not have any significant foreign exchange liabilities and did not have any significant exposure to foreign exchange risk during the Track Record Period.

### Fair value measurements of financial instruments

Our Group determines the fair value of various financial assets and financial liabilities in the following manner.

#### *Fair value measurement and valuation process*

Some of our Group's financial instruments are measured at fair value for financial reporting purposes. The management of our Group will determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, our Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, our Group engages third party qualified valuers to perform the valuation. The management of our Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

#### *Fair value of our Group's financial liability that is measured at fair value on a recurring basis*

Our Group's certain financial liability is measured at fair value as at 31 March 2017 as at 31 July 2017. The following table gives information about how the fair value of the financial liability is determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial liability	Fair value as at		Fair value hierarchy	Valuation technique	Significant unobservable inputs		Relationship of unobservable inputs to the fair value
	31 March 2017	31 July 2017			31 March 2017	31 July 2017	
Derivative component in relation to the convertible loan notes	HK\$2,575,000	HK\$3,195,000	Level 3	Binomial option pricing model	Expected volatility: 54.8%	Expected volatility: 42.0%	The higher the expected volatility, the higher the fair value
					Risk-free rate: 0.8%	Risk-free rate: 0.6%	The higher the risk-free rate, the lower the fair value

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Financial liability	Fair value as at		Fair value hierarchy	Valuation technique	Significant unobservable inputs		Relationship of unobservable inputs to the fair value
	31 March 2017	31 July 2017			31 March 2017	31 July 2017	
					Business value of the Company: HK\$96,671,000	Business value of the Company: HK\$119,094,000	The higher the expected business value, the higher the fair value
					Expected dividend yield: 0%	Expected dividend yield: 0%	The higher expected dividend, the lower the fair value

If expected volatility of the Company has been 5% higher/lower for the valuation of derivative component in relation to the convertible loan notes and all other variables were held constant, the post-tax profit for the year ended 31 March 2017 would decrease/increase by approximately HK\$288,000/HK\$215,000, respectively, and the post-tax profit for the four months ended 31 July 2017 would decrease/increase by approximately HK\$190,000/HK\$186,000, respectively.

If business value of the Company has been 5% higher/lower for the valuation of derivative component in relation to the convertible loan notes and all other variables were held constant, the post-tax profit for the year ended 31 March 2017 would decrease/increase by approximately HK\$373,000/HK\$277,000, respectively, and the post-tax profit for the four months ended 31 July 2017 would decrease/increase by approximately HK\$519,000/HK\$492,000, respectively.

There was no transfer among different levels of the fair value hierarchy during the Track Record Period.

### *Reconciliation of Level 3 fair value measurements*

	<i>HK\$'000</i>
Grant of the Loan	2,035
Fair value loss	540
At 31 March 2017	2,575
Fair value loss	620
At 31 July 2017	3,195

### *Fair value of our Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis*

The management of our Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost as disclosed in the section headed "Historical Financial Information" in the Accountants' Report in Appendix I to this prospectus approximate their corresponding fair values.

## DIVIDENDS

We do not have a fixed dividend policy and our Company does not have any predetermined dividend payout ratio. The payment and the amount of any future dividends will be at the discretion



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of our Directors and will depend on the future operations and earnings, capital requirements and surplus, general financial condition and other factors that our Directors deem relevant. Investors should note that historical dividend distributions are not indicative of our Company's future dividend distribution policy.

Any declaration, payment as well as the amount of dividends will be subject to the Articles of Association and the Companies Law. Our Shareholders in general meeting may approve and make any declaration of dividends in any currency, but no dividend shall exceed the amount recommended by our Board. Dividends may be paid out of our Company's profits and distributable reserves as permitted under the relevant laws. No dividend was paid or proposed by the directors of the group entities during the years ended 31 March 2016, 31 March 2017, the four months ended 31 July 2017 and up to the Latest Practicable Date.

### LISTING EXPENSES

The Listing expenses are estimated to be approximately HK\$20,000,000 (assuming an Offer Price of HK\$0.45, being the midpoint of the indicative Offer Price range of HK\$0.40 to HK\$0.50 per Offer Share). Out of the portion of Listing expenses, (i) approximately HK\$5,086,000 is directly attributable to the issue of Offer Shares which is to be accounted for as a deduction from equity; (ii) approximately HK\$2,320,000 have been charged to profit or loss of our Group for the year ended 31 March 2017; and (iii) approximately HK\$12,594,000 will be charged to profit or loss of our Group for the year ending 31 March 2018, approximately HK\$5,311,000 have been charged to profit or loss of our Group for the four months ended 31 July 2017, which is expected to have material impact on our financial results for the year ending 31 March 2018. Such cost is a current estimate and for reference only. The final total amount to be recognised in profit or loss of our Group or to be capitalised is subject to adjustment based on audit and the changes in variables and assumptions. In addition, there will be an expected increase in administrative expenses which is primarily attributable to the increase in Directors' remuneration and other professional fees for the year ending 31 March 2018 arising from the increase in remuneration of our Directors and the appointment of the new independent non-executive Directors and professional parties prior to and after the Listing.

Our Directors are of the opinion that there has been no fundamental deterioration in the commercial and operational viability in our Group's business despite the expected increase in our Directors' remuneration and professional fees and the non-recurring Listing expenses.

Our Directors confirm that save as disclosed in the Listing expenses, there has been no material adverse change in our financial or trading position since 31 July 2017, being the date to which the latest audited financial statements of our Group were made up, and up to the date of this prospectus.

### SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the section headed "Historical Financial Information", including the completion of the Group Reorganisation as detailed in Note 2 in the Accountants' Report in Appendix I to this prospectus, subsequent events of the Group as at 31 March 2018 are detailed as below:

On 24 January 2018, written resolutions of the shareholders of the Company was passed to approve the matters set out in the paragraph headed "Resolutions in writing of all our Shareholders passed on 24 January 2018" in Appendix IV of the Prospectus. It was resolved, among other things:

- (i) the authorised share capital of the Company increased to HK\$20,000,000 by the creation of an additional 1,962,000,000 shares of the Company;

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## FINANCIAL INFORMATION

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- (ii) conditionally adopted a share option scheme where eligible participants may be granted options entitling them to subscribe for the Company's shares. No share has been granted since the adoption of the scheme. The principal terms of the share option scheme are summarised in the section headed "D. Other information - 1. Share Option Scheme" in Appendix V to the Prospectus; and
- (iii) conditional upon the share premium account of the Company being credited as a result of the offer of the Company's shares, the directors of the Company were authorised to capitalise the amount of HK\$2,999,700 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par 299,970,000 shares of the Company for allotment and issue to the persons whose name appeared on the register of members of the Company at the close of business on 24 January 2018.

On 23 January 2018, Sigma Square converted the convertible loan notes into 10% equity interest of the enlarged share capital of the Company immediately before completion of the Listing upon the completion of the hearing process.

### RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the date of this prospectus, we have continued to focus on developing our business of undertaking civil engineering construction works in Hong Kong.

As at the Latest Practicable Date, we had a total of 30 contracts in progress. Please refer to the section headed "Business — Our Civil Engineering Construction Contracts" in this prospectus for a full list of our contracts in progress as at the Latest Practicable Date.

Our Group has been awarded with a sizable contract with a contract sum of approximately HK\$184,740,000 in April 2017 together with some small tenders. the details of which are as follows:

Customer	Type(s) of works involved and principal works done/to be done by us	Expected completion date	Contract sum (HK\$'000)
Customer E	Handling of surplus public fill	July 2019	184,740
Kin Ming Construction Company Limited	Structuring concrete elevator with transformer room, glass curtain wall with a steel framework elevator tower, glass ceiling with a steel framework walkways	February 2018	7,100
CRBC-CEC-KADEN Joint Venture	Drainage works and roadworks for Perimeter Road	October 2018	10,747

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## **FINANCIAL INFORMATION**

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To cope with our continued business expansion, we expanded our project team by recruiting over 100 site workers in May 2017.

As far as our Directors are aware, as at the date of this prospectus there was no material change in the general condition in the civil engineering construction industry in the markets that our Group operates that has affected or would affect materially and adversely our Group's business operations or financial condition.

### **DISTRIBUTABLE RESERVES**

Our Company was incorporated on 31 May 2017 and is an investment holding company. There were no reserves available for distribution to the Shareholders as at the Latest Practicable Date.

### **UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS**

Please refer to the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for further details.

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## FUTURE PLANS AND USE OF PROCEEDS

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### BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the paragraph headed “Business Strategies” under the section headed “Business” in this prospectus for a detailed description of our business objectives and strategies.

### IMPLEMENTATION PLANS

We will endeavour to achieve the following milestone events during the period from the Latest Practicable Date to 31 March 2020. Investors should note that the milestones and their respective scheduled completion times are based on certain bases and assumptions as set out in the paragraph headed “Bases and Key Assumptions” of this section below.

#### For the period from the Latest Practicable Date to 31 March 2018:

<i>Business strategy</i>	<i>Implementation Activities</i>	<i>Sources of funding</i>
To reduce financial cost and increase profit return	Company to reduce financial costs by repaying short-term loans	Listing proceeds of approximately HK\$1,750,000

#### For the six months ending 30 September 2018:

<i>Business strategy</i>	<i>Implementation Activities</i>	<i>Sources of funding</i>
To expand and increase our service capacity	Company to acquire additional site equipment including: <ul style="list-style-type: none"><li>• 4 excavators</li><li>• 3 bulldozers</li><li>• 4 generators</li><li>• 2 grab lorries</li><li>• 2 water-spraying cars</li></ul>	Listing proceeds of approximately HK\$10,000,000
General working capital of our Group	Initial investments (preliminary site inspection, labor, material procurement) for new project	Listing proceeds of approximately HK\$2,000,000

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## FUTURE PLANS AND USE OF PROCEEDS

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**For the six months ending 31 March 2019:**

<i>Business strategy</i>	<i>Implementation Activities</i>	<i>Sources of funding</i>
To expand and increase our service capacity	Company to acquire additional site equipment including: <ul style="list-style-type: none"> <li>• 1 excavator</li> <li>• 1 bulldozer</li> <li>• 2 grab lorries</li> <li>• 1 water-spraying car</li> </ul>	Listing proceeds of approximately HK\$2,500,000
To capture the market growth in the public and private sector	Company to: <ul style="list-style-type: none"> <li>• Expand projects team for the business growth of the Group including a project manager, a quantity surveyor, a foreman, and a safety officer</li> <li>• Provide remuneration for existing and incoming project management team including 1 project manager, 1 qualitative surveyor, 1 foreman and 1 safety officer</li> <li>• Provide staff training including occupational safety and health, environmental sustainability, construction supervision, advanced construction techniques, and technology and management</li> </ul>	Listing proceeds of approximately HK\$1,260,000
To expand the accounting and administrative team	Company to expand the finance and administrative team by recruiting a cost accountant	Listing proceeds of approximately HK\$180,000

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## FUTURE PLANS AND USE OF PROCEEDS

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**For the six months ending 30 September 2019:**

<i>Business strategy</i>	<i>Implementation Activities</i>	<i>Sources of funding</i>
To capture the market growth in the public and private sector	<p>Company to:</p> <ul style="list-style-type: none"> <li>• Expand projects team for the business growth of the Group by recruiting a quantity surveyor, and an engineer</li> <li>• Provide remuneration for existing and incoming project management team including 1 project manager, 2 quantity surveyors, 1 foreman, 1 engineer, and 1 safety officer</li> <li>• Provide staff training including environmental sustainability, construction supervision, advanced construction techniques, and technology and management</li> </ul>	Listing proceeds of approximately HK\$1,880,000
To expand the accounting and administrative team	<p>Company to:</p> <ul style="list-style-type: none"> <li>• Expand the accounting and administrative team by recruiting an accounting manager, an internal auditor, a procurement manager, and a human resources manager</li> <li>• Provide remuneration for existing and incoming accounting and administrative management team including cost accountant</li> <li>• Set up IT system and program</li> </ul>	Listing proceeds of approximately HK\$1,070,000

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## FUTURE PLANS AND USE OF PROCEEDS

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**For the six months ending 31 March 2020:**

<i>Business strategy</i>	<i>Implementation Activities</i>	<i>Sources of funding</i>
To capture the market growth in the public and private sector	<p>Company to:</p> <ul style="list-style-type: none"> <li>Expand projects team for the business growth of the Group by recruiting 2 quantity surveyors, 1 foreman, 1 engineer, and 1 safety officer</li> <li>Provide remuneration for existing and incoming project management team including 1 project manager, 4 quantity surveyors, 2 foremans, 2 engineers, and 2 safety officers</li> <li>Provide staff training including occupational safety and health, environmental sustainability, construction supervision, advanced construction techniques, and technology and management</li> </ul>	Listing proceeds of approximately HK\$3,110,000
To expand the accounting and administrative team	<p>Company to:</p> <ul style="list-style-type: none"> <li>Expand the accounting and administrative team by recruiting a cost accountant</li> <li>Provide remuneration for existing and incoming accounting and administrative management team including 1 accounting manager, 2 cost accountants, 1 internal auditor, 1 procurement manager, and 1 human resources manager</li> <li>Maintain and improve IT system and program</li> </ul>	Listing proceeds of approximately HK\$1,250,000

*Note: Remuneration for existing and incoming personnel following the expiry of the relevant periods are expected to be satisfied by the Group's internal resources.*

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## FUTURE PLANS AND USE OF PROCEEDS

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It is the Group's business strategy to keep its site equipment in low average age (below 5 years) for the reasons that newer machines generally have a lesser chance of mechanical failure, operate more efficiently and provide more advanced functionality, which in return would enhance our productivity and profitability.

Notwithstanding the availability of the Company's internal cash resources and unused banking facilities, the Company intends to apply some of the listing proceeds to acquire new site equipment and expand its team. The maintenance of certain internal cash resources would allow the Company to (i) meet its working capital needs; (ii) maintain competitiveness in tendering process, as customers would also assess the financial strength, including the availability of cash resources, when awarding any tenders; (iii) comply with the relevant minimum employed capital and working capital requirements (for further details, please refer to section headed "Regulatory Overview — Requirements for retention as an approved contractor" of this prospectus for details); and (iv) quickly capture new opportunities when they arise. In addition, given that the gearing ratio of our Group is relatively high, further debt financing may affect our financial strength as well as success of our tendering and is not preferable for the continued expansion of our business.

### BASES AND KEY ASSUMPTIONS

The implementation plans and business objectives set out by our Directors are based on the following bases and key assumptions:

- there will be no material changes in the existing political, legal, fiscal or economic conditions in Hong Kong or other countries in which any member of our Group operates;
- our Group's business will not be materially affected by the risk factors as set out in the section headed "Risk Factors" in this prospectus;
- there will be no material changes in the bases or rates of taxation in Hong Kong or other countries in which any member of our Group operates;
- there will be no material changes in the interest rates or exchange rates from those currently prevailing;
- our Directors and key senior management will continue their involvement in the business and future developments of our Group and we will be able to retain our key management personnel;
- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objective relates;
- we will be able to complete the existing projects and undertake new projects;
- we will be able to recruit new staff when required; and



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## FUTURE PLANS AND USE OF PROCEEDS

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- the Hong Kong Public Offering will be completed in accordance with and as described in the section headed “Structure and Conditions of the Hong Kong Public Offering” in this prospectus.

### REASONS FOR THE HONG KONG PUBLIC OFFERING AND THE USE OF PROCEEDS

Our Directors believe that the Listing could enhance our capital base and the net proceeds from the Hong Kong Public Offering will strengthen our financial position and enable us to implement our business objectives set out in this section. Furthermore, a public listing status on GEM will allow us to access to capital market for future corporate finance exercises, which will assist in our future business development and strengthen our competitiveness.

Based on the Offer Price of HK\$0.45 per Offer Share, being the mid-point of the indicative Offer Price Range of HK\$0.40 to HK\$0.50 per Offer Share, we will receive gross proceeds of HK\$45 million. The net proceeds from the Hong Kong Public Offering are estimated to be approximately HK\$25 million, after deducting the underwriting commission and other estimated expenses in the amount of approximately HK\$20 million, payable by our Company in relation to the Hong Kong Public Offering. We intend to apply such net proceeds as follows:

- (i) approximately HK\$12,500,000 (or approximately 50% of the net proceeds) will be used to acquire additional site equipment;
- (ii) approximately HK\$6,250,000 (or approximately 25% of the net proceeds) will be used to capture the market growth in the public and private sectors;
- (iii) approximately HK\$2,500,000 (or approximately 10% of the net proceeds) will be used to expand the accounting and administrative teams;
- (iv) approximately HK\$1,750,000 (or approximately 7% of the net proceeds) will be used to reduce our financial cost and increase profit return. Specifically, (i) approximately HK\$600,000 will be used to repay a SME loan drawn in November 2015 for financing our Group’s general working capital bearing interest at a fixed rate of 7.25% per annum which will mature in November 2018; (ii) approximately HK\$320,000 will be used to repay a SME loan drawn in June 2015 for financing our Group’s general working capital bearing interest at a flat rate of 0.35% per month and an effective interest rate of approximately 4.2% per annum which will mature in June 2018; and (iii) approximately HK\$830,000 will be used to repay a SME loan drawn in April 2016 for financing our Group’s general working capital bearing interest at a flat rate 0.33% per month and an effective interest rate of approximately 4.0% per annum which will mature in April 2019; and
- (v) approximately HK\$2,000,000 (or approximately 8% of the net proceeds) will be used as general working capital of our Group.

