

SUMMARY

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

There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are summarised in the section headed “Risk factors” in this [REDACTED]. You should read that section carefully before you decide to invest in the [REDACTED].

BUSINESS OVERVIEW

The Group is a subcontractor that focuses on providing podium facade and curtain wall works in Hong Kong with a history of over 20 years. The services provided by the Group mainly include one-stop design and build solutions in relation to podium facade and curtain wall works. To a lesser extent, the Group also provides repair and maintenance services. During the Track Record Period, the Group generally undertook design and build projects as a subcontractor and all of the Group’s revenue was derived from Hong Kong. The Group’s customer types generally include main contractor, property developer, commercial enterprise and public body.

For each of the three years ended 31 December 2016, the Group’s revenue was mainly derived from the design and build projects while the remaining was generated from repair and maintenance works. The following table sets forth a breakdown of the Group’s revenue during the Track Record Period by types of services:

	Year ended 31 December					
	2014		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Design and build projects						
- Podium facade and related works	121,332	80.2	195,998	89.6	242,306	88.5
- Curtain wall works	16,252	10.7	13,998	6.4	24,749	9.0
Sub-total	137,584	90.9	209,996	96.0	267,055	97.5
Repair and maintenance services	13,720	9.1	8,824	4.0	6,857	2.5
Total	151,304	100.0	218,820	100.0	273,912	100.0

The following table sets forth a breakdown of the Group’s revenue during the Track Record Period attributable to private and public sectors:

	Year ended 31 December					
	2014		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Private sector	114,445	75.6	211,873	96.8	270,498	98.8
Public sector	36,859	24.4	6,947	3.2	3,414	1.2
Total	151,304	100.0	218,820	100.0	273,912	100.0

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One-stop design and build solution services

The Group provides one-stop design and build solutions for podium facade and curtain wall. Services involved in a typical design and build project include developing facade or curtain wall system design, structural calculation and shop drawings, sourcing and procurement of materials, arrangement for material fabrication and processing, installation works and post-completion maintenance services for the relevant works performed by the Group and/or its subcontractors within the defects liability period and the warranty period. The Group is also responsible for the overall project management. Design and build projects undertaken by the Group during the Track Record Period can be broadly divided into two categories, namely (i) podium facade and related works; and (ii) curtain wall works. For further details of the major steps involved in a typical design and build project, please refer to the section headed “Business — Operating procedures — Design and build projects” in this [REDACTED].

Repair and maintenance services

The Group also provides repair and maintenance services for podium facade and curtain wall in Hong Kong. Such repair and maintenance services cover (i) one-off repair and maintenance services; and (ii) inspection and consultancy services. For further details of the Group’s one-off repair and maintenance services, please refer to the section headed “Business — Operating procedures — One-off repair and maintenance services” in this [REDACTED].

DESIGN AND BUILD PROJECTS OF THE GROUP

The following table sets forth a summary of the number of design and build projects awarded to the Group and completed by the Group during the Track Record Period:

	Year ended 31 December			Total
	2014	2015	2016	
Number of design and build projects awarded				
- Podium facade and related works	6	6	9	21
- Curtain wall works	1	1	—	2
Total	7	7	9	23
Number of design and build projects completed				
- Podium facade and related works	3	5	9	17
- Curtain wall works	1	2	—	3
Total	4	7	9	20

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The following table sets forth the details of the Group’s tender success rate during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
Design and build projects			
Number of tenders submitted	31	39	31
Number of projects awarded	7	7	9
Tender success rate (%)	22.6	17.9	29.0
One-off repair and maintenance works orders			
Number of tenders or quotations submitted	121	192	166
Number of works orders received	55	86	68
Tender success rate (%)	45.5	44.8	41.0

In respect of design and build projects, the Group adopts a pro-active approach in the tender strategy. The Directors believe that the Group generally submits tenders in response to most invitations to tenders from potential customers in order to maintain customers’ relationship, increase its presence in the market as well as its opportunities to secure new customers and projects. Due to such tender strategy, the Group adopts a more conservative approach on pricing tenders after considering the then available resources, thereby leading to lower tender success rate as well as fluctuations in the overall tender success rates from period to period.

