Post Hearing Information Pack of

Million Hope Industries Holdings Limited
美亨實業控股有限公司

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

WARNING

The publication of this Post Hearing Information Pack is required by The Stock Exchange of Hong Kong Limited (the "**Exchange**")/the Securities and Futures Commission (the"**Commission**") solely for the purpose of providing information to the public in Hong Kong.

This Post Hearing Information Pack is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with the Company, its sponsor or advisers that:

(a) this document is only for the purpose of providing information about the Company to the public in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this document;

(b) the publication of this document or supplemental, revised or replacement pages on the Exchange's website does not give rise to any obligation of the Company, its sponsor or advisers to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with the offering;

(c) the contents of this document or supplemental, revised or replacement pages may or may not be replicated in full or in part in the actual final listing document;

(d) the Post Hearing Information Pack is not the final listing document and may be updated or revised by the Company from time to time in accordance with the Rules Governing the Listing of Securities on the Exchange;

(e) this document does not constitute a prospectus, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;

(f) this document must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;

(g) neither the Company nor any of its affiliates, its sole sponsor or advisers is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;

(h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;

(i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;

(j) as there may be legal restrictions on the distribution of this document or dissemination of any information contained in this document, you agree to inform yourself about and observe any such restrictions applicable to you; and

(k) the application to which this document relates has not been approved for listing and the Exchange and the Commission may accept, return or reject the application for the subject public offering and/or listing.

IMPORTANT

You are advised to exercise caution when reading this document. If you are in any doubt about any of the contents of this listing document, you should obtain independent professional advice.

Million Hope Industries Holdings Limited
美亨實業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: [REDACTED]

LISTING BY WAY OF INTRODUCTION ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Sole Sponsor

VMS 鼎珮

This listing document is published in connection with the Listing on the Main Board of the Stock Exchange and contains particulars given in compliance with the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules solely for the purpose of giving information with regard to the Group.

This listing document does not constitute an offer of, nor is it calculated to invite offers for, Shares or other securities of the Company, nor have any such Shares or other securities been allotted or issued with a view to any of them being offered for sale to or subscription by the public. No Shares will be allotted or issued in connection with, or pursuant to, this listing document.

Neither this listing document nor any copy hereof may be released, forwarded or distributed, directly or indirectly, in or into any jurisdiction where such release or distribution might be unlawful.

The Shares have not been registered under the U.S. Securities Act or the laws of any state in the United States, and may not be offered or sold within the United States, absent registration or an exemption from the registration requirements of the U.S. Securities Act and applicable state laws. **Neither the U.S. Securities and Exchange Commission nor any other U.S. federal or state securities commission or regulatory authority has approved or disapproved of the Shares or passed an opinion on the adequacy of this listing document. Any representation to the contrary is a criminal offence in the United States.**

The Hanison Shareholders and the Beneficial Hanison Shareholders located or resident in jurisdictions other than Hong Kong should refer to the important information set out in the sections headed "Information about the Spin-off and the Distribution – Distribution Excluded Shareholders" in this listing document.

Your attention is drawn to the section headed "*Risk Factors*" in this listing document.

Information regarding the proposed arrangements for the listing of, and dealings and settlement of dealings in, the Shares following completion of the Spin-off is set out in the sections headed "*Information about the Spin-off and the Distribution*" and "*Information about this listing document and the Listing*" in this listing document.

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

CONTENTS

The Company has not authorised anyone to provide you with information that is different from what is contained in this listing document. Any information or representative not made in this listing document must not be relied on by you as having been authorised by the Relevant Persons.

CONTENTS

This summary aims to give you an overview of the information contained in this listing document. Since it is a summary, it does not contain all the information that may be important to you. You should read this listing document in its entirety.

BACKGROUND INFORMATION OF THE GROUP AND HANISON GROUP

Hanison was incorporated in the Cayman Islands on 20 September 2001 and has been listed on the Main Board of the Stock Exchange since 10 January 2002. As at the Latest Practicable Date, the Hanison Group is principally engaged in construction, interior and renovation works, supply and installation of building materials, property investment, property development, provision of property agency and management services and sale of health products.

The Company was incorporated in the Cayman Islands on 20 February 2018 and became the holding company of the Group on 28 March 2018. The Group is principally engaged in the design, supply and installation of facade and curtain walls systems, with a focus on curtain walls, aluminium windows and doors.

Hanison submitted a proposal for the Spin-off to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules and, on 26 January 2018, the Stock Exchange confirmed that Hanison may proceed with the Spin-off.