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## FUTURE PLANS AND USE OF PROCEEDS

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For the period from the Latest Practicable Date to 31 March 2020, our net proceeds from the Hong Kong Public Offering of the Offer Shares will be used as follows:

	From the Latest Practicable Date to 31 March 2018 HK\$	For the six months ending 30 September 2018 HK\$	For the six months ending 31 March 2019 HK\$	For the six months ending 30 September 2019 HK\$	For the six months ending 31 March 2020 HK\$	Total HK\$
To expand and increase our service capacity	0	10,000,000	2,500,000	0	0	12,500,000
To capture the market growth in the public and private sector	0	0	1,260,000	1,880,000	3,110,000	6,250,000
To expand the accounting and administrative team	0	0	180,000	1,070,000	1,250,000	2,500,000
To reduce financial cost and increase profit return	1,750,000	0	0	0	0	1,750,000
General working capital of our Group	0	2,000,000	0	0	0	2,000,000

Our Directors consider that the net proceeds from the Hong Kong Public Offering together with our internal resources and/or further equity and/or debt financing will be sufficient to finance our business plans as scheduled up to the period ending 31 March 2020.

If the final Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds of the Hong Kong Public Offering will increase or decrease to approximately HK\$30 million or HK\$20 million, respectively. The net proceeds are intended to be used in approximately the same proportions as disclosed above irrespective of whether the Offer Price is determined at the highest or lowest point of the indicative Offer Price range.

To the extent that the net proceeds from the Hong Kong Public Offering are not immediately required for the above purposes, it is the present intention of our Directors that such net proceeds will be placed on short-term interest-bearing deposits with authorized financial institutions.

The use of proceeds outlined above may change in light of our evolving business development. In the event of any material modification to the use of proceeds as described above, our Company will issue an announcement and make disclosure in its annual report for the relevant year as required by the GEM Listing Rules.

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## UNDERWRITING

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### UNDERWRITER

KGI Capital Asia Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company is offering the Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions set out in this prospectus, the Application Forms and the Underwriting Agreement at the Offer Price.

Subject to, among other conditions, the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and certain other conditions under the Underwriting Agreement being satisfied or waived on or before the dates and times as specified therein or such other dates as the Sole Sponsor and the Sole Lead Manager (for itself and on behalf of the Underwriter) may agree and in any event not later than the 30th day after the date of this prospectus, the Underwriter have severally agreed to subscribe or procure subscribers for, their respective applicable proportions of the Offer Shares on the terms and conditions set out in this prospectus and the Underwriting Agreement.

#### Grounds for termination

The Sole Lead Manager (for itself and on behalf of the Underwriter) may in its sole and absolute discretion, upon giving written notice to our Company, terminate the Underwriting Agreement with immediate effect if any of the following events occurs at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is expected to be Monday, 12 February 2018):

- (a) there has come to the notice of the Sole Lead Manager:
  - (i) any statement contained in this prospectus and the Application Forms (the “**Public Offer Documents**”), considered by the Sole Lead Manager in its opinion was, when it was issued, or has become, or has been discovered to be untrue, incorrect, inaccurate or misleading in any material respect, or any forecasts, expressions of opinion, intention or expectation expressed in any of the Public Offer Documents are not, in the opinion of the Sole Lead Manager, fair, honest and made in good faith and based on reasonable assumptions, when taken as a whole;
  - (ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute a material omission therefrom;

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## UNDERWRITING

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- (iii) any material breach of any of the warranties, obligations or undertakings given by or imposed upon any party to the Underwriting Agreement (other than any of the Underwriter) or any matter or event showing any of such warranties, obligations or undertakings to be untrue, incorrect, inaccurate or misleading or having been breached in any material respect when given or repeated;
  - (iv) any matter, event, act or omission which gives or is likely to give rise to any liability of any of our Company, our executive Directors and Controlling Shareholders pursuant to the indemnity provisions under the Underwriting Agreement;
  - (v) any event, series of events, matter or circumstance occurs or arises on or after the date of this prospectus and prior to 8:00 a.m. on the Listing Date, would have rendered any of the representations, warranties or undertakings contained in the Underwriting Agreement, in the opinion of the Sole Lead Manager, untrue, incorrect, inaccurate or misleading in any material respect;
  - (vi) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares in issue and to be issued or sold under the Hong Kong Public Offering is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
  - (vii) any material adverse change or development involving a prospective change or development (whether or not permanent) in the earnings, business, operations, assets, liabilities, conditions, business affairs, prospects, profits, losses, results of operations or in the financial or trading position or performance of our Group taken as a whole or the industry the Group is operating in or the macroeconomics relevant to the Group's operations; or
  - (viii) any information, matter or event which in the opinion of the Sole Lead Manager (for itself and on behalf of the Underwriter) (A) is inconsistent in any material respect with any information or declaration provided by any Director in the relevant Director's declaration, undertaking and acknowledgment (Appendix 6, Form A of the GEM Listing Rules), or (B) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group.
- (b) there shall develop, occur, happen, exist or come into effect:
- (i) any change or development involving a prospective change, or any event or series of events, matters or circumstances likely to result in or represent any change or development involving a prospective change or development, in Hong Kong financial, political, military, industrial, fiscal, legal, regulatory, economic or market conditions, stock or financial market conditions;

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## UNDERWRITING

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- (ii) any event, or series of events, in the nature of force majeure including, without limitation, acts of government or orders of any court, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not was, is or has been declared) or other states of emergency or calamity or crisis, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, epidemics, pandemics, outbreak of diseases (including, without limitation, SARS, H1N1, H5N1 and other related/mutated forms), labour disputes, strikes, lock-outs (whether or not covered by insurance), acts of God, fire, explosion, flooding, accident, interruption or delay in transportation in or affecting any relevant jurisdiction;
- (iii) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the relevant jurisdictions;
- (iv) the change or development involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment laws or regulations or the implementation of any exchange control in any of the relevant jurisdictions;
- (v) any change or development involving a materialization of, any of the risks set out in the section headed “Risk Factors” of this prospectus;
- (vi) any litigation, legal action, or claim or legal proceeding of any third party being threatened or instigated against any member of our Group, any Director or any of the Controlling Shareholders;
- (vii) any Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company;
- (viii) any prohibition on our Company from allotting or selling the Offer Shares pursuant to the terms of the Hong Kong Public Offering for whatever reason;
- (ix) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or any of the Controlling Shareholders or in respect of which any member of our Group or any of the Controlling Shareholders is liable prior to its stated maturity;
- (x) any petition or order is presented for the winding up or liquidation of any member of our Group or any of the Controlling Shareholders or any composition or arrangement made by any member of our Group or any of the Controlling Shareholders with its creditors or any scheme of arrangement entered into by any member of our Group or any of the Controlling Shareholders, or any resolution being or having been passed for the winding-up of any member of our Group or any of the Controlling Shareholders

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## UNDERWRITING

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or the appointment of any provisional liquidator, receiver or manager over all or part of any material assets or undertaking of any member of our Group or any of the Controlling Shareholders, or anything analogous thereto having occurred in respect of any member of our Group or any of the Controlling Shareholders;

- (xi) the imposition of any moratorium, suspension, limitation or restriction on trading in shares or securities generally on the Stock Exchange, due to exceptional financial circumstance, or minimum prices having been established for securities traded in general thereon;

which each case or in aggregate in the opinion of the Sole Lead Manager (for itself and on behalf of the Underwriter):

- (A) has or will or may have a material adverse effect on the business, results of operations, financial, trading or other condition or prospects of our Group as a whole;
- (B) makes or will or may make it inadvisable, inexpedient or impracticable to proceed with or to market the Hong Kong Public Offering or the delivery of the Offer Shares on the terms and in the manner contemplated in this prospectus; or
- (C) has or will or may have the effect of making any part of the Underwriting Agreement incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Hong Kong Public Offering or pursuant to the Underwriting Agreement.

### 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 Listing Date), except in any of the circumstances provided for under Rule 17.29 of the GEM Listing Rules or pursuant to the Hong Kong Public Offering.

#### Undertaking by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, our Controlling Shareholders have, jointly and severally, undertaken to the Stock Exchange and our Company that, save as permitted under the GEM Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of their shareholding is made in this prospectus and ending on the date which is six months from the Listing Date

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## UNDERWRITING

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(the “**First Six-month Period**”), they shall not dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests, or encumbrances in respect of, any of our Shares in respect of which they are shown in this prospectus to be the beneficial owner; and

- (b) in the period of six months commencing on the date which the First Six-month Period expires (the “**Second Six-month Period**”), they shall not dispose of, nor enter into any agreement to dispose of, or otherwise created any options, rights, interests or encumbrances in respect of, any of the Shares, if immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would then cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company.

Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholders has jointly and severally undertaken to the Stock Exchange and our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or she or it will:

- (i) when he or she or it pledges or charges any Share beneficially owned by him/her/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) (the “**Banking Ordinance**”) pursuant to Rule 13.18(1) of the GEM Listing Rules, or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, inform our Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (ii) having pledged or charged any interest in the Shares under paragraph (i) above, inform our Company immediately in the event that he or she or it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

Our Company will also inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the publication requirements under of the GEM Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

### UNDERTAKINGS PURSUANT TO THE UNDERWRITING AGREEMENT

#### Undertaking by our Company

We have undertaken to the Sole Sponsor, the Sole Lead Manager and the Underwriter pursuant to the Underwriting Agreement that, except pursuant to or contemplated under the Hong Kong Public Offering or grant of options or issue of our Shares upon exercise of such options pursuant to the Share Option Scheme, we will not without the prior written consent of the Sole Lead Manager (for itself and on behalf of the Underwriter) and unless in compliance with the requirements of the GEM Listing Rules, at any time during the First Six-month Period, offer, allot, issue or sell, or agree to allot, issue

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## UNDERWRITING

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or sell, grant or agree to grant any option, right, warrant or other rights to subscribe for any Shares or other securities of our Company over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of our subsidiaries), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction, and we further agree that, during the Second Six-month Period, we will not carry out any of the above transactions the completion of which would result in any of our Controlling Shareholders ceasing to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company.

### **Undertaking by our Controlling Shareholders**

Each of our Controlling Shareholders has respectively undertaken to the Sole Sponsor, the Sole Lead Manager, the Underwriter and our Company that:

- (a) during the First Six-month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its close associates and companies controlled by him/it and any nominee or trustee holding in trust for himself/itself shall not, without the prior written consent of the Sole Lead Manager or unless in compliance with the requirements of the GEM Listing Rules:
  - (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 or otherwise transfer or dispose of, either directly or indirectly, any Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities; or
  - (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 such Shares, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; or
  - (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
  - (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above except in the event of any of our Controlling Shareholders using securities of our Company beneficially owned by him/it as



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## UNDERWRITING

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security (including a charge or pledge) in favour of any authorised institution (as defined in the Banking Ordinance of the laws of Hong Kong) for a bona fide commercial loan or such other circumstances as permitted under the GEM Listing Rules;

- (b) he/it shall not, and shall procure that the relevant registered holder(s) and his/its close associates or companies controlled by him/it and any nominee or trustee holding in trust for himself/itself shall not, without the prior written consent of the Stock Exchange during the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares held by him/it or any of his/its close associates or companies controlled by him/it or any nominee or trustee holding in trust for himself/herself/itself if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be controlling shareholder (as defined in the GEM Listing Rules) of our Company or the aggregate interest of all members of our Controlling Shareholders would be less than 30% of our Company's issued share capital except in the event of any of our Controlling Shareholders using securities of our Company beneficially owned by him/it as security (including a charge or pledge) in favour of any authorized institution (as defined in the Banking Ordinance of the laws of Hong Kong) for a bona fide commercial loan or such other circumstances as permitted under the GEM Listing Rules; and
- (c) in the event of a disposal of any Shares or securities of our Company or any interest therein within the Second Six-month Period, he/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of our Company.

Each of our Controlling Shareholders undertakes to the Sole Sponsor, the Sole Lead Manager, the Underwriter and our Company that within the First Six-month Period and the Second Six-month Period, he/it shall:

- (a) if and when he/it pledges or charges, directly or indirectly, any Shares or other securities of our Company beneficially owned by him/it (or any beneficial interest therein), immediately inform our Company and the Sole Lead Manager in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) if and when he/it receives indications, either verbal or written, from any pledgee or chargee that any Shares or other securities in our Company (or any beneficial interest therein) pledged or charged by him/it will be disposed of, immediately inform our Company and the Sole Lead Managers in writing of such indications.

Our Company will notify the Stock Exchange as soon as our Company has been informed of any of such events and shall make a public disclosure by way of announcement in accordance with the GEM Listing Rules.

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## UNDERWRITING

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### **Fees, commission and expenses**

Pursuant to the Underwriting Agreement, the Offer Shares are being offered for subscription, subject to the terms and conditions in this prospectus, at the Offer Price of HK\$0.40 to HK\$0.50 per Offer Share. The Underwriter will receive an aggregate underwriting commission of 3.2% of the aggregate Offer Price of all Offer Shares, out of which they will pay any sub-underwriting commissions and praecipium. We may also in our sole discretion pay the Underwriter an additional incentive fee for the Offer Shares offered by our Company under the Hong Kong Public Offering. Assuming the Offer Price is HK\$0.45, being the mid-point of the indicative Offer Price range, the total underwriting commission, fees and expenses relating to the Hong Kong Public Offering and Listing (including the GEM Listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, and printing), are estimated to be approximately HK\$20 million, all of which is expected to be incurred for the year ending 31 March 2018. The Sole Sponsor will receive a sponsor fee of about HK\$3.9 million in relation to the Listing and will be reimbursed for their expenses.

### **Independence of the Sole Sponsor**

The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

### **Sole Sponsor's interests in our Company**

The Sole Sponsor will be appointed as the compliance adviser of our Company with effect from the Listing Date until dispatch of the audited consolidated financial results for the second full financial year after the Listing Date.

Save for the abovementioned, its interests and obligations under the Underwriting Agreement, the sponsor's fee payable to the Sole Sponsor in respect of the Hong Kong Public Offering, a praecipium fee payable to the Sole Sponsor pursuant to the Underwriting Agreement and service fee payable to the Sole Sponsor for acting as the compliance adviser of the Company, the Sole Sponsor is not interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

### **Sole Lead Manager and Underwriter's interests in our Company**

Save as provided for under the Underwriting Agreement and save as disclosed in this prospectus, none of the Sole Lead Manager and the Underwriter has any shareholding interests in any member of our Group nor has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any share in any member of our Group.

### **UNDERTAKING BY ALTIVO VENTURES, SIGMA SQUARE AND MR. TANG SIU FUNG CALVIN**

Our substantial shareholders, Altivo Ventures, Sigma Square and Mr. Tang Siu Fung Calvin, have jointly and severally undertaken to our Company, the Sole Sponsor and the Underwriter for the first

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## UNDERWRITING

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12 months commencing on the Listing Date, not to 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 dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the Shares or debt capital or other securities of the 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, owned directly or indirectly by the substantial shareholders (including holding as a custodian) or in respect of which he/it is shown by this prospectus or otherwise to be the beneficial owner.

Each of the abovementioned substantial shareholders jointly and severally undertakes to the Sole Sponsor, the Sole Lead Manager, the Underwriter and our Company that for the first 12 months commencing on the Listing Date, he/it shall:

- (a) if and when he/it pledges or charges, directly or indirectly, any Shares or other securities of our Company beneficially owned by him/it (or any beneficial interest therein), immediately inform our Company, the Sole Sponsor and the Underwriter in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) if and when he/it receives indications, either verbal or written, from any pledgee or chargee that any Shares or other securities in our Company (or any beneficial interest therein) pledged or charged by him/it will be disposed of, immediately inform our Company, the Sole Sponsor and the Underwriter in writing of such indications.

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## STRUCTURE AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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### OVERVIEW

This prospectus is published in connection with the Hong Kong Public Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors or other investors in Hong Kong.

### OFFER PRICE

The Offer Price will not be more than HK\$0.50 per Share and not less than HK\$0.40 per Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Applicants under the Hong Kong Public Offering must pay, on application, the maximum indicative Offer Price plus brokerage of 1.00%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. Assuming the Offer Price of HK\$0.50 per Share (being the highest price of the indicative Offer Price range), investors shall pay HK\$2,525.20 for every board lot of 5,000 Shares (inclusive of brokerage of 1.00%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%). Each Application Form includes a table showing the exact amount payable on certain numbers of Hong Kong Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$0.50, appropriate refund payments (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. Please refer to the section headed “How to Apply for Hong Kong Offer Shares — 13. Refund of application monies” in this prospectus.

The Offer Price will be fixed by an agreement expected to be entered into between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter) on the Price Determination Date which is expected to be on or around Tuesday, 6 February 2018. If our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter) are unable to reach an agreement on the Offer Price by the Price Determination Date or such later date as may be agreed between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter), the Hong Kong Public Offering will not become unconditional and will lapse. Prospective investors of the Offer Shares should be aware that the Offer Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative range of the Offer Price as stated in this prospectus.

If the Sole Lead Manager (for itself and on behalf of the Underwriter) with the consent of our Company considers it appropriate (for instance, if the level of interest is below the indicative Offer Price range), the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the Price Determination Date and/or reduction of the number of Offer Shares being offered under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event no later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at

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## STRUCTURE AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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**www.smcl.com.hk** a notice of reduction and to be issued a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Hong Kong Public Offering and/or the indicative Offer Price Range, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and give potential investors who had applied for the Offer Shares the right to withdraw their applications under the Hong Kong Public Offering. Upon issue of such a notice and a supplemental prospectus, the number of Offer Shares offered in the Hong Kong Public Offering and/or the revised Offer Price Range will be final and conclusive and the Offer Price, if agreed upon the Sole Lead Manager (for itself and on behalf of the Underwriter) and our Company, will be fixed within such revised offer price range. Such notice and supplemental prospectus shall also include confirmation or revision, as appropriate, of the working capital statement, Hong Kong Public Offering statistics and any financial or other information in this prospectus which may change as a result of any such reduction.

**Before submitting applications for Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Hong Kong Public Offering and/or the indicative Offer Price Range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the event there is a reduction in the number of the Offer Shares and/or indicative Offer Price Range, if the applicants have already submitted an application for the Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, they will be allowed to subsequently withdraw their applications. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter), will under no circumstances be set outside the indicative Offer Price Range as stated in this prospectus.**

The final Offer Price, the indications of interest in the Hong Kong Public Offering, the results of applications and the basis of allotment of the Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Friday, 9 February 2018 on the website of the Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.smcl.com.hk**.