In respect of one-off repair and maintenance works orders, the Group generally receives invitations to submit tenders or provide quotations from its recurrent customers. The Directors believe that the relatively high tender success rate for one-off repair and maintenance works orders was mainly due to the competitiveness in pricing in the Group’s tender submissions and the customers’ satisfaction on the Group’s previous performance.

The following table sets forth a summary of the Group’s design and build projects on hand as at the dates indicated:

	As at 31 December		
	2014	2015	2016
Number of design and build projects on hand	11	11	11
Value of design and build projects on hand (HK\$ million)	350.5	282.4	435.4

For further details regarding the movement of the Group’s design and build projects, please refer to the section headed “Business — Design and build projects of the Group” in this [REDACTED].

CUSTOMERS

The Group’s customer types generally include main contractor, property developer, commercial enterprise and public body. For the five largest customers during the Track Record Period, the business relationship between the Group and them ranges from approximately 1 year to 16 years. During the Track Record Period, all of the Group’s major customers were located in Hong Kong and all of the Group’s revenue was denominated in Hong Kong dollars.

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For each of the three years ended 31 December 2016, the percentage of the Group’s total revenue attributable to the Group’s largest customer amounted to approximately 52.4%, 85.7% and 64.7%, respectively, while the percentage of the Group’s total revenue attributable to the Group’s five largest customers, in aggregate, amounted to approximately 91.2%, 96.1% and 96.9%, respectively. For further details, please refer to the section headed “Business — Customers” in this [REDACTED].

SUPPLIERS

The Group’s suppliers generally include suppliers for (i) building materials to be consumed in its design and build projects, such as aluminium, metal and glass; (ii) material fabrication or processing services; and (iii) machines and equipment leasing services. During the Track Record Period, all of the Group’s major suppliers were either located in Hong Kong or the PRC.

For each of the three years ended 31 December 2016, the percentage of the Group’s total purchases attributable to the Group’s largest supplier amounted to approximately 32.6%, 44.0% and 29.0%, respectively, while the percentage of the Group’s total purchases attributable to the Group’s five largest suppliers, in aggregate, amounted to approximately 66.6%, 63.9% and 60.6%, respectively. For further details, please refer to the section headed “Business — Suppliers” in this [REDACTED].

SUBCONTRACTORS

Both of the Group’s design and build projects and one-off repair and maintenance work orders require labour intensive installation works. As the Group does not employ any direct labour, the Group subcontracts all the installation works to external subcontractors. During the Track Record Period, all of the Group’s major subcontractors were located in Hong Kong.

For each of the three years ended 31 December 2016, the percentage of the Group’s total subcontracting charges attributable to the Group’s largest subcontractor amounted to approximately 24.5%, 24.6% and 23.7%, respectively, while the percentage of the Group’s total subcontracting charges attributable to the Group’s five largest subcontractors, in aggregate, amounted to approximately 58.2%, 72.1% and 64.4%, respectively. For further details, please refer to the section headed “Business — Subcontractors” in this [REDACTED].

MAJOR QUALIFICATION AND CERTIFICATIONS

The Directors confirm that during the Track Record Period and up to the Latest Practicable Date, the Group has obtained all material licences, permits and registration required for carrying on its business operations in Hong Kong. G & M Engineering is (i) a Registered Minor Works Contractors (Class I, II and III) with the Buildings Department; and (ii) a Registered Subcontractor with the Construction Industry Council, while G & M Maintenance is a Registered Subcontractor with the Construction Industry Council. Being registered on the Subcontractor Registration Scheme at the Construction Industry Council is required for subcontractors to participate in public projects commissioned by certain Government authorities and statutory bodies, such as the Development Bureau and Hong Kong Housing Authority.