### **BASIS OF ALLOCATION**

The basis of allocations of the Hong Kong Offer Shares are expected to be announced on Friday, 9 February 2018 on the website of the Company at **www.smcl.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk**.

Results of allocations in the Hong Kong Public Offering, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Hong Kong Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, or by giving electronic application instructions to HKSCC, and **HK eIPO White Form** Service Provider will be made available through a variety of channels as described in the section headed “How to Apply for Hong Kong Offer Shares — 11. Publication of results” in this prospectus.

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## STRUCTURE AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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### CONDITIONS OF THE HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is conditional upon:

- (a) the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus;
- (b) the Offer Price having been duly agreed on or around the Price Determination Date or such later date as may be agreed between our Company and the Sole Lead Manager (for itself and on behalf of the Underwriter); and
- (c) the obligations of the Sole Lead Manager (for itself and on behalf of the Underwriter) under the Underwriting Agreement becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Lead Manager (for itself and on behalf of the Underwriter), and such obligations not having been terminated in accordance with the terms of the Underwriting Agreement, in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If these conditions are not fulfilled or (where applicable) waived by the Sole Sponsor and the Sole Lead Manager (for itself and on behalf of the Underwriter) on or before the day which is the 30th day after the date of this prospectus, the Hong Kong Public Offering shall lapse and the Stock Exchange will be notified immediately. Notice of lapse of the Hong Kong Public Offering will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.smcl.com.hk](http://www.smcl.com.hk) on the next business day after such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares — 13. Refund of application monies" in this prospectus. In the meantime, the 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).

Share certificates for the Hong Kong Offer Shares are expected to be issued on Friday, 9 February 2018 but will only become valid certificates of title at 8:00 a.m. on Monday, 12 February 2018, provided that (i) the Hong Kong Public Offering has become unconditional in all respects; and (ii) the right of termination as described in the section headed "Underwriting — Underwriting arrangements — Grounds for Termination" in this prospectus has not been exercised.

### THE HONG KONG PUBLIC OFFERING

The Company is offering 100,000,000 Shares at the Offer Price for subscription by the public in Hong Kong. The number of Shares offered under the Hong Kong Public Offering will represent approximately 25% of the total issued share capital of the Company immediately after completion of the Hong Kong Public Offering and the Capitalisation Issue. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional, professional investors or other investors. Professional investors generally include brokers, dealers, companies (including fund

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## STRUCTURE AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Hong Kong Public Offering is subject to the conditions set out in the paragraph headed “Conditions of the Hong Kong Public Offering” above.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Share.

The total number of Hong Kong Offer Shares being offered for subscription under the Hong Kong Public Offering will be divided equally into two pools: Pool A and Pool B. Each of Pool A and Pool B will comprise 50,000,000 Hong Kong Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Hong Kong Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 50,000,000 Hong Kong Offer Shares.

The Sole Lead Manager (for itself and on behalf of the Underwriter) may require any investor who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Lead Manager so as to allow it to identify the relevant applications under the Hong Kong Public Offering.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

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## **STRUCTURE AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING**

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### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional advisers.

### **DEALINGS ARRANGEMENTS**

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on Monday, 12 February 2018. The Shares will be traded in board lot of 5,000 Shares each. The stock code for the Shares is 8523.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 1. HOW TO APPLY

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- 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. The Company, the Sole Lead Manager, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply for the Offer Shares online through the **HK eIPO White Form** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- 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 representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company and the Sole Lead Manager may accept it at their discretion and on any conditions they think 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 the **HK eIPO White Form** service for the Hong Kong Offer Shares.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Unless permitted by the GEM Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the GEM Listing Rules) of any of the above;
- a connected person (as defined in the GEM Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Hong Kong Public Offering; and
- a close associate (as defined in the GEM Listing Rules) of any of the above.

### 3. APPLYING FOR HONG KONG OFFER SHARES

#### Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk**.

For Hong Kong 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 Wednesday, 31 January 2018 to 12:00 noon on Monday, 5 February 2018.

- (i) the office of the Underwriter:

KGI Capital Asia Limited

41/F Central Plaza, 18 Harbour Road Wanchai,  
Hong Kong

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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(ii) any of the following branches of the receiving bank:

DBS Bank (Hong Kong) Limited

Branch name	Address
<b>Hong Kong Island 香港</b>	
1 Head Office 總行	G/F, The Center, 99 Queen's Road Central, Central 中環皇后大道中99號中環中心地下
<b>Kowloon 九龍</b>	
2 Mei Foo Branch 美孚新邨分行	Shops N26A & N26B, Stage V, Mei Foo Sun Chuen, 10 & 12 Nassau Street 美孚新邨第五期蘭秀道 10-12 號N26A-N26B 舖
3 Nathan Road — SME Banking Centre 彌敦道— 中小企業銀行	2/F, Wofoo Commercial Building, 574-576 Nathan Road, Mongkok 旺角彌敦道 574-576 號 和富商業大廈 2 樓
<b>New Territories 新界</b>	
4 Yuen Long Branch 元朗分行	G/F, 1-5 Tai Tong Road, Yuen Long 元朗大棠道1-5號地下

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 31 January 2018 until 12:00 noon on Monday, 5 February 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from 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 Ting Hong Nominees Limited — Sheung Moon Public Offer for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Wednesday, 31 January 2018 — 9:00 a.m. to 5:00 p.m.
- Thursday, 1 February 2018 — 9:00 a.m. to 5:00 p.m.
- Friday, 2 February 2018 — 9:00 a.m. to 5:00 p.m.
- Saturday, 3 February 2018 — 9:00 a.m. to 1:00 p.m.
- Monday, 5 February 2018 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 5 February 2018, the last application day or such later time as described in “10. Effect of Bad Weather on the Opening of the Applications Lists” in this section.

## 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, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Sole Lead Manager (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (WUMP) Ordinance, the Companies Law and the Articles of Association;
- (iii) 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;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (iv) 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;
- (v) confirm that you are aware of the restrictions on the Hong Kong Public Offering in this prospectus;
- (vi) agree that none of the Company, the Sole Sponsor, the Sole Lead Manager, the Underwriter, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Hong Kong Public Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) agree to disclose to the Company, our Hong Kong Branch Share Registrar, receiving banks, the Sole Sponsor, the Sole Lead Manager, the Underwriter 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;
- (viii) 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 the Company, the Sole Sponsor, the Sole Lead Manager and the Underwriter 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;
- (ix) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (x) agree that your application will be governed by the laws of Hong Kong;
- (xi) warrant that the information you have provided is true and accurate;
- (xii) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xiii) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/ or its agents to send any share certificate(s) 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;
- (xiv) 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;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (xv) understand that the Company and the Sole Sponsor, the Sole Lead Manager will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xvi) (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
- (xvii) (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.

### Additional Instructions for **YELLOW** Application Form

You may refer to the **YELLOW** Application Form for details.

## 5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

### General

Individuals who meet the criteria in the paragraph headed “2. Who can apply” in this section above may apply through the **HK eIPO White Form** service for the Offer Shares to be allocated 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 set out 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 Provider.

### Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application through the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Wednesday, 31 January 2018 until 11:30 a.m. on Monday, 5 February 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 5 February 2018, the last day for applications, or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” below.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, 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 the Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different payment 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.

### Section 40 of the Companies (WUMP) 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 (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

## 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

### General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money 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 +852 2979 7888 or through the CCASS Internet System (<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 Center  
1/F, One & Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

and complete an input request form.

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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 Hong Kong 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 the Company, the Sole Lead Manager and our Hong Kong Branch Share Registrar.

### GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong 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 Hong Kong 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 Hong Kong Offer Shares applied for or any lesser number allocated;
  - (if the **electronic application instructions** are given for your benefit) 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 the Company, the Directors and the Sole Sponsor and the Sole Lead Manager will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/ or refund monies under the arrangements separately agreed between us and HKSCC;



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- 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 the Company, the Sole Lead Manager, the Underwriter, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Hong Kong Public Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Branch Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriter 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 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 the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is 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 (WUMP) 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 the Company's announcement of the Hong Kong Public Offering 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 the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

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- agree with the Company, for itself and for the benefit of each Shareholder (and so that the 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 the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (WUMP) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### 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 the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the 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 Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies(including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- 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 5,000 Hong Kong Offer Shares. Instructions for more than 5,000 Hong Kong 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 Hong Kong 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:

- Wednesday, 31 January 2018 — 9:00 a.m. to 8:30 p.m.<sup>1</sup>

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- Thursday, 1 February 2018 — 8:00 a.m. to 8:30 p.m.<sup>1</sup>
- Friday, 2 February 2018 — 8:00 a.m. to 8:30 p.m.<sup>1</sup>
- Saturday, 3 February 2018 — 8:00 a.m. to 1:00 p.m.<sup>1</sup>
- Monday, 5 February 2018 — 8:00 a.m.<sup>1</sup> 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 Wednesday, 31 January 2018 until 12:00 noon on Monday, 5 February 2018. (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 5 February 2018, the last application day or such later time as described in “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 Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong 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 Hong Kong 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 (WUMP) Ordinance

For the avoidance of doubt, the 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 (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Branch Share Registrar, the receiving bankers, the Sole Sponsor, the Sole Lead Manager, the Underwriter 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.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for the Offer Shares through the **HK eIPO White Form** service is only a facility provided by the **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. The Company, the Directors, the Sole Sponsors, the Sole Lead Manager and the Underwriter take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong 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 Monday, 5 February 2018.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong 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 the **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:

- the principal business of that company is dealing in securities; and
- 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.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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“**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 HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the 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 the **HK eIPO White Form** service in respect of a minimum of 5,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 5,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the 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).

For further details on the Offer Price, see the section headed “Offer Price” under the section headed “Structure and Conditions of the Hong Kong Public Offering” in this prospectus.

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 5 February 2018. 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.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If the application lists do not open and close on Monday, 5 February 2018 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

The Company expects to announce (i) the final Offer Price, (ii) the level of applications in the Hong Kong Public Offering and (iii) the basis of allocation of the Hong Kong Offer Shares on Friday, 9 February 2018 on the Company’s website at **www.smcl.com.hk** and 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 Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at **www.smcl.com.hk** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Friday, 9 February 2018;
- 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. Friday, 9 February 2018 to 12:00 midnight on Thursday, 15 February 2018;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 9 February 2018 to Wednesday, 14 February 2018 on a Business Day;
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 9 February 2018 to Tuesday, 13 February 2018 at all the receiving bank’s designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it 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 Hong Kong Offer Shares if the conditions of the Hong Kong Public Offering are satisfied and the Hong Kong Public Offering is not otherwise terminated. Further details are contained in the section headed “Structure and conditions of the Hong Kong Public Offering” 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.

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### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, 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 Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the 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 (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) 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 will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

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 or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) **If the Company or its agents exercise their discretion to reject your application:**

The Company, the Sole Sponsor, the Sole Lead Manager, 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.

(iii) **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

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- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- your Application Form is not completed in accordance with the stated instructions;
- 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 at **www.hkeipo.hk**;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreement does not become unconditional or is terminated;
- the Company or the Sole Lead Manager believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

### 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 the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Conditions of the Hong Kong Public Offering" under the section headed "Structure and conditions of the Hong Kong Public Offering" 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 the 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 Friday, 9 February 2018.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (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).



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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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:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- 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 Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/ or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the 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 Friday, 9 February 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m., Monday, 12 February 2018 provided that the Hong Kong Public Offering has become unconditional and the right of termination described in the “Underwriting” section 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

#### (i) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Hong Kong 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 the Hong Kong Branch Share Registrar at Level 22, Hopewell Central, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 9 February 2018 or such other date as announced by us.

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If you are an individual who is eligible for personal collection, you must not authorize 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 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Friday, 9 February 2018, by ordinary post and at your own risk.

(ii) *If you apply using a **YELLOW** Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, 9 February 2018, 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 Friday, 9 February 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 9 February 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

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(iii) *If you apply through HK eIPO White Form service:*

- If you apply for 1,000,000 Offer Shares or more through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 9 February 2018, or any other place or date notified by our Company as the place or 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 and at your own risk.
- If you apply for less than 1,000,000 Offer Shares through the **HK eIPO White Form** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, 9 February 2018 by ordinary post and 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 specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

(iv) *If you apply via Electronic Application Instructions to HKSCC*

*Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong 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 Friday, 9 February 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the 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 Hong Kong Public Offering in the manner

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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specified in “Publication of Results” above on Friday, 9 February 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. Friday, 9 February 2018 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong 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 Hong Kong 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 Friday, 9 February 2018. Immediately following the credit of the Hong Kong 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 Hong Kong 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 and/ or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the 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 Friday, 9 February 2018.

### 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 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 set out on pages I-1 to I-60, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



## **ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHEUNG MOON HOLDINGS LIMITED AND LY CAPITAL LIMITED**

### **Introduction**

We report on the historical financial information of Sheung Moon Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-60, which comprises the consolidated statements of financial position as at 31 March 2016, 31 March 2017 and 31 July 2017, the statement of financial position of the Company as at 31 July 2017, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the two years ended 31 March 2017 and the four months ended 31 July 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-60 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 January 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

### **Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### **Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2016, 31 March 2017 and 31 July 2017, of the Company's financial position as at 31 July 2017, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

### **Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended 31 July 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

*Dividends*

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

**Deloitte Touche Tohmatsu***Certified Public Accountants*

Hong Kong

31 January 2018

**HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards of Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollar ("HK\$"), which is also the functional currency of the Company, and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.



## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March		Four months ended 31 July	
	NOTES	2016	2017	2016	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Revenue	6	40,298	89,977	17,215	62,827
Direct costs		<u>(28,149)</u>	<u>(66,332)</u>	<u>(10,954)</u>	<u>(51,976)</u>
Gross profit		12,149	23,645	6,261	10,851
Other income		109	31	5	10
Other gains and losses	7	—	(1,989)	—	80
Administrative expenses		(4,338)	(5,654)	(1,621)	(2,272)
Finance costs	8	(395)	(1,317)	(320)	(1,074)
Listing expenses		<u>—</u>	<u>(2,320)</u>	<u>—</u>	<u>(5,311)</u>
Profit before taxation	9	7,525	12,396	4,325	2,284
Taxation	11	<u>(2,199)</u>	<u>(2,652)</u>	<u>(774)</u>	<u>(1,348)</u>
Profit for the year/period		5,326	9,744	3,551	936
Other comprehensive income for the year/period:					
Item that will not be subsequently reclassified to profit or loss:					
Surplus on transfer from property, plant and equipment to investment property	15	<u>—</u>	<u>2,695</u>	<u>—</u>	<u>—</u>
Total comprehensive income for the year/period		<u>5,326</u>	<u>12,439</u>	<u>3,551</u>	<u>936</u>
Earnings per share (HK cents)	13				
Basic		<u>2.24</u>	<u>4.10</u>	<u>1.49</u>	<u>0.38</u>
Diluted		<u>N/A</u>	<u>4.10</u>	<u>N/A</u>	<u>0.38</u>

## STATEMENTS OF FINANCIAL POSITION

		THE GROUP		THE COMPANY
		As at 31 March	As at 31 July	As at 31 July
		2016	2017	2017
NOTES		HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Property, plant and equipment	14	31,198	19,068	26,450
Investment property	15	—	13,200	13,900
Investment in a subsidiary	31	—	—	—
Loan to a subsidiary	18	—	—	—
Deposits for acquisition of property, plant and equipment		150	—	—
Rental deposits		—	80	80
Pledged bank deposit	20	—	—	3,000
		<u>31,348</u>	<u>32,348</u>	<u>43,430</u>
				<u>43,825</u>
Current assets				
Trade and other receivables	16	9,206	22,066	43,754
Amounts due from customers for contract work	17	985	16,253	13,249
Amount due from a subsidiary	19	—	—	—
Bank balances and cash	20	<u>8,579</u>	<u>13,158</u>	<u>25,189</u>
		<u>18,770</u>	<u>51,477</u>	<u>82,192</u>
				<u>2,605</u>
Current liabilities				
Trade and other payables	21	3,089	15,436	32,002
Amounts due to customers for contract work	17	4,695	1,695	1,525
Amount due to a director	22	20	—	—
Amount due to a subsidiary	19	—	—	—
Tax payable		948	2,444	2,868
Bank borrowings	23	7,642	6,552	18,088
Obligations under finance leases	24	<u>4,111</u>	<u>5,061</u>	<u>5,091</u>
		<u>20,505</u>	<u>31,188</u>	<u>59,574</u>
				<u>7,987</u>
Net current (liabilities) assets		<u>(1,735)</u>	<u>20,289</u>	<u>22,618</u>
				<u>(5,382)</u>
Total assets less current liabilities		<u>29,613</u>	<u>52,637</u>	<u>66,048</u>
				<u>38,443</u>

**APPENDIX I****ACCOUNTANTS' REPORT**

	<i>NOTES</i>	<b>THE GROUP</b>		<b>THE COMPANY</b>	
		<b>As at 31 March</b>		<b>As at</b>	<b>As at</b>
		<b>2016</b>	<b>2017</b>	<b>31 July</b>	<b>31 July</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities					
Obligations under finance leases	24	6,777	5,758	6,201	—
Convertible loan notes	25	—	10,993	12,257	—
Deferred taxation	26	<u>1,450</u>	<u>2,061</u>	<u>2,829</u>	<u>—</u>
		<u>8,227</u>	<u>18,812</u>	<u>21,287</u>	<u>—</u>
Net assets		<u>21,386</u>	<u>33,825</u>	<u>44,761</u>	<u>38,443</u>
Capital and reserves					
Share capital	27	10,262	—	—	—
Reserves	32	<u>11,124</u>	<u>33,825</u>	<u>44,761</u>	<u>38,443</u>
Total equity		<u>21,386</u>	<u>33,825</u>	<u>44,761</u>	<u>38,443</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> (Note)	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2015	10,262	—	—	—	5,798	16,060
Profit and total comprehensive income for the year	—	—	—	—	5,326	5,326
At 31 March 2016	10,262	—	—	—	11,124	21,386
Profit for the year	—	—	—	—	9,744	9,744
Surplus on transfer from property, plant and equipment to investment property	—	—	2,695	—	—	2,695
Total comprehensive income for the year	—	—	2,695	—	9,744	12,439
Transfer upon group reorganisation (note 2(ii))	(10,262)	—	—	10,262	—	—
At 31 March 2017	—	—	2,695	10,262	20,868	33,825
Profit and total comprehensive income for the period	—	—	—	—	936	936
Issue of shares of the Company (note 2(iv))	—	10,000	—	—	—	10,000
At 31 July 2017	—	10,000	2,695	10,262	21,804	44,761
At 1 April 2016	10,262	—	—	—	11,124	21,386
Profit and total comprehensive income for the period (unaudited)	—	—	—	—	3,551	3,551
At 31 July 2016 (unaudited)	10,262	—	—	—	14,675	24,937

*Note:* The other reserve of the Group represents the difference between the nominal amount of the share capital of Sheung Moon Construction Limited ("Sheung Moon Construction"), an indirect wholly-owned subsidiary of the Company, and the nominal amount of share capital of Attaway Developments Limited ("Attaway Developments"), a direct wholly-owned subsidiary of the Company, pursuant to the Group Reorganisation as defined in note 2.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
OPERATING ACTIVITIES				
Profit before taxation	7,525	12,396	4,325	2,284
Adjustments for:				
Depreciation	1,598	2,620	870	956
Finance costs	395	1,317	320	1,074
Gain on fair value change of investment property	—	—	—	(700)
Loss on disposal/written-off of property, plant and equipment	—	1,449	—	—
Loss on fair value change of convertible loan notes	—	540	—	620
Operating cash flows before movements in working capital	9,518	18,322	5,515	4,234
Increase in rental deposits	—	(80)	—	—
Increase in trade and other receivables	(4,910)	(12,860)	(1,412)	(21,688)
(Increase) decrease in amounts due from customers for contract work	(985)	(15,268)	(6,433)	3,004
Increase in trade and other payables	250	11,867	266	13,681
Increase (decrease) in amounts due to customers for contract work	1,986	(3,000)	632	(170)
Cash generated from (used in) operations	5,859	(1,019)	(1,432)	(939)
Hong Kong Profits Tax paid	—	(545)	—	(156)
Hong Kong Profits Tax refunded	77	—	—	—
NET CASH FROM (USED IN) OPERATING ACTIVITIES	5,936	(1,564)	(1,432)	(1,095)
INVESTING ACTIVITIES				
Purchases of property, plant and equipment	(1,652)	(1,793)	(133)	(3,060)
Deposits paid for acquisition of property, plant and equipment	(150)	—	—	—
Placement of pledged bank deposit	—	—	—	(3,000)
Proceeds from disposal of property, plant and equipment	—	4,130	—	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(1,802)	2,337	(133)	(6,060)
FINANCING ACTIVITIES				
New bank borrowings raised	8,111	1,253	1,253	18,152
Repayments of bank borrowings	(1,642)	(2,343)	(822)	(6,616)
Advance from a director	1,832	6,456	—	—
Repayment of a director	(1,812)	(6,476)	—	—
Repayments of obligations under finance leases	(3,072)	(4,220)	(1,367)	(1,920)
Interests paid	(395)	(864)	(320)	(430)
Issue of convertible loan notes	—	10,000	—	—
Issue of shares of the Company	—	—	—	10,000
NET CASH FROM (USED IN) FINANCING ACTIVITIES	3,022	3,806	(1,256)	19,186
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,156	4,579	(2,821)	12,031
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	1,423	8,579	8,579	13,158
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	8,579	13,158	5,758	25,189

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION****1. GENERAL**

The Company was incorporated and registered in the Cayman Islands as an exempted company with limited liability on 31 May 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The addresses of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” to the Prospectus. The immediate holding company of the Company is Chrysler Investments Limited (“Chrysler Investments”), which is incorporated in the British Virgin Islands (“BVI”) and owned by Mr. Tang Sze Wo (“Mr. SW Tang”). The Company acts as an investment holding company and its subsidiaries are principally engaged in provision of civil engineering construction service.

**2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION**

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with HKFRSs issued by the HKICPA.

Before the completion of the group reorganisation, Sheung Moon Construction, the operating subsidiary of the Group, was owned by Mr. SW Tang.

In preparation of the listing of the Company’s shares on the GEM of the Stock Exchange (the “Listing”), the companies comprising the Group underwent the reorganisation (“Group Reorganisation”) as described below.

- (i) On 28 February 2017, Attaway Developments was incorporated as limited liability company in the BVI by issuing one share of United States dollar (“US\$”) 1.00 to Mr. SW Tang.
- (ii) On 27 March 2017, Attaway Developments acquired the entire issued share capital of Sheung Moon Construction from Mr. SW Tang by issuing 99 shares of Attaway Developments. Upon the completion of transaction, Sheung Moon Construction became the wholly-owned subsidiary of Attaway Developments.
- (iii) On 31 May 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each with one share allotted and issued to the initial subscriber at par. On 31 May 2017, the initial subscriber transferred his one share to Chrysler Investments at par.
- (iv) On 28 June 2017, the Company acquired the entire issued share capital of Attaway Developments from Mr. SW Tang and in consideration and exchange, the Company allotted and issued 21,999 shares to Chrysler Investments, credited as fully paid up. On the same date, the Company allotted and issued 4,000 shares to Chrysler Investments at the cash consideration of HK\$10,000,000.

Pursuant to the Group Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 28 June 2017.

The Group resulting from the Group Reorganisation, which involves interspersing the Company and Attaway Developments between Mr. SW Tang and Sheung Moon Construction, is continued to be controlled by Mr. SW Tang and is regarded as a continuing entity. Accordingly, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period have been prepared to include the results, changes in equity and cash flows of the companies now comprising the Group as if the group structure upon the completion of the Group Reorganisation had been in existence throughout the Track Record Period, or since their respective dates of incorporation, where there are shorter periods.

The consolidated statements of financial position of the Group as at 31 March 2016 and 31 March 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group at the carrying amounts shown in the financial statements of the group entities as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

No statutory financial statements have been prepared for the Company since its date of incorporation as it is incorporated in a jurisdiction where there is no statutory audit requirement.

### **3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS**

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted the HKFRSs issued by the HKICPA that are effective for the Group's financial year beginning on 1 April 2017 throughout the Track Record Period.

The Group has not early applied the following new and amendments to HKFRSs and interpretations (the "new and revised HKFRSs") which are not yet effective:

HKFRS 9	Financial instruments <sup>1</sup>
HKFRS 15	Revenue from contracts with customers and the related amendments <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance contracts <sup>4</sup>
Hong Kong (IFRIC) Interpretation 22	Foreign currency transactions and advance consideration <sup>1</sup>
Hong Kong (IFRIC) Interpretation 23	Uncertainty over income tax treatments <sup>2</sup>
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts" <sup>1</sup>
Amendments to HKFRS 9	Prepayment features with negative compensation <sup>2</sup>

Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>3</sup>
Amendments to HKAS 28	Long-term interests in associates and joint ventures <sup>3</sup>
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014-2016 cycle <sup>1</sup>
Amendments to HKAS 40	Transfers of investment property <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

### HKFRS 9 “Financial instruments”

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 which is relevant to the Group is:

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under Hong Kong Accounting Standard (“HKAS”) 39 “Financial instruments: Recognition and measurement”. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the opinion of the management of the Group, based on the historical experience of the Group, the default rate of the outstanding balances with customers and related parties is low. Hence, the management of the Group anticipates that the application of HKFRS 9 would not have material impact on the Group’s future consolidated financial statements. It is also expected that the application of HKFRS 9 in the future will have no material change on the amounts reported based on an analysis of the Group’s financial assets and financial liabilities as at 31 July 2017 on the basis of the facts and circumstances that existed at that date. As facts and circumstances may change during the period leading up to the initial date of application of HKFRS 9, which is expected to be 1 April 2018 as the Group does not intend to early apply the standard, the assessment of the potential impact is subject to change.



**HKFRS 15 “Revenue from contracts with customers”**

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction contracts” and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group has assessed that the contracts with customers fulfill the criteria for recognising revenue over time under HKFRS 15. Two methods can be used under HKFRS 15 to measure the Group’s progress towards complete satisfaction of a performance obligation satisfied over time, including output method and input method. In measuring the work progress under HKFRS 15, the Group considers that an input method with reference to the proportion that contract cost incurred for work performed to date relative to the estimated total contract costs would appropriately depict the transfer of control of goods or services to customers for individual projects under HKFRS 15. Based on the assessment performed with reference to the existing contractual arrangements with its customers, the management of the Group anticipates that the application of HKFRS 15 in the future may result in more disclosures but will have no material change on the timing and amounts of revenue recognised in the consolidated financial statements of the Group in the future.

**HKFRS 16 “Leases”**

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents finance lease payments as financing cash flows and operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will both be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 July 2017, the Group has non-cancellable operating lease commitments of HK\$1,161,000 as disclosed in note 28. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. However, the directors of the Company do not expect the adoption of HKFRS 16, as compared to the current accounting policy of the Group, would result in significant impact on the results and the net assets of the Group. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Except as described above, the management of the Group anticipates that the application of other new and revised HKFRSs will have no material impact on the Group's future consolidated financial statements.

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

The Historical Financial Information has been prepared on the historical cost basis, except for certain investment property and financial instrument that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below, and in accordance with the

following accounting policies which conform to HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based payment”, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of assets”.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

### **Basis of consolidation**

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiary). Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### **Investment in a subsidiary**

Investment in a subsidiary is included in the Company's statement of financial position at cost less accumulated impairment loss.

#### **Revenue recognition**

Revenue is measured at fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from civil engineering construction contracts is based on the stage of completion at the end of each reporting period. The Group's policy for recognition of revenue from foundation engineering services is described in accounting policy for civil engineering construction contracts below.

Service income is recognised when the services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### **Civil engineering construction contracts**

Where the outcome of a civil engineering construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the

end of each reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a civil engineering construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statements of financial position under trade and other receivables.

### **Investment property**

Investment property is property held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment property and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property is included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

### **Property, plant and equipment**

Property, plant and equipment including leasehold land and buildings held for use in the supply of services, or for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted on for a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful life.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, 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.

### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessee*

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

*Leasehold land and building*

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

**Impairment loss on tangible assets**

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

**Financial instruments**

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### ***Financial assets***

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loan to a subsidiary, amount due from a subsidiary, pledged bank deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of loans and receivables below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

### ***Impairment of loans and receivables***

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or



- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### ***Financial liabilities and equity instruments***

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### ***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

#### ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

*Financial liabilities at fair value at through profit or loss*

Financial liabilities are classified as at fair value through profit or loss when the financial liability is (i) held for trading or (ii) it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 34.

*Financial liabilities at amortised cost*

Financial liabilities including trade and other payables, amounts due to a director and a subsidiary and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

*Convertible loan notes*

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative component are recognised at fair value. In subsequent periods, the debt component of the convertible loan notes is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible loan notes using the effective interest method.

#### ***Derivative financial instruments***

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

#### ***Embedded derivatives***

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

#### ***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### **Taxation**

Income tax expense represents the sum of the income tax expense currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "profit before taxation" as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment property that is measured using the fair value model, the carrying amount of such property is presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss.

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **Retirement benefits costs**

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

**Short-term employee benefits**

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by the employees up to each of the reporting period. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

**Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

**5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 4, the management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

***Critical judgements in applying accounting policies***

The following is the critical judgement, apart from those involving estimations (see below), that the management of the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

***Deferred taxation on an investment property***

For the purpose of measuring deferred tax liabilities arising from an investment property that is measured using the fair value model, the management of the Group has reviewed the investment property of the Group's subsidiary and concluded that the investment property is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Therefore, the management of the Group has determined that the "sale" presumption set out in the amendments to HKAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment property as the management of the Group does not expect to have tax consequence on disposal of the investment property.

***Key sources of estimation uncertainty***

The followings are the key assumptions concerning the future, and other key source of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

**Civil engineering construction contract**

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each civil engineering construction contract as the contract progresses. Budgeted construction costs are prepared by the management of the Group on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of management of the Group. In order to keep the budget accurate and up-to-date, management of the Group conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

Recognised amounts of civil engineering construction contract revenue and related receivables reflect management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going civil engineering construction contracts. For more complex contracts, in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

As at 31 March 2016, 31 March 2017 and 31 July 2017, the carrying amounts of amounts due from customers for contract works are HK\$985,000, HK\$16,253,000 and HK\$13,249,000, respectively and amounts due to customers for contract works are HK\$4,695,000, HK\$1,695,000 and HK\$1,525,000, respectively.

#### **Fair value of convertible loan notes and embedded derivative financial instruments**

The management of the Group uses their judgements in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. In determining the fair value of convertible loan notes and its embedded derivative, assumptions are made based on quoted market rates adjusted for specific features of the instrument (see note 34 for details of the valuation technique adopted and inputs for fair value measurements).

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent qualified valuers to perform the valuation. The management of the Group works closely with the independent qualified valuers to establish the appropriate valuation techniques and inputs to the model.

As at 31 March 2016, 31 March 2017 and 31 July 2017, the carrying amounts of convertible loan notes and its embedded derivative are nil, HK\$10,993,000 and HK\$12,257,000, respectively.

#### **6. REVENUE AND SEGMENT INFORMATION**

Revenue represents the fair value of amounts received and receivable from the civil engineering construction services provided by the Group to external customers. The Group's revenue is solely derived from civil engineering construction services during the Track Record Period. For the purpose of resources allocation and performance assessment, the management of the Group, being the chief operating decision makers ("CODM"), review the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 4. Accordingly, the Group has only one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

**Geographical information**

Information about the Group's revenue from external customers is presented based on the geographical location of the projects:

	<b>Year ended 31 March</b>		<b>Four months ended 31 July</b>	
	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Hong Kong	34,669	89,046	16,284	62,827
Macau	<u>5,629</u>	<u>931</u>	<u>931</u>	<u>—</u>
	<u>40,298</u>	<u>89,977</u>	<u>17,215</u>	<u>62,827</u>

Information about the Group's non-current assets is presented based on the geographical location of the assets:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2016</b>	<b>2017</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	25,660	32,348	40,430
Macau	<u>5,688</u>	<u>—</u>	<u>—</u>
	<u>31,348</u>	<u>32,348</u>	<u>40,430</u>



## Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the Track Record Period is as follows:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Customer A	18,721	59,457	15,446	30,860
Customer B	N/A <sup>#</sup>	11,805	N/A <sup>#</sup>	N/A <sup>*</sup>
Customer C	8,169	N/A <sup>*</sup>	N/A <sup>*</sup>	N/A <sup>#</sup>
Customer D	5,629	N/A <sup>*</sup>	N/A <sup>*</sup>	N/A <sup>#</sup>
Customer E	4,934	N/A <sup>*</sup>	N/A <sup>*</sup>	N/A <sup>#</sup>
Customer F	<u>N/A<sup>#</sup></u>	<u>N/A<sup>#</sup></u>	<u>N/A<sup>#</sup></u>	<u>23,446</u>

<sup>#</sup> No revenue attributed from the relevant customer.

<sup>\*</sup> Revenue from relevant customer was less than 10% of the Group's total revenue for the respective year/period.

## 7. OTHER GAINS AND LOSSES

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Fair value change of investment property	—	—	—	700
Loss on fair value change of convertible loan notes	—	(540)	—	(620)
Loss on disposal/written-off of property, plant and equipment	<u>—</u>	<u>(1,449)</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>(1,989)</u>	<u>—</u>	<u>80</u>

## 8. FINANCE COSTS

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Interests on:				
Bank borrowings	196	411	151	222
Finance leases	<u>199</u>	<u>453</u>	<u>169</u>	<u>208</u>
	395	864	320	430
Effective interest expense on convertible loan notes	<u>—</u>	<u>453</u>	<u>—</u>	<u>644</u>
	<u>395</u>	<u>1,317</u>	<u>320</u>	<u>1,074</u>

## 9. PROFIT BEFORE TAXATION

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Profit before taxation has been arrived at after charging:				
Directors' remuneration (note 10)	2,822	3,286	1,095	1,012
Other staff costs	4,689	11,216	2,620	14,403
Retirement benefit scheme contributions	<u>209</u>	<u>477</u>	<u>112</u>	<u>522</u>
Total staff cost	<u>7,720</u>	<u>14,979</u>	<u>3,827</u>	<u>15,937</u>
Auditor's remuneration	60	300	100	100
Depreciation on property, plant and equipment	1,598	2,620	870	956
Minimum lease payments under operating leases in respect of				
- rented premises	106	77	—	159
- site equipment	<u>881</u>	<u>1,708</u>	<u>587</u>	<u>4,825</u>
	<u>987</u>	<u>1,785</u>	<u>587</u>	<u>4,984</u>

**10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS****(a) Directors' and chief executive's emoluments**

Details of the emoluments paid or payable to the directors of the Company (including emoluments for services as director/employee of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the Track Record Period as follows:

	<b>Fees</b>	<b>Salaries and allowances</b>	<b>Retirement benefit scheme contributions</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Year ended 31 March 2016</b>				
Executive directors				
Mr. SW Tang	—	1,950	18	1,968
Mr. Lai Yung Sang ("Mr. Lai")	—	842	12	854
	<u>—</u>	<u>2,792</u>	<u>30</u>	<u>2,822</u>
<b>Year ended 31 March 2017</b>				
Executive directors				
Mr. SW Tang	—	1,950	18	1,968
Mr. Lai	—	1,300	18	1,318
	<u>—</u>	<u>3,250</u>	<u>36</u>	<u>3,286</u>
<b>Four months ended 31 July 2016 (unaudited)</b>				
Executive directors				
Mr. SW Tang	—	650	6	656
Mr. Lai	—	433	6	439
	<u>—</u>	<u>1,083</u>	<u>12</u>	<u>1,095</u>
<b>Four months ended 31 July 2017</b>				
Executive directors				
Mr. SW Tang	—	600	6	606
Mr. Lai	—	400	6	406
	<u>—</u>	<u>1,000</u>	<u>12</u>	<u>1,012</u>

Mr. SW Tang was appointed as a director of the Company on 31 May 2017 and Mr. Lai was appointed as a director of the Company on 12 July 2017.