For any works where any member of the Group is involved as a subcontractor, if there is a registered general building contractor and/or specialist contractor under the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) to supervise the works and liaise with the Buildings

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Department, the relevant member of the Group is not required to hold such licence or registration or to obtain any requisite licences, permits and approval for its operation and business except the business registration. For further details, please refer to the section headed “Business — Licences and permits” in this [REDACTED].

COMPETITIVE STRENGTHS

The Directors consider that there are several competitive strengths that drive the Group’s growth in revenue and distinguish the Group from its competitors, which comprise (i) well-established reputation with solid track record in the podium facade and curtain wall works industry in Hong Kong; (ii) long-term business relationships with some of the Group’s major customers; (iii) stable business relationships with the Group’s suppliers and subcontractors; (iv) experienced project management team and key personnel; and (v) one-stop design and build solution services provide for podium facade and curtain wall. For further details, please refer to the section headed “Business — Competitive strengths” in this [REDACTED].

BUSINESS STRATEGIES

The Group aims to expand its scale of operation and further strengthen its market position and overall competitiveness in the podium facade and curtain wall works industry in Hong Kong. The Directors intend to achieve the Group’s future expansion plans by (i) further expanding the Group’s capacity to undertake more design and build projects; (ii) further strengthening the Group’s capital base for the issue of surety bonds; (iii) further expanding the Group’s manpower for project execution and strengthening the skills of staff; and (iv) further enhancing the Group’s operational efficiency and technical capability by acquiring additional machinery and equipment. For further details, please refer to the section headed “Business — Business strategies” in this [REDACTED].

RISK FACTORS

There are certain risks involved in the Group’s business operations, many of which are beyond the Group’s control. Any of the factors set out in the section headed “Risk factors” in this [REDACTED] may limit the Group’s ability to execute its strategies successfully. The Directors believe that the following are some major risks that may have a material adverse impact on the Group, namely (i) revenue derived from the Group’s five largest customers accounted for a substantial portion of the Group’s revenue, inability to retain business relationship with the Group’s major or secure new business may affect the Group’s operations and financial performance; (ii) changes to the supply and cost of building materials may adversely affect the Group’s operations and profitability; (iii) changes to the supply and cost of staff may adversely affect the Group’s operations and profitability; (iv) the Group’s contracts are non-recurring in nature, failure to obtain continuity of the order book for new projects could materially affect the Group’s sustainability and financial performance; and (v) failure to acquire adequate capital could delay the execution of new projects and prevent the expansion of the Group’s business. For further details, please refer to the section headed “Risk factors” in this [REDACTED].

USE OF PROCEEDS

The Group estimates that the aggregate net proceeds to the Company from the [REDACTED], after deducting related underwriting fees and estimated expenses in connection with the [REDACTED] and an [REDACTED] of HK\$[REDACTED], being the mid-point of the [REDACTED]

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range, will be approximately HK\$[REDACTED]. The Directors presently intend to apply (i) approximately HK\$[REDACTED] or approximately [REDACTED]% of the net proceeds for further expanding the Group’s capacity to undertake more design and build projects, including but not limited to the upfront payments for materials and surety bond requirements; (ii) approximately HK\$[REDACTED] or approximately [REDACTED]% of the net proceeds for further expanding the Group’s manpower for project execution and strengthening the skills of staff; (iii) approximately HK\$[REDACTED] or approximately [REDACTED]% of the net proceeds for further enhancing the Group’s operational efficiency and technical capability by acquiring additional machinery and equipment; and (iv) approximately HK\$[REDACTED] or approximately [REDACTED]% of the net proceeds as general working capital of the Group. In the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the [REDACTED] range, the above allocation of the net proceeds from the [REDACTED] will be adjusted on a pro-rata basis.