Mr. SW Tang acts as the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

The executive directors' emoluments are for their services in connection with the management of the affairs of the Company and the Group.

**(b) Employees' emoluments**

Of the five individuals with the highest emoluments in the Group, 2, 2, 2 (unaudited) and 2 were directors of the Company for the years ended 31 March 2016, 31 March 2017 and the four months ended 31 July 2016 (unaudited) and 31 July 2017, respectively, whose emoluments are included in the disclosures above. The emoluments of the remaining three individuals are as follows:

	<b>Year ended 31 March</b>		<b>Four months ended 31 July</b>	
	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Employees				
— salaries and allowances	692	1,254	375	587
— retirement benefit scheme contributions	35	51	17	17
	<u>727</u>	<u>1,305</u>	<u>392</u>	<u>604</u>

Their emoluments are within the following bands:

	<b>Year ended 31 March</b>		<b>Four months ended 31 July</b>	
	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
	<i>Number of employees</i>	<i>Number of employees</i>	<i>Number of employees</i>	<i>Number of employees</i>
			<i>(unaudited)</i>	
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Track Record Period.

## 11. TAXATION

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Tax charge comprises:				
Hong Kong Profits Tax:				
Current tax	—	1,981	308	580
Underprovision in prior years	9	—	—	—
	9	1,981	308	580
Macau Complementary Tax	948	60	60	—
	957	2,041	368	580
Deferred taxation (note 26)	1,242	611	406	768
	2,199	2,652	774	1,348

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the Track Record Period. No provision for Hong Kong Profits Tax had been made as the assessable profit was wholly absorbed by tax losses brought forward for the year ended 31 March 2016.

Under the applicable corporate tax law in Macau, income tax is calculated at 12% on certain estimated assessable profits for the Track Record Period.

The tax charge for the Track Record Period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		Four months ended 31 July	
	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Profit before taxation	<u>7,525</u>	<u>12,396</u>	<u>4,325</u>	<u>2,284</u>
Tax at the Hong Kong Profits Tax rate of 16.5%	1,242	2,045	714	377
Tax effect of expenses not deductible for tax purposes	—	547	—	1,087
Tax effect of income not taxable for tax purposes	—	—	—	(116)
Underprovision in prior years	9	—	—	—
Effect of different tax rate of operations in other jurisdictions	<u>948</u>	<u>60</u>	<u>60</u>	<u>—</u>
Tax charge	<u>2,199</u>	<u>2,652</u>	<u>774</u>	<u>1,348</u>

## 12. DIVIDENDS

No dividend was paid or declared by the Company since its incorporation or by the companies now comprising the Group during the Track Record Period.

**13. EARNINGS PER SHARE**

The calculation of the basic and diluted earnings per share attributable to the owners of the Company for the Track Record Period is based on the following data:

	<b>Year ended 31 March</b>		<b>Four months ended 31 July</b>	
	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>			
<b>Earning</b>				
Profit for the year/period attributable to owners of the Company for the purpose of basic earnings per share	5,326	9,744	3,551	936
Effect of dilutive potential ordinary shares:				
Interest on convertible loan notes	N/A	—	N/A	—
Loss on fair value change of convertible loan notes	N/A	—	N/A	—
Earnings for the purpose of diluted earnings per share	N/A	9,744	N/A	936
	'000	'000	'000	'000
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic earnings per share	237,778	237,778	237,778	243,971
Effect of dilutive potential ordinary shares on convertible loan notes	N/A	—	N/A	—
Weighted average number of ordinary shares for the purpose of diluted earnings per shares	N/A	237,778	N/A	243,971

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Group Reorganisation and the capitalisation issue as detailed in Appendix V in this prospectus had been effective on 1 April 2015 and has been retrospectively adjusted for the deemed bonus element of the capital contribution relating to the shares of the Company issued to Chrysler Investments on 28 June 2017.

The effect of dilutive potential ordinary shares on convertible loan notes is not considered as the condition for the conversion of convertible loan notes has not been fulfilled as at 31 March 2017 and 31 July 2017 and the number of ordinary shares contingently issuable upon the conversion of the convertible loan notes depends on whether the Listing takes place. Accordingly, the computation of diluted earnings per share for the year ended 31 March 2017 and the four months ended 31 July 2017 does not assume the conversion of the convertible loan notes.

No dilutive earnings per share for the year ended 31 March 2016 and the four months ended 31 July 2016 (unaudited) was presented as there were no potential ordinary shares in issue during the year/period.

#### 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Office equipment, furniture and fixtures HK\$'000	Total HK\$'000
<b>COST</b>						
At 1 April 2015	—	—	66	6,500	—	6,566
Additions	10,811	422	6,310	8,730	150	26,423
At 31 March 2016	10,811	422	6,376	15,230	150	32,989
Additions	—	152	912	5,458	52	6,574
Disposals/written off	—	(422)	(66)	(6,500)	—	(6,988)
Transfer to investment property	(10,811)	—	—	—	—	(10,811)
At 31 March 2017	—	152	7,222	14,188	202	21,764
Additions	—	—	3,705	4,510	123	8,338
At 31 July 2017	—	152	10,927	18,698	325	30,102
<b>DEPRECIATION</b>						
At 1 April 2015	—	—	30	163	—	193
Provided for the year	90	14	364	1,114	16	1,598
At 31 March 2016	90	14	394	1,277	16	1,791
Provided for the year	216	46	799	1,516	43	2,620
Eliminated on disposals/written off	—	(56)	(53)	(1,300)	—	(1,409)
Eliminated upon transfer to investment property	(306)	—	—	—	—	(306)
At 31 March 2017	—	4	1,140	1,493	59	2,696
Provided for the period	—	15	349	567	25	956
At 31 July 2017	—	19	1,489	2,060	84	3,652
<b>CARRYING AMOUNTS</b>						
At 31 March 2016	10,721	408	5,982	13,953	134	31,198
At 31 March 2017	—	148	6,082	12,695	143	19,068
At 31 July 2017	—	133	9,438	16,638	241	26,450



Depreciation is provided to write off the cost of items of property, plant and equipment over their estimate useful lives, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the terms of the lease or 50 years
Leasehold improvements	Over the lease terms
Motor vehicles	10% - 20%
Plant and machinery	10%
Office equipment, furniture and fixtures	20%

All the Group's leasehold land and buildings were situated in Hong Kong.

As at 31 March 2016, 31 March 2017 and 31 July 2017, the net book values of motor vehicles include an amount of HK\$5,960,000, HK\$6,072,000 and HK\$7,246,000, and net book values of plant and machinery include an amount of HK\$7,692,000, HK\$10,974,000 and HK\$10,563,000, respectively, in respect of assets held under finance leases.

As at 31 March 2016, the Group had pledged leasehold land and buildings with a net book value of HK\$10,721,000 to secure general banking facilities granted to the Group.

## **15. INVESTMENT PROPERTY**

*HK\$'000*

### **FAIR VALUE**

Transferred from property, plant and equipment and at 31 March 2017	13,200
Fair value change during the period	<u>700</u>
As at 31 July 2017	<u><u>13,900</u></u>

The investment property is situated in Hong Kong.

The Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment property.

During the year ended 31 March 2017, the use of property of the Group has been changed from owner-occupation to capital appreciation and leasing out for rental income. The leasehold land and building with net book value of HK\$10,505,000 are transferred from property, plant and equipment to investment property at the date of the end of owner-occupation. Upon the change of intended use, the difference of HK\$2,695,000 between the net book value and the fair value of the property of HK\$13,200,000 is recognised in other comprehensive income and accumulated in "property revaluation reserve".

The fair values of the Group's investment property as at the date of change of intended use, 31 March 2017 and 31 July 2017 have been arrived at on the basis of a valuation carried out on the dates by Crowe Horwath (HK) Consulting & Valuation Limited (located at 9th Floor, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong), an independent qualified professional valuer not connected to the Group. The fair value was determined based on direct comparison method making reference to comparable sales transactions as available in the relevant markets.

In determining the fair value of the property, the management of the Group determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuer to perform the valuation. The management of the Group works closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model. The management of the Group reports the findings to the directors of the Company to explain the cause of fluctuations in the fair value of the assets.

In estimating the fair value of the investment property, the highest and best use of the property is its current use.

The following table gives information about how the fair values of the investment property are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment property held by the Group	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	As at 31 March 2017	As at 31 July 2017		
Industrial property in Hong Kong	HK\$13,200,000	HK\$13,900,000	Level 2	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject properties.

There were no transfers into or out of Level 2 during the year ended 31 March 2017 and the four months ended 31 July 2017.

As at 31 March 2017 and 31 July 2017, the Group had pledged investment property with carrying amount of HK\$13,200,000 and HK\$13,900,000 to secure general banking facilities granted to the Group, respectively.

## 16. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY
	As at 31 March	As at 31 July	As at 31 July
	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	5,531	13,871	30,670
Retention receivables	3,652	7,630	10,020
Prepayments and deposits	23	76	487
Deferred listing expenses	—	—	2,350
Prepaid listing expenses	—	489	227
	<u>9,206</u>	<u>22,066</u>	<u>43,754</u>
			<u>2,577</u>

The Group allows credit period ranging from 30 to 45 days to its customers from the date of invoices on progress payments of contract works. The following is an ageing analysis of the trade receivables presented based on the customer's payment certificate date at the end of each reporting period:

	As at 31 March	As at 31 July
	2016	2017
	HK\$'000	HK\$'000
Within 30 days	2,505	9,139
31 to 60 days	2,460	4,225
61 to 90 days	50	507
91 to 180 days	<u>516</u>	<u>—</u>
	<u>5,531</u>	<u>13,871</u>
		<u>30,670</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality, their qualifications and experience in the civil engineering construction industry. Credit limits attributable to customers are reviewed regularly. Approximately 89%, 96% and 97% of trade receivables as at 31 March 2016, 31 March 2017 and 31 July 2017, respectively, that are neither past due nor impaired have good credit quality. These customers have no default of payment in the past.

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement including the creditworthiness and the past collection history of each customer.

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK\$3,026,000, HK\$607,000 and HK\$938,000 which are past due at 31 March 2016, 31 March 2017 and 31 July 2017, respectively, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The following is an ageing analysis of trade receivables, which are past due but not impaired, at the end of each reporting period:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
			HK\$'000
Overdue by:			
0 to 30 days	2,460	100	50
31 to 60 days	50	507	50
61 to 90 days	516	—	50
91 to 180 days	—	—	788
	<u>3,026</u>	<u>607</u>	<u>938</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of each reporting period. The trade receivables past due but not impaired as at the end of each reporting period were either subsequently settled or no historical default of payments was noted by the respective customers and management of the Group believes that no recognition of impairment is required.

Retention receivables represented retention monies withheld by customers of contract works, which are unsecured, interest-free and recoverable after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

Retention receivables are to be settled, based on the expiring of the defect liability period, at the end of each reporting period as follows:

	As at 31 March		As at
	2016	2017	31 July
	HK\$'000	HK\$'000	2017
			HK\$'000
On demand or within one year	1,515	1,066	1,284
After one year	<u>2,137</u>	<u>6,564</u>	<u>8,736</u>
	<u>3,652</u>	<u>7,630</u>	<u>10,020</u>

**17. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK**

	<b>As at 31 March</b>		<b>As at</b>
	<b>2016</b>	<b>2017</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracts in progress at the end of each reporting period:			
Contract costs incurred plus recognised profits less recognised loss	74,868	138,324	184,276
Less: Progress billings	<u>(78,578)</u>	<u>(123,766)</u>	<u>(172,552)</u>
Total	<u><u>(3,710)</u></u>	<u><u>14,558</u></u>	<u><u>11,724</u></u>
Analysed as:			
Amounts due from customers for contract work	985	16,253	13,249
Amounts due to customers for contract work	<u>(4,695)</u>	<u>(1,695)</u>	<u>(1,525)</u>
	<u><u>(3,710)</u></u>	<u><u>14,558</u></u>	<u><u>11,724</u></u>

**18. LOAN TO A SUBSIDIARY**

The amount is unsecured, interest-bearing at 3% per annum and repayable on demand. In the opinion of the directors of the Company, the Company will not request for settlement from the subsidiary within twelve months from the end of the reporting period and accordingly, the loan to a subsidiary is classified as non-current. The principal of the loan to a subsidiary was HK\$10,000,000 and its fair value at initial recognition, amounting to HK\$9,000,000, was determined based on the present value of the estimated future cash flows discounted using an interest rate reference to the effective interest rate of bank borrowings. The difference between its principal amount and present value on its recognition date was recognised as a deemed capital contribution to a subsidiary as disclosed in note 31.

**19. AMOUNT DUE FROM/TO A SUBSIDIARY**

The amounts are unsecured, interest-free and repayable on demand.

**20. PLEDGED BANK DEPOSIT AND BANK BALANCES AND CASH**

Pledged bank deposit of HK\$3,000,000 represents a bank deposit pledged to a bank to secure bank borrowings of the Group amounting to HK\$11,636,000 as at 31 July 2017 which is expected to be repayable after one year and therefore classified as non-current assets. The pledged bank deposit carries fixed interest rate ranged from 0.01% per annum.

Bank balances carry interest at prevailing market rates ranging from 0.001% to 0.01%, 0.001% to 0.01% and 0.001% to 0.01% per annum as at 31 March 2016, 31 March 2017 and 31 July 2017, respectively.

**21. TRADE AND OTHER PAYABLES**

	THE GROUP		THE COMPANY	
	As at 31 March		As at	As at
	2016	2017	31 July 2017	31 July 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables				
- third parties	659	8,674	10,658	—
- a related company (note)	64	—	—	—
	<u>723</u>	<u>8,674</u>	<u>10,658</u>	<u>—</u>
Retention payables	938	1,091	1,717	—
Accruals and other payables	818	1,523	585	—
Accrued listing expenses	—	353	5,441	5,441
Salaries payables	610	1,789	6,283	—
Receipt in advance	—	1,526	3,953	—
Payables for acquisition of property, plant and equipment	<u>—</u>	<u>480</u>	<u>3,365</u>	<u>—</u>
	<u>3,089</u>	<u>15,436</u>	<u>32,002</u>	<u>5,441</u>

The credit period of trade payables is ranging from 0 to 30 days.

*Note:* The related company, Sheung Moon Engineering Company Limited ("Sheung Moon Engineering"), is wholly owned by Mr. Tang Kin and Mr. Tang Sze Lun, brothers of Mr. SW Tang, and Mr. Cheung Lin Fat, a nephew of Mr. SW Tang. The amount was unsecured and interest-free.

The following is an ageing analysis of trade payables presented based on the invoice dates at the end of each reporting period:

	<b>As at 31 March</b>		<b>As at</b>
	<b>2016</b>	<b>2017</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	556	8,289	8,530
31 to 60 days	44	373	830
61 to 90 days	120	—	936
Over 90 days	<u>3</u>	<u>12</u>	<u>362</u>
	<u>723</u>	<u>8,674</u>	<u>10,658</u>

## 22. AMOUNT DUE TO A DIRECTOR

The amount was due to Mr. SW Tang, which was non-trade nature, unsecured, interest-free and repayable on demand.

## 23. BANK BORROWINGS

	<b>As at 31 March</b>		<b>As at</b>
	<b>2016</b>	<b>2017</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured and guaranteed	3,984	3,764	15,325
Unsecured and guaranteed	<u>3,658</u>	<u>2,788</u>	<u>2,763</u>
	<u>7,642</u>	<u>6,552</u>	<u>18,088</u>
Fixed-rate bank borrowings	2,579	2,090	2,197
Variable-rate bank borrowings	<u>5,063</u>	<u>4,462</u>	<u>15,891</u>
	<u>7,642</u>	<u>6,552</u>	<u>18,088</u>
The carrying amounts are repayable*:			
Within one year	1,991	2,156	3,804
More than one year but not exceeding two years	1,741	1,052	3,259
More than two years but not exceeding five years	1,342	1,036	8,805
More than five years	<u>2,568</u>	<u>2,308</u>	<u>2,220</u>
Amounts due within one year shown under current liabilities**	<u>7,642</u>	<u>6,552</u>	<u>18,088</u>

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

\*\* The amounts contained a repayable on demand clause and are classified as current liabilities as at 31 March 2016, 31 March 2017 and 31 July 2017.

The above variable-rate bank borrowings bear interest ranging from HK\$ Best Lending Rate less a spread or Hong Kong Prime Rate plus a spread as at 31 March 2016, 31 March 2017 and 31 July 2017.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings as at 31 March 2016, 31 March 2017 and 31 July 2017, respectively, are as follows:

	As at 31 March		As at
	2016	2017	31 July 2017
Effective interest rate per annum:			
Fixed-rate bank borrowings	<u>7.59% to 8.75%</u>	<u>7.70% to 8.75%</u>	<u>7.70% to 8.75%</u>
Variable-rate bank borrowings	<u>2.84% to 7.50%</u>	<u>2.84% to 7.50%</u>	<u>2.84% to 7.50%</u>

The secured bank borrowings are secured by the pledged bank deposit as stated in note 20 and/or property owned by the Group as stated in notes 14 and 15. Entire bank borrowings as at 31 March 2016 and 2017 and bank borrowings of HK\$5,317,000 as at 31 July 2017 are guaranteed by Mr. SW Tang and the bank borrowings of HK\$12,771,000 as at 31 July 2017 are guaranteed by Mr. SW Tang and Mr. Lai.



**24. OBLIGATIONS UNDER FINANCE LEASES**

The Group leased certain of its motor vehicles and plant and machinery under finance leases with lease terms ranging from 3 to 5 years. Interest rates underlying the obligations under these finance leases are fixed ranging from 3.55% to 6.48%, 3.55% to 6.48% and 3.55% to 6.48%, per annum as at 31 March 2016, 31 March 2017 and 31 July 2017, respectively. These leases have terms of purchase option for the purchase of those leased assets at nominal amount.

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 March		As at 31 July	As at 31 March		As at 31 July
	2016	2017	2017	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases:						
Within one year	4,543	5,473	5,491	4,111	5,061	5,091
More than one year but within two years	4,543	2,869	2,826	4,305	2,630	2,559
More than two years but within five years	<u>2,625</u>	<u>3,346</u>	<u>3,840</u>	<u>2,472</u>	<u>3,128</u>	<u>3,642</u>
	11,711	11,688	12,157	10,888	10,819	11,292
Less: Future finance charges	<u>(823)</u>	<u>(869)</u>	<u>(865)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Present value of lease obligations	<u>10,888</u>	<u>10,819</u>	<u>11,292</u>	10,888	10,819	11,292
Less: Amounts due for settlement within one year (shown under current liabilities)				<u>(4,111)</u>	<u>(5,061)</u>	<u>(5,091)</u>
Amounts due for settlement after one year (shown under non-current liabilities)				<u>6,777</u>	<u>5,758</u>	<u>6,201</u>

The Group's obligations under finance leases were secured by the lessor's charge over the motor vehicles and plant and machinery. Entire obligations under finance leases as at 31 March 2016 and 2017 and obligations under finance leases of HK\$8,131,000 as at 31 July 2017 are guaranteed by Mr. SW Tang and the obligations under finance leases of HK\$3,161,000 as at 31 July 2017 are guaranteed by Mr. SW Tang and Mr. Lai.

## 25. CONVERTIBLE LOAN NOTES

On 22 December 2016, an agreement was entered between the Group and Sigma Square Investment Management Limited ("Sigma Square"), a limited company wholly owned by the son of Mr. SW Tang, for the grant of a loan to the Group with principal amount of HK\$10,000,000 with an interest rate of 12.0% per annum (the "Loan"). In the event that the Listing takes place within 18 months (i.e. 21 June 2018) from the date of agreement, the Loan will be converted into 10% equity interest of the enlarged share capital of the Company immediately before completion of the Listing. In the event that the Listing does not take place within 18 months from the date of agreement, the Company is required to repay the Loan plus accrued interest on the expiry of 24 months from the date of agreement (i.e. 21 December 2018).

The convertible loan notes contain two components, debt component and derivative (representing conversion option) component. The effective interest rate of the debt component is 22.34% per annum. The derivative component is measured at fair value with changes in fair value subsequent to the initial recognition recognised in profit or loss.

The movement of the debt and derivative components of the convertible loan notes for the Track Record Period is set out as below:

	<b>Debt component</b>	<b>Derivative component</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Grant of the Loan	7,965	2,035	10,000
Interest charge	453	—	453
Loss arising on changes of fair value	—	540	540
At 31 March 2017	8,418	2,575	10,993
Interest charge	644	—	644
Loss arising on changes of fair value	—	620	620
At 31 July 2017	<u>9,062</u>	<u>3,195</u>	<u>12,257</u>

The fair values of the Group's conversion option as at the date of grant of the Loan, 31 March 2017 and 31 July 2017 have been arrived at on the basis of a valuation carried out on the dates by Crowe Horwath (HK) Consulting & Valuation Limited (located at 9th Floor, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong), an independent qualified professional valuer not connected to the Group. The fair value was determined based on Binominal option pricing model. The key inputs used in the model are disclosed in note 34.

## 26. DEFERRED TAXATION

The followings are the deferred tax (asset) liability recognised and movements thereon during the Track Record Period:

	<b>Tax losses</b>	<b>Accelerated tax depreciation</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2015	(529)	737	208
Charge to profit or loss (note 11)	<u>314</u>	<u>928</u>	<u>1,242</u>
At 31 March 2016	(215)	1,665	1,450
Charge to profit or loss (note 11)	<u>215</u>	<u>396</u>	<u>611</u>
At 31 March 2017	—	2,061	2,061
Charge to profit or loss (note 11)	<u>—</u>	<u>768</u>	<u>768</u>
At 31 July 2017	<u>—</u>	<u>2,829</u>	<u>2,829</u>

As at 31 March 2016, 31 March 2017 and 31 July 2017, the Group had unused tax losses of approximately HK\$1,300,000, nil and nil available to offset against future assessable profits, respectively. A deferred tax asset of HK\$215,000, nil and nil had been recognised in respect of such losses as at 31 March 2016, 31 March 2017 and 31 July 2017, respectively, which might be carried forward indefinitely.

## 27. SHARE CAPITAL

### THE GROUP

The share capital shown in the Historical Financial Information as at 1 April 2015 and 31 March 2016 represented the issued share capital of Sheung Moon Construction.

The share capital shown in the Historical Financial Information as at 31 March 2017 represented the issued share capital of Attaway Developments.

The share capital shown in the Historical Financial Information as at 31 July 2017 represented the issued share capital of the Company.

**THE COMPANY**

	Number of shares	HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised		
At 31 May 2017 (date of incorporation) and 31 July 2017	<u>38,000,000</u>	<u>380</u>
Issued and fully paid		
At 31 May 2017 (date of incorporation)	1	—
Issue of shares upon group reorganisation	21,999	—
Issue of shares on capital injection	<u>4,000</u>	<u>—</u>
At 31 July 2017	<u>26,000</u>	<u>—</u>

On 31 May 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each with one share allotted and issued to the initial subscriber at par. On 31 May 2017, the initial subscriber transferred his one share to Chrysler Investments at par.

On 28 June 2017, through the Group Reorganisation (set out in note 2), 21,999 shares were allotted, issued and credit as fully paid up by the Company. On the same date, the Company allotted and issued 4,000 shares of the Company to Chrysler Investments at cash consideration of HK\$10,000,000.

**28. OPERATING LEASE COMMITMENTS**

At the end of each reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	As at 31 March 2016 HK\$'000	As at 31 March 2017 HK\$'000	As at 31 July 2017 HK\$'000
Within one year	—	464	464
In the second to fifth year inclusive	<u>—</u>	<u>851</u>	<u>697</u>
	<u>—</u>	<u>1,315</u>	<u>1,161</u>

Operating lease payments represent rentals payable by the Group for office premises. Leases and fixed rentals are negotiated for a term of three years.

## 29. RETIREMENT BENEFITS SCHEMES

The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. The cap of contribution amount was HK\$1,500 per employee per month.

The retirement benefits schemes contributions arising from the MPF Scheme charged to the consolidated statements of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid and payable to the schemes by the Group are disclosed in notes 9 and 10.

## 30. NON-CASH TRANSACTION

During the year ended 31 March 2016 and 31 March 2017 and the four months ended 31 July 2017, the Group entered into finance leases in respect of motor vehicles and plant and machinery with total value of HK\$13,960,000, HK\$4,151,000 and HK\$2,393,000, respectively, at the inception of the finance leases.

## 31. INVESTMENT IN A SUBSIDIARY

	<b>THE COMPANY</b>
	<b>As at 31 July</b>
	<b>2017</b>
	<i>HK\$'000</i>
Unlisted investment, at cost	33,825
Deemed capital contribution in a subsidiary ( <i>note</i> )	1,000
	<u>34,825</u>

*Note:* The deemed capital contribution in a subsidiary represents the fair value adjustment related to the loan to a subsidiary at initial recognition based on the estimated future cash flows.

Particulars of the Company's subsidiaries at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and full paid share capital	Attributable equity interest of the Group as at				Principal activities	Notes
				31 March 2016	31 March 2017	31 July 2017	date of this report		
Attaway Developments	BVI 28 February 2017	BVI/Hong Kong	US\$100	N/A	100%	100%	100%	Investment holding	(a)
Sheung Moon Construction	Hong Kong 14 February 1997	Hong Kong	HK\$10,262,000	100%	100%	100%	100%	Civil engineering construction business in Hong Kong	(b)

All subsidiaries now comprising the Group have adopted 31 March as their financial year end date.

Notes:

- (a) No audited financial statements of Attaway Developments have been prepared since its date of incorporation as it is incorporated in a jurisdiction where there is no statutory audit requirements.
- (b) The statutory financial statements of Sheung Moon Construction for the year ended 31 March 2016 and 2017 were prepared in accordance with the HKFRSs issued by HKICPA and were audited by Cheerful CPA Limited and us, respectively.

## 32. RESERVES OF THE COMPANY

	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Accumulated loss <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 May 2017 (date of incorporation)	—	—	—	—
Loss and total comprehensive expense for the period	—	—	(5,382)	(5,382)
Effect of group reorganisation	—	33,825	—	33,825
Issue of shares of the Company	10,000	—	—	10,000
At 31 July 2017	10,000	33,825	(5,382)	38,443

**33. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes amount due to a director, bank borrowings, obligations under finance leases and convertible loan notes, as disclosed in respective notes, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risk associated with each class of capital, and will balance its overall capital structure through new share issue as well as the issue of new debts or the redemption of existing debts.

**34. FINANCIAL INSTRUMENTS****Categories of financial instruments**

	<b>THE GROUP</b>		<b>THE COMPANY</b>
	<b>As at 31 March</b>	<b>As at 31 July</b>	<b>As at 31 July</b>
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets			
Loans and receivables (including cash and cash equivalents)	<u>17,762</u>	<u>34,659</u>	<u>68,879</u>
			<u>10,028</u>
Financial liabilities			
Amortised cost	10,078	26,389	48,435
Derivative financial instruments	<u>—</u>	<u>2,575</u>	<u>3,195</u>
			<u>7,987</u>

**Financial risk management objectives and policies**

The Group's financial instruments include trade and other receivables, pledged bank deposit, bank balances and cash, trade and other payables, amount due to a director, bank borrowings and convertible loan notes. The Company's financial instruments include loan to a subsidiary, amounts due from/to subsidiaries and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

***Interest rate risk***

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see note 23 for details of the bank borrowings). The Group is also exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposit, bank balances, bank borrowings and obligations under finance leases.

The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HK\$ Best Lending Rate or Hong Kong Prime Rate arising from the Group's variable-rate bank borrowings.

***Sensitivity analysis***

The management of the Group considers the Group's exposures of the bank balances are not significant as interest bearing bank balances are with short maturity period and thus they are not included in sensitivity analysis.

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings at the end of the reporting period were outstanding for the whole year/period and 50 basis points increase or decrease are used.

If interest rates have been 50 basis points higher/lower for variable-rate bank borrowings and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2016 and 31 March 2017 and the four months ended 31 July 2017 would decrease/increase by HK\$21,000, HK\$19,000 and HK\$22,000, respectively.

***Credit risk***

The Group's credit risk is primarily attributable to trade and other receivables and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position at the end of each reporting period.

The management of the Group adopted a policy on providing credit facilities to new customers. A credit investigation, including assess to financial information, advice from business partners in relation to potential customers and credit search, is required to be launched. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis.



The Group has concentration of credit risks on trade receivables and retention receivables from the largest debtor amounting to HK\$4,143,000 and HK\$2,137,000, respectively as at 31 March 2016 (representing approximately 74.9% and 58.5% of the Group's trade receivables and retention receivables), HK\$6,145,000 and HK\$6,167,000, respectively as at 31 March 2017 (representing approximately 44.3% and 80.8% of the Group's trade receivables and retention receivables) and HK\$14,118,000 and HK\$5,602,000, respectively as at 31 July 2017 (representing approximately 46.0% and 55.9% of the Group's trade receivables and retention receivables). The management of the Group closely monitors the subsequent settlement of the customers. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is considered limited as such amounts are placed in banks with good reputations.

The Company has concentration of credit risk on loan to a subsidiary as at 31 July 2017. In order to minimise the credit risk, the management has reviewed the recoverable amounts of the advance to the subsidiary regularly at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Company's credit risks are significantly reduced.

### *Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management of the Group to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliances with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specially, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

## THE GROUP

	Weighted average interest rate %	On demand or less than 1 year HK\$'000	1 - 2 years HK\$'000	2 - 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>As at 31 March 2016</b>						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	N/A	2,416	—	—	2,416	2,416
Amount due to a director	N/A	20	—	—	20	20
Bank borrowings	5.42	7,642	—	—	7,642	7,642
Obligations under finance leases	5.32	4,543	4,543	2,625	11,711	10,888
		<u>14,621</u>	<u>4,543</u>	<u>2,625</u>	<u>21,789</u>	<u>20,966</u>

**As at 31 March 2017***Non-derivative financial liabilities*

Trade and other payables	N/A	11,419	—	—	11,419	11,419
Bank borrowings	5.04	6,552	—	—	6,552	6,552
Obligations under finance leases	4.96	5,473	2,869	3,346	11,688	10,819
Convertible loan notes	12.0	—	12,400	—	12,400	8,418
		<u>23,444</u>	<u>15,269</u>	<u>3,346</u>	<u>42,059</u>	<u>37,208</u>

**As at 31 July 2017***Non-derivative financial liabilities*

Trade and other payables	N/A	21,285	—	—	21,285	21,285
Bank borrowings	4.15	18,088	—	—	18,088	18,088
Obligations under finance leases	4.72	5,491	2,826	3,840	12,157	11,292
Convertible loan notes	12.0	—	12,400	—	12,400	9,062
		<u>44,864</u>	<u>15,226</u>	<u>3,840</u>	<u>63,930</u>	<u>59,727</u>

## THE COMPANY

	Weighted average interest rate %	On demand or less than 1 year HK\$'000	1 - 2 years HK\$'000	2 - 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
<b>As at 31 July 2017</b>						
<i>Non-derivative financial liabilities</i>						
Trade and other payables	N/A	5,441	—	—	5,441	5,441
Amount due to a subsidiary	N/A	2,546	—	—	2,546	2,546
		<u>7,987</u>	<u>—</u>	<u>—</u>	<u>7,987</u>	<u>7,987</u>

Bank borrowings with a repayment on demand clause are included in the “On demand or less than 1 year” time band in the above maturity analysis. As at 31 March 2016 and 2017 and 31 July 2017, the aggregate carrying amount of these bank borrowings of HK\$7,642,000, HK\$6,552,000 and HK\$18,088,000, respectively. Taking into account the Group’s financial position, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of the Group believes that such bank borrowings of the Group will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, the management of the Group reviews the expected cash flow information of the Group’s bank borrowings based on the scheduled repayment dates set out in the bank borrowings agreements as set out in the table below:

	Weighted average interest rate %	On demand or less than 1 year HK\$'000	1 - 2 years HK\$'000	2 - 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
Bank borrowings:							
As at 31 March 2016	5.42	<u>2,321</u>	<u>1,925</u>	<u>1,686</u>	<u>2,878</u>	<u>8,810</u>	<u>7,642</u>
As at 31 March 2017	5.04	<u>2,393</u>	<u>1,177</u>	<u>1,353</u>	<u>2,574</u>	<u>7,497</u>	<u>6,552</u>
As at 31 July 2017	4.15	<u>4,460</u>	<u>3,739</u>	<u>9,584</u>	<u>2,464</u>	<u>20,247</u>	<u>18,088</u>

### Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

#### *Fair value measurement and valuation process*

Some of the Group’s financial instruments are measured at fair value for financial reporting purposes. The management of the Group will determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

*Fair value of the Group's financial liability that is measured at fair value on a recurring basis*

The Group's certain financial liability is measured at fair value as at 31 March 2017 and 31 July 2017. The following table gives information about how the fair value of such financial liability is determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial liability	Fair value as at		Fair value hierarchy	Valuation technique	Significant unobservable inputs		Relationship of unobservable inputs to the fair value
	31 March 2017	31 July 2017			31 March 2017	31 July 2017	
Derivative component in relation to the convertible loan notes (see note 24)	HK\$2,575,000	HK\$3,195,000	Level 3	Binomial option pricing model	Expected volatility: 54.8%	Expected volatility: 42.0%	The higher the expected volatility, the higher the fair value
					Risk-free rate: 0.8%	Risk-free rate: 0.6%	The higher the risk-free rate, the lower the fair value
					Business value of the Company: HK\$96,671,000	Business value of the Company: HK\$119,094,000	The higher the expected business value, the higher the fair value
					Expected dividend yield: 0%	Expected dividend yield: 0%	The higher expected dividend, the lower the fair value

If expected volatility of the Company has been 5% higher/lower for the valuation of derivative component in relation to the convertible loan notes and all other variables were held constant, the post-tax profit for the year ended 31 March 2017 would decrease/increase by approximately HK\$288,000/HK\$215,000, respectively, and the post-tax profit for the four months ended 31 July 2017 would decrease/increase by approximately HK\$190,000/HK\$186,000, respectively.

If business value of the Company has been 5% higher/lower for the valuation of derivative component in relation to the convertible loan notes and all other variables were held constant, the post-tax profit for the year ended 31 March 2017 would decrease/increase by approximately HK\$373,000/HK\$277,000, respectively, and the post-tax profit for the four months ended 31 July 2017 would decrease/increase by approximately HK\$519,000/HK\$492,000, respectively.

There was no transfer among different levels of the fair value hierarchy during the Track Record Period.

*Reconciliation of Level 3 fair value measurements*

	<i>HK\$'000</i>
Grant of the Loan	2,035
Fair value loss	<u>540</u>
At 31 March 2017	2,575
Fair value loss	<u>620</u>
At 31 July 2017	<u><u>3,195</u></u>

*Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis*

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their corresponding fair values.