During the Track Record Period, the number of design and build projects awarded to the Group with an awarded contract sum of over HK\$100,000,000 increased from nil for each of the two years ended 31 December 2015 to 2 for the year ended 31 December 2016. Taking into account, amongst others, (i) the Group intends to allocate the relatively less complicated fabrication drawing works to the Shenzhen Design Office to reduce staff costs; (ii) the current size of Shenzhen design team can merely support the Group’s existing business scale of operation, but is not adequate for the Group’s expansion plan to undertake more sizeable design and build projects; and (iii) it would be more cost-effective for the Group to recruit a team of draftsmen in the PRC in the long run given the rental costs and staff costs are comparatively lower than that in Hong Kong, the Directors therefore consider that the expansion of the Shenzhen design office will support the Group’s business expansion in the long run which justifies the Group’s business strategies. For further details, please refer to the section headed “Future plans and use of proceeds — Use of proceeds” in this [REDACTED].

MARKET AND COMPETITION

According to the Ipsos Report, the revenue of the podium facade and curtain wall works industry in Hong Kong increased from approximately HK\$4,250.9 million in 2011 to approximately HK\$5,101.1 million in 2015, at a CAGR of approximately 4.7%. The growth was attributed to the increasing number of building projects and the rising project fee of podium facade works and curtain wall works in Hong Kong. The revenue of the podium facade and curtain wall works industry in Hong Kong is expected to continue its rising trend from approximately HK\$5,254.1 million in 2016 to approximately HK\$6,265.0 million in 2020, at a CAGR of approximately 4.5%. Such growth is mainly driven by the increase of land supply for the public and private residential buildings under the development plan for North East New Territories New Development Areas and conversion of government properties into commercial use. The continuous development of the New Territories is likely to bring business opportunities to the podium facade and curtain wall works industry in Hong Kong.

The curtain wall works industry in Hong Kong is considered mature and consolidated, which has approximately 20 major market players and is dominated by the top five of them. The podium facade works industry in Hong Kong is smaller than the curtain wall works industry with approximately 20 major market players and is dominated by the top five of them. In terms of the revenue of the podium facade works industry in Hong Kong in 2015, the Group ranked second with a market share of approximately 18.0%. For further details, please refer to the section headed “Industry overview” in this [REDACTED].

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CONTROLLING SHAREHOLDERS

On 9 January 2017, Mr. Lee and Mr. Leung entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, amongst other things, that they are parties acting in concert in respect of each of the members of the Group during the Track Record Period and will continue the same as of and after the date of the Concert Parties Confirmatory Deed. Details of the Concert Parties Confirmatory Deed are set out in the section headed “History, Reorganisation and corporate structure — Parties acting in concert” in this [REDACTED].

Immediately following the completion of the Capitalisation Issue and the [REDACTED] (assuming that no Share is issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), (i) Luxury Booming will be interested in [REDACTED]% of the issued Shares; and (ii) by virtue of the acting in concert arrangement between Mr. Lee and Mr. Leung which is confirmed and documented in the Concert Parties Confirmatory Deed, Mr. Lee, Mr. Leung and the company wholly owned by them, namely Luxury Booming, will collectively continue to control more than 30% of the issued share capital of the Company upon [REDACTED]. Accordingly, they will be a group of Controlling Shareholders within the meaning of the Listing Rules. For further details, please refer to the section headed “Relationship with the Controlling Shareholders” in this [REDACTED].

SUMMARY OF FINANCIAL INFORMATION

The tables below set forth the key financial information of the Group derived from the its combined financial statements set out in the Accountant’s Report in Appendix I to this [REDACTED]. The following information should be read in conjunction with the section headed “Financial information” in this [REDACTED] and the combined financial statements and the related notes in the Accountant’s Report in Appendix I to this [REDACTED].