**35. MOVEMENT ON GROUP'S LIABILITIES ARISING FROM FINANCING ACTIVITIES**

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	<b>Amount due to a director</b>	<b>Bank borrowings</b>	<b>Obligations under finance leases</b>	<b>Convertible loan notes</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2015	—	1,173	—	—	1,173
Financing cash flows (note)	20	6,273	(3,271)	—	3,022
Purchase of property, plant and equipment through finance leases	—	—	13,960	—	13,960
Finance costs recognised	<u>—</u>	<u>196</u>	<u>199</u>	<u>—</u>	<u>395</u>
At 31 March 2016	20	7,642	10,888	—	18,550
Financing cash flows (note)	(20)	(1,501)	(4,673)	10,000	3,806
Purchase of property, plant and equipment through finance leases	—	—	4,151	—	4,151
Loss on fair value change	—	—	—	540	540
Finance costs recognised	<u>—</u>	<u>411</u>	<u>453</u>	<u>453</u>	<u>1,317</u>
At 31 March 2017	—	6,552	10,819	10,993	28,364

	Amount due to a director HK\$'000	Bank borrowings HK\$'000	Obligations under finance leases HK\$'000	Convertible loan notes HK\$'000	Total HK\$'000
Financing cash flows (note)	—	11,314	(2,128)	—	9,186
Purchase of property, plant and equipment through finance leases	—	—	2,393	—	2,393
Loss on fair value change	—	—	—	620	620
Finance costs recognised	—	222	208	644	1,074
At 31 July 2017	<u>—</u>	<u>18,088</u>	<u>11,292</u>	<u>12,257</u>	<u>41,637</u>
At 1 April 2016	20	7,642	10,888	—	18,550
Financing cash flows (note)	—	280	(1,536)	—	(1,256)
Purchase of property, plant and equipment through finance leases	—	—	590	—	590
Finance costs recognised	—	151	169	—	320
At 31 July 2016 (unaudited)	<u>20</u>	<u>8,073</u>	<u>10,111</u>	<u>—</u>	<u>18,204</u>

*Note:* The financing cash flows represented the net cash flow of new bank borrowings raised, advance from a director, proceeds from issue of convertible loan notes, repayments of bank borrowings and obligations under finance leases, repayment to a director and payment of finance costs.

### 36. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Historical Financial Information, the Group had the following transactions with its related party during the Track Record Period:

	Year ended 31 March		Four months ended 31 July	
	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000
			<i>(unaudited)</i>	
Rental fee for site machinery to Sheung Moon Engineering	608	324	232	—
Management fee to Sheung Moon Engineering	<u>8</u>	<u>56</u>	<u>32</u>	<u>—</u>

Details of the balances with Sheung Moon Engineering and a director at the end of each reporting period are disclosed in the consolidated statements of financial position and note 21 and 22 to the Historical Financial Information.

Mr. SW Tang provided personal guarantees to banks in respect of the Group's bank borrowings and obligations under finance leases as at 31 March 2016, 31 March 2017 and Mr. Lai provided personal guarantees to banks in respect of the Group's bank borrowings and obligations under finance leases as at 31 July 2017. As represented by the directors of the Company, those personal guarantees will be released or replaced by corporate guarantees before the Listing.

### **Compensation of key management personnel**

Compensation of key management personnel represents the remuneration of the directors of the Company during the year ended 31 March 2016 and 2017 and the four months ended 31 July 2016 and 2017, which is disclosed in note 10 to the Historical Financial Information.

### **37. SUBSEQUENT EVENTS**

Save as disclosed elsewhere in the Historical Financial Information, subsequent events of the Group and detailed as below.

On 24 January 2018, written resolutions of the shareholders of the Company was passed to approve the matters set out in the paragraph headed "Resolutions in writing of all our Shareholders passed on 24 January 2018" in Appendix V of the Prospectus. It was resolved, among other things:

- (i) the authorised share capital of the Company increased to HK\$20,000,000 by the creation of an additional 1,962,000,000 shares of the Company;
- (ii) conditionally adopted a share option scheme where eligible participants may be granted options entitling them to subscribe for the Company's shares. No share has been granted since the adoption of the scheme. The principal terms of the share option scheme are summarised in the section headed "D. Other information - 1. Share Option Scheme" in Appendix V to the Prospectus; and
- (iii) conditional upon the share premium account of the Company being credited as a result of the offer of the Company's shares, the directors of the Company were authorised to capitalise the amount of HK\$2,999,700 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par 299,970,000 shares of the Company for allotment and issue to the persons whose name appeared on the register of members of the Company at the close of business on 24 January 2018.

On 23 January 2018, Sigma Square converted the convertible loan notes into 10% equity interest of the enlarged share capital of the Company immediately before completion of the Listing upon the completion of the hearing process.

**38. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 July 2017.



*The information set out in this Appendix does not form part of the accountants' report on the historical financial information of the Group for each of the two years ended 31 March 2017 and the four months ended 31 July 2017 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this prospectus (the "Accountants' Report"), and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the Accountants' Report, the text of which is set out in Appendix I to this prospectus.*

**A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO THE OWNERS OF THE COMPANY**

The statement of the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company prepared in accordance with paragraph 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Hong Kong Public Offering on the audited consolidated net tangible assets of the Group as if it had taken place on 31 July 2017.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 July 2017 or at any future date following the Hong Kong Public Offering.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is prepared based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 July 2017 as shown in the Accountants' Report as set out in Appendix I to this prospectus and adjusted as described below.

	<b>Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 July 2017<sup>(1)</sup> HK\$'000</b>	<b>Estimated net proceeds from the Hong Kong Public Offering<sup>(2)</sup> HK\$'000</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 July 2017 HK\$'000</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 July 2017 per Share<sup>(3)</sup> HK\$</b>
Based on an Offer Price of HK\$0.40 per Offer Share	44,761	27,724	72,485	0.20
Based on an Offer Price of HK\$0.50 per Offer Share	44,761	37,404	82,165	0.23

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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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*Notes:*

- (1) The amount is based on the audited consolidated net assets of the Group as at 31 July 2017 of HK\$44,761,000, extracted from the Accountants' Report of the Group set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Hong Kong Public Offering are based on 100,000,000 Offer Shares at the Offer Price of HK\$0.40 per Share and HK\$0.50 per Share, respectively, after taking into account the estimated underwriting fees and other related expenses incurred or to be incurred by the Group (excluding listing expenses which have been charged to profit or loss up to 31 July 2017). It does not take into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under Share Option Scheme or any Shares which may be issued or repurchased pursuant to the general mandate.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share is calculated based on 360,000,000 Shares in issue assuming that the Hong Kong Public Offering and the Capitalisation Issue had been completed on 31 July 2017 and does not take into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under Share Option Scheme or any Shares which may be issued or repurchased pursuant to the Company's general mandate.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 July 2017. In particular, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as disclosed in the table above have not been adjusted to show the effect of the conversion of convertible loan notes immediately before the completion of the Listing as detailed below.

On 23 January 2018, the convertible loan notes issued by the Group have been converted into 4,000 Shares. Had the conversion of convertible loan notes and the completion of the relevant Capitalisation Issue been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company and the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share would be increased to HK\$84,742,000 and HK\$0.21, respectively, based on the Offer Price of HK\$0.40 per Share and 400,000,000 Shares in issue or to HK\$94,422,000 and HK\$0.24, respectively, based on the Offer Price of HK\$0.50 per Share and 400,000,000 Shares in issue.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in relation to the Group's unaudited pro forma financial information.*

**Deloitte.****德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Sheung Moon Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sheung Moon Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the statement of unaudited pro forma adjusted consolidated net tangible assets as at 31 July 2017 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 31 January 2018 (the "Prospectus"). 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 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offer of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Hong Kong Public Offering") on the Group's financial position as at 31 July 2017 as if the Hong Kong Public Offering had taken place at 31 July 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the two years ended 31 March 2017 and the four months ended 31 July 2017, on which an accountants' report set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements 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 behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” 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.

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform 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 GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 July 2017 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

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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
31 January 2018

*The following is the text of the property valuation report, prepared for inclusion in this prospectus, received from the valuer, CHFT, in relation to the property owned by us.*



華坊諮詢評估有限公司  
CHFT ADVISORY AND APPRAISAL LTD.  
香港中環雲咸街 77 號 8 樓  
8/F, 77 Wyncham Street,  
Central, Hong Kong  
電話 Main +852 2301 4080  
傳真 Fax +852 2301 4988

Date: 31 January 2018

**Sheung Moon Holdings Limited**  
Room A, 15th Floor, Kings Tower  
111 King Lam Street  
Cheung Sha Wan, Kowloon  
Hong Kong

**Attn.: Board of Directors**

Dear Sirs,

**RE: Valuation of Unit 1, 19/F, Global Gateway Tower, 63 Wing Hong Street, Cheung Sha Wan, Kowloon**

In accordance with an instruction for us to the above property interests held by Sheung Moon Holdings Limited (the “Company”), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of such property interests as at **30 November 2017** (the “Date of Valuation”) for **public circular purpose only in relation to initial public offer of the Company**.

#### **Valuation Basis**

Our valuation is carried out on a Market Value basis, which is defined as “the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.”

This valuation complies with The HKIS Valuation Standards published by the Hong Kong Institute of Surveyors (“HKIS”), the RICS Valuation — Global Standards 2017 published by the Royal Institution of Chartered Surveyors (“RICS”), and the International Valuation Standards (“IVS”) published by the International Valuation Standards Council. We have also complied with all the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**Valuation Assumptions**

Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the value of the property interests.

No allowance has been made in our valuation neither for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free of encumbrances, restrictions and outgoings of onerous nature which could affect its value.

**Valuation Methodology**

We have valued the property interests by comparison approach. Comparison approach consists of comparisons based on prices realized of comparable properties. Comparable properties of similar size, character and location are selected and then analyzed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

**Title Investigation**

We have caused search at the Land Registry in Hong Kong. We have not, however, searched the original documents to verify ownership or any amendment which did not appear on the copies handed to us. All documents have been used for reference only. We assume no responsibility for matters legal in nature nor do we render any opinion as to the title to the property interest that is assumed to be good and marketable.

**Limiting Conditions**

An inspection of the property was carried by Mr. Leo Wong in January 2018. The staff responsible for the inspections have about 5 years of working experience in the real property sector in Hong Kong. We have inspected the exterior and certain common parts of the property. We have not inspected those parts of the property which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We have adopted the floor areas as contained in a developer's brochure but have not carried out any on-site measurement to verify the correctness of the area. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey or any tests on the building services. Therefore, we are not able to report whether the property is free of rot, infestation or any other structural defects. We have not carried out investigations on the site to determine the suitability of the ground conditions, the services, etc. for any redevelopment. We have not carried out any investigation into past or present uses, either of the property or of any neighboring land, to establish whether there is any contamination or potential for contamination to the property from these uses or sites, and have therefore assumed that none exists.

We have relied to a considerable extent on the information and advice given or made available to us by the Company and relevant government authorities on such matters as planning approvals, statutory notices, easements, tenures, tenancy and all other relevant matters.

The responsible valuer is in a position to provide an objective and unbiased valuation and is competent to undertake the valuation assignment. Our findings or conclusion of value of the property in this report are valid only for the stated purpose and at the Date of Valuation, and for the sole use of the Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and the valuer accepts no responsibility whatsoever to any other person.

#### **Limitation of Liabilities**

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

Our findings or conclusion of value of the property in this report are valid only for the stated purpose and at the Date(s) of Valuation, and for the sole use of the Client. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and the valuer accepts no responsibility whatsoever to any other person.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where appointed, shall be deemed to have provided to the Company contractual undertakings in respect of their services and shall be deemed to have paid to the Company such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding ten (10) times of the amount of our agreed fee(s) for this engagement. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost, etc.), even if it has been advised of their possible existence. For the avoidance of doubt our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.



The Company is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence, misconduct, willful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

We enclose herewith our valuation certificate.

Yours faithfully,

For and on behalf of  
**CHFT Advisory And Appraisal Ltd.**

**Alex PW Leung** MRICS, MHKIS, RPS(GP)  
Senior Director

Encl.

*Note:* Mr Leung is a member of the Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. He has over 20 years of valuation experience in Hong Kong.

## VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Market value as at 30 November 2017
Unit 1, 19th Floor, Global Gateway Tower, 63 Wing Hong Street, Cheung Sha Wan, Kowloon	The property comprises a high floor unit in a 29-storey modern industrial building completed in 2015.	As informed, the property has been leased for a term of 2 years until 5 October 2019 at a monthly rent of HK\$32,890 inclusive of government rent, rates and management fees.	<b>HK\$14,000,000</b> (HONG KONG DOLLARS FOURTEEN MILLION)
91/ 28510 equal and undivided shares of and in Kowloon Inland Lot No. 2831, the Sub-sections 1 and 2, and the Remaining Portion of Section A of New Kowloon Inland Lot No. 3555	<p>The saleable area of the unit is approximately 981 sq.ft. (or 1,430 sq.ft. in gross floor area).</p> <p>The property is held under Government Leases for the same term of 75 years from 1 July 1898 renewed for 24 years. Leases of this type have been extended by the New Territories Leases (Extension) Ordinance to 30 June 2047.</p> <p>The annual Government Rent is equivalent to 3% of the rateable value of the property.</p>		

## NOTES:

- a) The registered owner of the property is Sheung Moon Construction Limited vide an Assignment registered by Memorial No. 15121700510010 dated 20 November 2015. The then consideration was HK\$10,055,160.
- b) According to a Land Registry record, the property is subject to the following encumbrances.
- i) Deed of Mutual Covenant and Management Agreement in favour of Hang Yick Properties Management registered by Memorial No. 15111302210195 dated 30 October 2015; and
- ii) a mortgage in favour of Hang Seng Bank Limited registered by Memorial No. 16020300780025 dated 28 January 2016.
- c) The property lies within an area zoned for “Other Specified Uses” under Approved Cheung Sha Wan Outline Zoning Plan No. S/K5/37.

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## **APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 31 May, 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its Memorandum of Association (the “Memorandum”) and its Articles of Association (the “Articles”).

### **1.      MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

### **2.      ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on 24 January 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

#### **(a)      Shares**

##### **(i)      Classes of shares**

The share capital of the Company consists of ordinary shares.

##### **(ii)      Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting)

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## APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

### (iii) **Alteration of capital**

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

### (iv) **Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

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## **APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

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The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

### **(v) Power of the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

### **(vi) Power of any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

### **(vii) Calls on shares and forfeiture of shares**

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay

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## **APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

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interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

### **(b) Directors**

#### **(i) Appointment, retirement and removal**

At each annual general meeting, one third of the Directors for the time being (or if their number is not 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 shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

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## **APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

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The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

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### **(ii) Power to allot and issue shares and warrants**

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

### **(iii) Power to dispose of the assets of the Company or any of its subsidiaries**

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

### **(iv) Borrowing powers**

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.



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### (v)    **Remuneration**

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

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### **(vi) Compensation or payments for loss of office**

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

### **(vii) Loans and provision of security for loans to Directors**

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

### **(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries**

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

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A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

### **(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. 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 an additional or casting vote.

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### **(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

### **(e) Meetings of members**

#### **(i) Special and ordinary resolutions**

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

#### **(ii) Voting rights and right to demand a poll**

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

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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 representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

### **(iii) Annual general meetings**

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

### **(iv) Notices of meetings and business to be conducted**

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

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All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

**(v) 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 of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

**(vi) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a

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proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

### (f) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

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### **(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, 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 in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.



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Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

### **(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

### **(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

### **(j) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

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- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

### **(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

## **3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

### **(a) Company operations**

As an exempted company, the Company's 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 amount of its authorised share capital.

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### **(b) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any 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 the company subject to the provisions, if any, of its memorandum and articles of association in (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) 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; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of 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 (the “**Court**”), 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.

### **(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person 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 acting 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.

### **(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so 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 and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares

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unless the manner and terms of purchase have first been authorised by an ordinary resolution 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 issued shares of the company other than shares held as treasury 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.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

### **(e) Dividends and distributions**

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. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

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## **APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

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### **(f)    Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of 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 and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

### **(g)    Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

### **(h)    Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

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## **APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

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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.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(i)    Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j)    Taxation**

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 29 June 2017.

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 for 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 a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k)    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.

**(l)    Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

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## **APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

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### **(m) Inspection of corporate records**

Members of the Company 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.

### **(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

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. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

### **(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

### **(p) Register of Beneficial Ownership**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The register of beneficial ownership is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the Company is listed on the Stock Exchange, it is not required to maintain a register of beneficial ownership.

### **(q) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

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## APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

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The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

### (r)    **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the 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.



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## **APPENDIX IV      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW**

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### **(s)    Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

### **(t)    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 Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

## **4.    GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES****1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 31 May 2017. Our Company has established a principal place of business in Hong Kong at Room A, 15<sup>TH</sup> Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 9 August 2017. Mr. SW Tang has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and its constitution which comprises the Memorandum of Association and Articles of Association. A summary of certain provisions of our Company's constitution and relevant aspects of the Companies Law is set forth in Appendix IV to this prospectus.

**2. Change in share capital of our Company**

As at the date of incorporation, the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each.

One Share was allotted and issued at par to the initial subscriber on 31 May 2017 which was transferred as fully paid Share to Chrysler Investments on the same date.

On 28 June 2017,

- (a) in consideration of the transfer of 100 shares in Attaway Developments to our Company, we allotted and issued 21,999 Shares to Chrysler Investments, as directed by Mr. SW Tang; and
- (b) we further allotted and issued 4,000 Shares to Chrysler Investments at a consideration of HK\$10,000,000.

On 23 January 2018, in pursuance of the Investment Agreement, we allotted and issued 4,000 Shares to Altivo Ventures as nominated by Sigma Square. For further information, please refer to the section headed "History, Reorganisation and Corporate Structure — Pre-IPO investment" in this prospectus.

Pursuant to resolutions in writing of all our Shareholders passed on 24 January 2018, our authorised share capital was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each by the creation of an additional 1,962,000,000 Shares.

Immediately following completion of the Hong Kong Public Offering and the Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$4,000,000 divided into 400,000,000 Shares, all fully paid or credited as fully paid and 1,600,000,000 Shares will remain unissued.

Save for aforesaid and as mentioned in the paragraph headed “Resolutions in writing of all our Shareholders passed on 24 January 2018” below, there has been no alteration in the share capital of our Company since its incorporation.

**3. Resolutions in writing of all our Shareholders passed on 24 January 2018**

On 24 January 2018, resolutions in writing were passed by all our Shareholders, pursuant to which, among other things:

- (a) the authorised share capital of our Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 Shares;
- (b) our Company approved and adopted an amended and restated memorandum of association and conditionally approved and adopted its new Articles of Association to take effect on the Listing Date;
- (c) conditional on (i) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any additional Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme); (ii) the entering into of the agreement on the Offer Price between the Sole Lead Manager and our Company on or before the Price Determination Date; and (iii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreement:
  - (i) the Hong Kong Public Offering was approved and our Directors were authorised to allot and issue the new Shares pursuant to the Hong Kong Public Offering;
  - (ii) the rules of the Share Option Scheme, the principal terms of which are set forth in the paragraph headed “D. Other information — 1. Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme; and

- (iii) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Hong Kong Public Offering, our Directors were authorised to capitalize an amount of HK\$2,999,700 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 299,970,000 Shares, such Shares to be allotted and issued to our Shareholders whose names appearing on the register of members of our Company at the close of business on 24 January 2018 (or as such Shareholders may direct) in proportion (as nearly as possible without fractions) to their then respective shareholdings in our Company.
- (d) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by our Shareholders in general meeting, unissued Shares not exceeding 20% of the aggregate number of Shares in issue immediately following completion of the Hong Kong Public Offering and Capitalisation Issue (excluding any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme), such mandate to remain in effect until 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 of Association or any applicable laws of Cayman Islands to be held, or until revoked or varied or renewed by an ordinary resolution of our Shareholders at a general meeting of our Company, whichever occurs first;
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved 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 number of Shares in issue immediately following completion of the Hong Kong Public Offering and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), such mandate to remain in effect until 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 of Association or any applicable laws of Cayman Islands to be held, or until revoked or varied or renewed by an ordinary resolution of our Shareholders at a general meeting of our Company, whichever occurs first; and
- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above.

**4. Corporate reorganisation**

Details of the Reorganisation are set forth in the section headed “History, Reorganisation and Corporate Structure” of this prospectus.

**5. Changes in share capital of subsidiaries of our Group**

Subsidiaries of our Company are referred to in the Accountant’s Report, the text of which is set forth in Appendix I to this prospectus.

Save as disclosed in the section headed “History, Reorganisation and Corporate Structure”, of this prospectus, there are no changes in the registered capital of our Company’s subsidiaries during the two years preceding the date of this prospectus.

**6. Repurchase of 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, the most important of which are authorising below:

**(i) Shareholders’ approval**

All proposed repurchases of securities on GEM by a company with a primary listing on GEM must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on 24 January 2018, the Repurchase Mandate was granted to our Directors authorising the repurchase by our Company 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, of Shares representing up to a maximum of 10% of the aggregate number of Shares in issue immediately following completion of the Hong Kong Public Offering and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme), at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable law of the Cayman Islands or the Articles of Association to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders of our Company in general meeting, whichever is the earliest.

**(ii) Source of funds**

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) *Core connected persons*

The GEM Listing Rules prohibit a company from knowingly repurchasing securities on the Stock Exchange from a “core connected person”, that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or his or her close associates and a core connected person shall not knowingly sell his securities to such company.

(iv) *Status of repurchased Shares*

The listing of all repurchased Shares (whether offered on the Stock Exchange or otherwise) on GEM will automatically be cancelled and the certificates for those Shares shall be cancelled and destroyed.

(v) *Trading restrictions*

The total number of shares which a listed company may repurchase on GEM is the number of shares representing up to a maximum of 10% of the aggregate number of shares of that company in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or higher than the average closing market price for the five preceding trading days on which its shares were traded on GEM. The GEM Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant minimum prescribed percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(vi) *Suspension of repurchase*

A listed company may not make any repurchase of securities on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company’s results for any year, half-year, quarter-year or any other interim period (whether or not required under the GEM Listing Rules) and (b) the deadline for publication of an announcement of a listed company’s results for any year, half-year or quarter-year under the GEM Listing Rules, or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on GEM if a listed company has breached the GEM Listing Rules.

(vii) *Reporting requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(b) *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 our Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or the proceeds of a fresh issue of shares made for the purpose of the purchase and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company. Subject to the Companies Law, a repurchase of Shares may also be paid out of capital.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) *General*

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to our Company or its subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands. Our Company has not repurchased any Shares in the previous six months.

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 falls below 25% of the total number of Shares in issue (or such other percentages 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 or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a securities repurchase 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 (the "Code"). Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase. Save as aforesaid, our Directors are not aware of any consequences which may arise under the Code 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 in the ordinary course of business) have been entered into by our Company or any of its subsidiaries within the two years preceding the date of this prospectus and are or may be material:


- (a) the Investment Agreement;
- (b) the deed of indemnity dated 24 January 2018 and entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its present subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, to which our Group may be subject on or before the Listing Date; and
- (c) the Underwriting Agreement.



## 2. Intellectual property rights of our Group

### (a) Trademarks

As at the Latest Practicable Date, our Group was the registered proprietor of the following trademark:-

Trademark	Class	Place of registration	Registration number	Name of registered proprietor	Date of registration	Expiry date
	37	Hong Kong	304060548	Sheung Moon Construction	28 February 2017	27 February 2027

### (b) Domain names

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain name:

Domain name	Registered proprietor	Date of registration	Expiry date
smcl.com.hk	Sheung Moon Construction	19 November 2015	19 November 2018 ( <i>Note</i> )

*Note:* We will renew the registration of the domain name upon the expiry of current valid period.

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS OF OUR COMPANY

### 1. Directors

#### (a) *Disclosure of interests — interests and short positions of our Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following completion of the Hong Kong Public Offering and the Capitalisation Issue without taking into account the Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, the interests or short positions of Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part

XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to our Company and Stock Exchange, once the Shares are listed are as follows:

*Interests in our Company*

<b>Name of Director</b>	<b>Capacity/ Nature of interest</b>	<b>Number of shares</b>	<b>Approximate percentage of shareholding in our Company</b>
Mr. SW Tang ( <i>Note</i> )	Interest in a controlled corporation	260,000,000 (long position)	65%

*Note:* These Shares are held by Chrysler Investments, a company incorporated in the BVI and the entire share capital of which is held by Mr. SW Tang. Mr. SW Tang is deemed to be interested in these Shares held by Chrysler Investments under the SFO.

*Interests in our associated corporation*

<b>Name of associated corporation</b>	<b>Name of Director</b>	<b>Capacity/ Nature of interest</b>	<b>Number of share</b>	<b>Approximate percentage of shareholding</b>
Chrysler Investments	Mr. SW Tang	Beneficial owner	One share of US\$1.00 (long position)	100%

(b) *Particulars of our Directors' service contracts*

Each of the executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other and is subject to termination provisions therein and provisions on retirement by rotation of our Directors as set forth in the Articles of Association.

Each of the executive Directors is entitled to a director's fee. Each executive Director shall be paid a remuneration on the basis of 13 months in a year. In addition, each of the executive Directors is also entitled to bonus as determined by our Board based on the recommendations made by our remuneration committee. The current annual director's fees and remuneration of our executive Directors are as follows:

<b>Name of Directors</b>	<b>Approximate annual Director's fee and remuneration</b>
Mr. SW Tang	1,968,000
Mr. YS Lai	1,318,000

The independent non-executive Directors have been appointed for a term of two years. Our Company intends to pay a director's fee of HK\$48,000 per annum to each of the independent non-executive Directors.

Under the arrangement currently in force, the aggregate amount of emoluments payable by our Group to our Directors (including our independent non-executive Directors) for the year ending 31 March 2018 is estimated to be HK\$3.8 million.

## 2. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Hong Kong Public Offering and the Capitalisation Issue without taking into account the Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, the following persons (other than a Director or chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or are directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

<b>Name of Shareholder</b>	<b>Capacity/ Nature of interest</b>	<b>Number of shares</b>	<b>Approximate percentage of shareholding in our Company</b>
Chrysler Investments ( <i>Note 1</i> )	Beneficial owner	260,000,000 (long position)	65%
Mr. Tang Siu Fung Calvin ( <i>Note 2</i> )	Interest of a controlled corporation	40,000,000 (long position)	10%
Sigma Square ( <i>Note 2</i> )	Interest of a controlled corporation	40,000,000 (long position)	10%
Altivo Ventures ( <i>Note 2</i> )	Beneficial owner	40,000,000 (long position)	10%

*Notes:*

1. Chrysler Investments Limited is a company incorporated in the BVI and the entire share capital of which is held by Mr. SW Tang.
2. These Shares are held by Altivo Ventures, a company incorporated in the BVI and the entire share capital of which is held by Sigma Square, a company incorporated in Hong Kong and wholly owned by Mr. Tang Siu Fung Calvin, the son of Mr. SW Tang. Each of Sigma Square and Mr. Tang Siu Fung Calvin is deemed to be interested in these Shares held by Altivo Ventures under the SFO.

3. **Agency fees or commissions received**

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

4. **Disclaimers**

Save as disclosed herein:

- (a) none of our Directors or chief executives of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed;
- (b) none of our Directors or experts referred to under the paragraph headed “D. Other information — 7. Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been 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;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) 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));
- (e) taking no account of Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme, none of our Directors are aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Hong Kong Public Offering and the Capitalisation Issue, have

an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting shares of any other member of our Group;

- (f) none of the experts referred to under the paragraph headed “D. Other information — 7. Consents 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;
- (g) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the GEM Listing Rules) or our Shareholders who are interested in more than 5% of the number of issued shares of our Company has any interests in the five largest customers or the five largest suppliers of our Group; and
- (h) none of our Directors has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group.

## **D. OTHER INFORMATION**

### **1. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the resolutions in writing of our Shareholders of our Company passed on 24 January 2018.

#### **(a) Purpose**

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) *Who may join*

Our Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as our Board may determine at an exercise price determined in accordance with paragraph (e) below to the following (the “**Eligible Participants**”):

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including executive, non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers, agents and related entities to our Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Hong Kong Public Offering, being 40,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, our Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by our Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 23.02(2)(d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

Notwithstanding the foregoing, the 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 at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (q) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(d) ***Maximum number of options to any one individual***

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of Options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 23.03(4) and 23.06 of the GEM Listing Rules and/or such other requirements as prescribed under the GEM Listing Rules from time to time; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the GEM Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the GEM Listing Rules) (or his/her associates if the Eligible Participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of our Board meeting at which our Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. Our Board shall forward to such Eligible Participant an offer document in such form as our Board may from time to time determine.

(e) ***Price of Shares***

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

- (iii) the nominal value of a Share.

(f) ***Granting options to connected persons***

Any grant of options to a director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of our Company or any of their respective associates (as defined in the GEM Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If our Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the GEM Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the GEM Listing Rules of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the GEM Listing Rules, based on the official closing price of the Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which the grantee, his associates and all core connected persons (as defined in the GEM Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the GEM Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent shareholders as to voting;
- (iii) the information required under Rule 23.02(2)(c) and (d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules; and
- (iv) the information required under Rule 2.28 of the GEM Listing Rules.



(g) ***Restrictions on the times of grant of Options***

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published pursuant to the requirements of the GEM Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of our Board meeting (as such date to first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's annual results 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 its annual results or half-year, or quarterly or other interim period (whether or not required under the GEM Listing Rules)

and ending on the date of actual publication of the results announcement.

(h) ***Rights are personal to grantee***

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(i) ***Time of exercise of Option and duration of the Share Option Scheme***

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by our Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption. There is no minimum period for which an option must be held before it can be exercised.

(j) ***Performance target***

A grantee may be required to achieve any performance targets as our Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(k) ***Rights on ceasing employment or death***

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (l) below, the option to the extent not already exercised on the date of cessation shall lapse automatically on the date of cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(l) ***Rights on dismissal***

If the grantee of an Option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by our Board) on any other ground on which an employee 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, or has been convicted of any criminal offence involving his integrity or honesty, his Option will lapse and not be exercisable after the date of termination of his employment.

(m) ***Rights on takeover***

If a general offer is made to all our Shareholders (or all such shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(n) ***Rights on winding-up***

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above 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, allot the relevant Shares to the grantee credited as fully paid.

(o) *Rights on compromise or arrangement between our Company and its members or creditors*

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, 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. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(p) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully paid Shares in issue on the date of issue.

(q) *Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to our Board to be in their/his opinion fair and reasonable in compliance with Rule 23.03(13) of the GEM Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an Option is entitled to subscribe pursuant to the Options held by him before such alteration and the aggregate subscription price

payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(r) ***Expiry of option***

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by our Board;
- (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n) or (o);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (o) becomes effective;
- (iv) subject to paragraph (n), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or has become insolvent, bankrupt or has made arrangements or compositions with his or her creditors generally, or in relation to an employee of our Group (if so determined by our Board) or any other ground on which an employee 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. A resolution of our Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which our Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are cancelled in accordance with paragraph (t) below.

(s) ***Alteration of the Share Option Scheme***

The Share Option Scheme may be altered in any respect by resolution of our Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 23.03 of the GEM Listing Rules; and

- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 23 of the GEM Listing Rules and any change to the authority of our Board in relation to any alteration to the terms of the Share Option Scheme must be approved by shareholders in general meeting.

(t) ***Cancellation of Options***

Subject to paragraph (h) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is cancelled pursuant to paragraph (h).

(u) ***Termination of the Share Option Scheme***

Our Company may by resolution in general meeting or our Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) ***Administration of our Board***

The Share Option Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(w) ***Condition of the Share Option Scheme***

The Share Option Scheme is conditional on:

- (i) the Listing Division of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional (including, if relevant, as result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise;
- (iii) the approval of the rules of the Share Option Scheme by our Shareholders in general meeting; and

(iv) the commencement of dealings in the Shares on the Stock Exchange.

(x) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the GEM Listing Rules in force from time to time.

(y) *Present status of the Share Option Scheme*

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Division of the Stock Exchange for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 40,000,000 Shares in total.

**2. Estate duty, tax and other indemnities**

Each of the Controlling Shareholders have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in paragraph (b) of the paragraph headed “Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, Hong Kong estate duty which might be payable by any member of our Group, by reason of any transfer of property (within the meaning of Sections 35 and 43 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong) to any member of our Group on or before the Listing Date.

The deed of indemnity also contain, amongst other things, indemnities given by the Controlling Shareholders in respect of (a) taxation resulting from income, profits or gains earned, accrued or received as well as any property claim to which our Group may be subject on or before the Listing Date; (b) claims and liabilities arising from the non-compliances of our Group, including but not limited to the non-compliance incidents set out in the paragraph headed “Business — Failure to Register with the Macau Finance Bureau” of this prospectus; and (c) any litigation, arbitration or claim against any member of our Group in relation to any matter, event or incident occurred on or before the Listing Date.

**3. Litigation**

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

**4. Preliminary expenses**

The preliminary expenses of our Company are estimated to be approximately HK\$59,132 and are payable by our Company.

**5. Promoter**

Our Company has no promoter for the purpose of the GEM Listing Rules.

**6. Qualification of experts**

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
LY Capital Limited	A corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activity for the purpose of the SFO
Deloitte Touche Tohmatsu	Certified public accountants
Rato, Ling, Lei & Cortés — Advogados	Macau legal adviser
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
CHFT Advisory And Appraisal Ltd.	Property valuer and industry consultant

**7. Consents of experts**

Each of the experts referred to in paragraph 6 above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

**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. Miscellaneous**

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
  - (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
  - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) our Group has no outstanding convertible debt securities or debentures;
  - (iv) 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;
  - (v) no founders, management or deferred shares of our Company or, any of its subsidiaries have been issued or agreed to be issued;
  - (vi) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries;
- (b) none of the persons named in the paragraph headed “D. Other information — 7. Consents of experts” in this Appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;
- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 July 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up);
- (d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (e) the principal register of members of our Company will be maintained in Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of 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 Cayman Islands;



- (f) no member of our Group is presently listed on any stock exchange or traded on any trading system;
- (g) there is no arrangement under which future dividends are waived or agreed to be waived; and
- (h) all necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

#### **10. Bilingual prospectus**

The English and Chinese language version of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

#### **11. Sole Sponsor**

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares that may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme. The Sponsor is independent of our Company in accordance with Rule 6A.07 of the GEM Listing Rules.

The Sole Sponsor's fees in relation to the Listing are approximately HK\$3,880,000. The Sole Sponsor is also entitled to receive a praecipium fee of 1% of the aggregate Offer Price of all Offer Shares.

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## **APPENDIX VI      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION**

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### **DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of the **WHITE** Application Form, **YELLOW** Application Form and **GREEN** Application Form;
- (b) the written consents referred to in the section headed “Statutory and General Information — D. Other information — 7. Consents of experts” in Appendix V to this prospectus; and
- (c) a copy of each of the material contracts referred to in the section headed “Statutory and General Information — B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix V to this prospectus.

### **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Watson Farley & Williams at Suites 4610-4619, Jardine House, 1 Connaught Place, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the amended and restated Memorandum and Articles of Association;
- (b) the Accountant’s Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the assurance report prepared by Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of the Group for the two years ended 31 March 2017 and the four months ended 31 July 2017;
- (e) the letter and valuation certificate relating to our property interests prepared by CHFT, the texts of which are set out in Appendix III to this prospectus;
- (f) the letter of advice from Conyers Dill & Pearman, our Cayman Islands legal advisors, summarising certain aspects of Cayman Islands company law referred to in “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix IV to this prospectus;
- (g) the Companies Law;
- (h) the Macau legal opinion issued by Rato, Ling, Lei & Cortés - Advogados;

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**APPENDIX VI      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES  
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- (i) the material contracts referred to in the section headed “Statutory and General Information — B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix V to this prospectus;
- (j) the service contracts and appointment letters entered into between our Company and each of the Directors referred to in the paragraph headed “Statutory and General Information — C. Further information about our Directors and substantial shareholders of our Company — 1. Directors — (b) Particulars of our Directors’ service contracts” in Appendix V to this prospectus;
- (k) the written consents referred to in the section headed “Statutory and General Information — D. Other information — 7. Consents of experts” in Appendix V to this prospectus;
- (l) the rules of the Share Option Scheme; and
- (m) the CHFT Report prepared by CHFT.



**常滿控股有限公司**  
Sheung Moon Holdings Limited