Combined statements of comprehensive income

	Year ended 31 December		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Revenue	151,304	218,820	273,912
Gross profit	50,393	71,067	90,523
Profit before income tax	37,339	55,863	61,901
Profit for the year	31,265	46,492	50,077
Total comprehensive income for the year	31,124	46,455	50,005
Total comprehensive income for the year attributable to owners of the Company	30,612	46,131	49,980

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Revenue of the Group increased by approximately HK\$67.5 million or 44.6% from approximately HK\$151.3 million for the year ended 31 December 2014 to approximately HK\$218.8 million for the year ended 31 December 2015. Such increase was mainly due to (i) 7 new projects were awarded and contributed a total of approximately HK\$47.7 million to the Group’s revenue for the year ended 31 December 2015; and (ii) the Group derived a higher amount of recognised revenue from a particular project during the year ended 31 December 2015, which was due to the actual works progress under relevant contract. For the year ended 31 December 2016, the Group’s revenue further increased to approximately HK\$273.9 million, representing an increase of approximately HK\$55.1 million or 25.2% as compared to that of the year ended 31 December 2015. Such increase was mainly attributable to the Group’s efforts in pursuing projects of relatively larger scales and higher income.

Cost of revenue of the Group primarily comprises (i) material and processing charges; (ii) subcontracting charges; (iii) project staff costs; and (iv) others. For each of the three years ended 31 December 2016, gross profit of the Group amounted to approximately HK\$50.4 million, HK\$71.1 million and HK\$90.5 million, respectively. The following table sets forth a breakdown of the Group’s gross profit and gross profit margin during the Track Record Period by types of services:

	Year ended 31 December					
	2014		2015		2016	
	<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>	
	<i>HK\$’000</i>	%	<i>HK\$’000</i>	%	<i>HK\$’000</i>	%
Design and build projects						
- Podium facade and related works	42,607	35.1	62,931	32.1	82,015	33.8
- Curtain wall works	<u>4,563</u>	28.1	<u>5,035</u>	36.0	<u>6,097</u>	24.6
Sub-total/overall	47,170	34.3	67,966	32.4	88,112	33.0
Repair and maintenance services	<u>3,223</u>	23.5	<u>3,101</u>	35.1	<u>2,411</u>	35.2
Total/overall	<u>50,393</u>	<u>33.3</u>	<u>71,067</u>	<u>32.5</u>	<u>90,523</u>	<u>33.0</u>

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The following table sets forth a breakdown of the Group’s gross profit and gross profit margin during the Track Record Period attributable to private and public sectors:

	Year ended 31 December					
	2014		2015		2016	
	<i>Gross profit margin</i>		<i>Gross profit margin</i>		<i>Gross profit margin</i>	
	<i>HK\$’000</i>	<i>%</i>	<i>HK\$’000</i>	<i>%</i>	<i>HK\$’000</i>	<i>%</i>
Private sector	31,329	27.4	67,612	31.9	87,184	32.2
Public sector	<u>19,064</u>	51.7	<u>3,455</u>	49.7	<u>3,339</u>	97.8
Total	<u>50,393</u>	<u>33.3</u>	<u>71,067</u>	<u>32.5</u>	<u>90,523</u>	<u>33.0</u>

For each of the three years ended 31 December 2016, the Group’s gross profit margin amounted to approximately 33.3%, 32.5% and 33.0%, respectively, and remained relatively stable. In respect of the Group’s gross profit attributable to private and public sectors, public sector had a higher gross profit margin than the private sector during the Track Record Period. In particular, the Group recorded a gross profit margin of approximately 97.8% in public sector for the year ended 31 December 2016, which was mainly due to a works order in relation to design and build services for podium facade and related works that was placed under a term contract enter into between G & M Engineering and Customer A in April 2011 with a contract period of 36 months, of which (i) the works order was completed in March 2015 and therefore the Group only incurred insignificant costs for remedial works for minor defects, storage and logistic arrangements for the year ended 31 December 2016; and (ii) the inflation adjustment granted by Customer A in accordance with the Building Works Tender Price Index published by the Architectural Services Department, which was only confirmed by Customer A while finalising the final account of the said works order and has no corresponding cost.

For each of the three years ended 31 December 2016, profit of the year of the Group amounted to approximately HK\$31.3 million, HK\$46.5 million and HK\$50.1 million, respectively. For further analysis regarding the comparison of the Group’s result of operations, please refer to the section headed “Financial information — Comparison of results of operations” in this [REDACTED].

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Combined statements of financial position

	As at 31 December		
	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current assets	3,434	1,762	3,814
Current assets	130,876	166,983	159,841
Total assets	134,310	168,745	163,655
Non-current liabilities	385	178	—
Current liabilities	65,835	82,725	80,708
Total liabilities	66,220	82,903	80,708
Net current assets	65,041	84,258	79,133
Total equity	68,090	85,842	82,947

As at 31 December 2014, 2015 and 2016, the Group had net current assets of approximately HK\$65.0 million, HK\$84.3 million and HK\$79.1 million, respectively. For further details of the Group’s financial position, please refer to the section headed “Financial information — Net current assets” in this [REDACTED].

Combined statements of cash flows

	Year ended 31 December		
	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Net cash generated from operating activities	12,583	95,463	5,254
Net cash generated from/(used in) investing activities	3,772	608	(20,636)
Net cash generated from/(used in) financing activities	<u>2,717</u>	<u>(33,086)</u>	<u>(51,239)</u>
Increase/(Decrease) in cash and cash equivalents	19,072	62,985	(66,621)
Cash and cash equivalents at the beginning of the year	<u>33,046</u>	<u>52,118</u>	<u>115,103</u>
Cash and cash equivalents at the end of the year	<u><u>52,118</u></u>	<u><u>115,103</u></u>	<u><u>48,482</u></u>

For each of the three years ended 31 December 2016, the Group recorded net cash generated from operating activities of approximately HK\$12.6 million, HK\$95.5 million and HK\$5.3 million, respectively. For further details in relation to the Group’s cash flows during the Track Record Period, please refer to the section headed “Financial information — Liquidity and capital resources — Cash flows” in this [REDACTED].

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Key financial ratios

	Year ended 31 December		
	2014	2015	2016
Return on total assets	23.3%	27.6%	30.6%
Return on equity	45.9%	54.2%	60.4%
Net profit margin	20.7%	21.2%	18.3%
Interest coverage	116.2 times	120.9 times	111.7 times

	As at 31 December		
	2014	2015	2016
Current ratio	2.0	2.0	2.0
Quick ratio	2.0	2.0	2.0
Gearing ratio	17.5%	9.3%	12.3%
Net debt to equity ratio	N/A	N/A	N/A

For the analysis of the Group’s key financial ratios during the Track Record Period and their respective basis of calculation, please refer to the section headed “Financial information — Key financial ratios” in this [REDACTED].

COMPLIANCE AND LITIGATION

The Directors confirm that the Group has complied with all applicable laws and regulations in all material aspects in Hong Kong and the PRC during the Track Record Period and up to the Latest Practicable Date.

As at the Latest Practicable Date, the Group was involved in a number of civil claims, litigations and pending or threatened claims. For further details, please refer to the section headed “Business — Litigation and potential claims” in this [REDACTED].

RECENT DEVELOPMENT

As at 31 March 2017, the Group had 10 design and build projects on hand, representing projects that have commenced but not yet completed and projects that have engagement confirmed but not yet commenced, with an aggregate awarded contract sum of approximately HK\$519.2 million, of which approximately HK\$232.6 million are attributable to 6 design and build projects of SHK Properties. Up to 31 December 2016, approximately HK\$156.3 million has been recognised from these 10 design and build projects and their aggregate amount of outstanding awarded contract sum as at 31 December 2016 amounted to approximately HK\$362.9 million. For the 6 design and build projects on hand that are attributable to SHK Properties, approximately HK\$72.4 million has been recognised up to 31 December 2016 and their aggregate amount of outstanding awarded contract sum as at 31 December 2016 amounted to approximately HK\$160.2 million. It is expected that approximately HK\$269.0 million and HK\$79.2 million will be recognised from these 10 design and build projects for the years

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ending 31 December 2017 and 2018, respectively, of which approximately HK\$127.7 million and HK\$20.1 million will be attributable to SHK Properties. According to the respective latest programme of these 10 design and build projects on hand, 7 of which are expected to be completed during the year ending 31 December 2017 and 3 of which are expected to be completed during the year ending 31 December 2018. For further details, please refer to the section headed “Business — Design and build projects of the Group — Design and build projects on hand as at 31 March 2017” in this [REDACTED].

Subsequent to the Track Record Period and up to 31 March 2017, the Group had received 18 invitations to tender for design and build projects in relation to podium facade and curtain wall, of which the Group (i) submitted 11 tenders; (ii) declined 2 invitations to tender; and (iii) is in the course of assessing and considering 5 invitations. As at 31 March 2017, there were 10 design and build projects that the Group had yet to receive results after submitting the tenders with an aggregate expected contract sum of approximately HK\$446.2 million.

[REDACTED] EXPENSES

The Directors estimate that the total amount of expenses in relation to the [REDACTED] is approximately HK\$[REDACTED], of which approximately HK\$[REDACTED] is directly attributable to the [REDACTED] and is expected to be accounted for as a deduction from equity upon [REDACTED], and the remaining amount of approximately HK\$[REDACTED], which cannot be so deducted, will be charged to the Group’s profit or loss. For each of the two years ended 31 December 2016, approximately HK\$[REDACTED] and HK\$[REDACTED] of the [REDACTED] expenses has been charged to the Group’s profit or loss, respectively. Approximately HK\$[REDACTED] is expected to be incurred for the year ending 31 December 2017.

Expenses in relation to the [REDACTED] are non-recurring in nature. The Board wishes to inform the Shareholders and potential investors that the Group’s financial performance and results of operations for the year ending 31 December 2017 will be affected by the estimated expenses in relation to the [REDACTED].

DIVIDENDS

For the year ended 31 December 2014, a subsidiary of the Company declared an interim dividend of approximately HK\$117,000, of which approximately HK\$29,000 was paid to that subsidiary’s shareholder with non-controlling interest. For each of the two year 31 December 2016, subsidiaries of the Company declared interim dividend of approximately HK\$28,700,000 and HK\$45,900,000, respectively, to their then shareholders. The Group declared an interim dividend of HK\$20,000,000 on 31 March 2017 to the then shareholders of the Group, which was settled by current accounts with Directors. The aforesaid interim dividend will be financed by internal resources generated from the Group’s business operation including cash and the trade receivables settled by customers subsequent to the Track Record Period. The Group currently does not have a fixed dividend policy. For further details, please refer to the section headed “Financial information — Dividends” in this [REDACTED].

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[REDACTED] STATISTICS

The following table sets forth the statistics based on the assumption that [REDACTED] are issued under the [REDACTED]:

	Based on the minimum indicative [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on the maximum indicative [REDACTED] of HK\$[REDACTED] per [REDACTED]
Market capitalisation of the Company at [REDACTED] (<i>Note 1</i>)	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share (<i>Notes 2&3</i>)	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

1. The calculation of market capitalisation is based on the [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED].
2. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share is calculated after the adjustments referred to in the section headed “Unaudited pro forma financial information” set out in Appendix II to this [REDACTED] and on the basis of a total of [REDACTED] Shares being in issue at the indicative [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED] immediately upon completion of the [REDACTED].
3. The unaudited pro forma combined net tangible assets of the Group and the unaudited pro forma combined net tangible assets per Share have not taken into account the interim dividends declared subsequent to 31 December 2016.

On 31 March 2017, the directors of a subsidiary declared interim dividend amounting to HK\$20,000,000 to its then shareholders and such dividend was settled by current accounts with Directors. Had the dividend of HK\$20,000,000 been taken into account, the unaudited pro forma combined net tangible assets per Share would have been reduced to HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per Share) and HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per Share), respectively.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in the sub-sections headed “Recent development” and “[REDACTED] expenses” in this section, the Directors confirm that, up to the date of this [REDACTED], there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2016 (being the date to which the latest audited combined financial statements of the Group were prepared), and there is no event since 31 December 2016 which would materially affect the information shown in the Accountant’s Report set out in Appendix I to this [REDACTED].