The Spin-off will be implemented by way of the Distribution. Upon Listing, the Company will cease to be a subsidiary of Hanison and the Group will be spun-off from the Hanison Group. Hanison Group will continue its principal businesses of construction, interior and renovation works, supply and installation of limited building materials (excluding aluminium windows, doors and curtain walls), property investment, property development, provision of property agency and management services and sale of health products, while the Group will focus on its design, supply and installation of curtain walls, aluminium windows and doors business.

THE SPIN-OFF AND THE DISTRIBUTION

On 22 February 2019, the Hanison Board declared a conditional special interim dividend to the Distribution Qualifying Shareholders. The Distribution will be satisfied by way of a distribution in specie to the Distribution Qualifying Shareholders of the entire issued share capital of the Company held by Hanison (representing the entire issued share capital of the Company), on the basis of two Shares for every five Hanison Shares held on the Record Date. Prior to the completion of the Spin-off, the Remaining Group will inject an amount into the Group to increase the net asset value of the Group to an amount of not less than HK$500 million upon Listing. For reference only, based on the audited consolidated net asset value of the Group as at 31 August 2018 and taking into account the expected listing expenses to be incurred, the estimated reference amount to be injected is approximately HK$379.7 million in aggregate.

The Spin-off will be implemented in accordance with the Listing Rules. As Hanison's disposal of its shareholding interest in the Company is by way of the Distribution with no offering of new Shares or any other securities, there will be no dilution of the indirect attributable interest of the Distribution Qualifying Shareholders in the Company, and the Spin-off will not constitute a transaction under Chapter 14 and 14A of the Listing Rules. Accordingly, no shareholder approval is required in respect of the Distribution or the Spin-off under the Listing Rules.

The Spin-off is conditional on the Listing Committee granting the listing of, and permission to deal in, the Shares in issue on the Main Board of the Stock Exchange and such approval not having been revoked prior to completion of the Spin-off. If this condition is not satisfied, the Distribution will not be made and the Spin-off will not take place. For further details of the Spin-off, please refer to the section headed "Information about the Spin-off and the Distribution" in this listing document.

BUSINESS OVERVIEW

The Group is a subcontractor principally engaged in the design, supply and installation of facade and curtain wall systems, with a focus on curtain walls, aluminium windows and doors, with an operating history of over 20 years in Hong Kong. The Group provides one-stop design, supply and installation services for curtain walls, aluminium windows and doors on both new and existing buildings, and works closely with customers and architects to offer tailor-made designs and products to suit the project requirements. The Group's principal customers are main contractors and property developers.

The Group's history dates back to 1990 when Million Hope Industries (HK), a principal operating subsidiary of the Company, was incorporated in Hong Kong by Independent Third Parties. Million Hope Industries (HK) was acquired by the Hanison Group in 2007 and became a wholly-owned subsidiary of Hanison, and has since been part of building materials division of the Hanison Group. Since then, the Group has been principally engaged in the business of design, supply and installation of facade and curtain wall systems, with a focus on curtain walls, aluminium windows and doors, primarily for property development projects in Hong Kong and the PRC.

The Group owns and operates its own fabrication plant in Huizhou, the PRC, which serves as the production base for the products used in the Group's Design, Supply and Installation Projects, including customer-specified products and "Schüco" products, in respect of which the Group is an authorised manufacturer. The products produced at the fabrication plant in Huizhou, the PRC, include curtain walls – stick system, aluminium windows, doors, balustrades, louvres, grilles, canopies, claddings and aluminium features. The Group also outsources the fabrication of curtain walls – unitised system products to external suppliers.

During the Track Record Period, the Group's revenue was mainly derived from the Group's projects in Hong Kong and the PRC, principally involving the design, supply and installation of curtain walls, aluminium windows and doors.

The following table sets forth a breakdown of the Group's revenue during the Track Record Period by geographical location of the projects:

	Year ended 31 March						Five months ended 31 August			
	2016		2017		2018		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Hong Kong	342,941	93.2	483,397	96.3	377,094	89.5	173,304	80.6	152,181	96.9
PRC	24,827	6.8	18,541	3.7	44,052	10.5	41,825	19.4	1,631	1.0
Other (Saipan)	–	–	–	–	–	–	–	–	3,260	2.1
Total	367,768	100.0	501,938	100.0	421,146	100.0	215,129	100.0	157,072	100.0

The following table sets forth a breakdown of the Group's revenue during the Track Record Period by contract type:

	Year ended 31 March						Five months ended 31 August			
	2016		2017		2018		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Design, supply and installation for curtain walls, aluminium windows, doors and other products for new buildings *(notes i and ii)*	245,410	66.7	347,555	69.2	242,888	57.7	141,623	65.8	68,308	43.5
Design, supply and installation for aluminium windows, doors and other products for new buildings *(note ii)*	116,913	31.8	153,869	30.7	162,161	38.5	72,885	33.9	87,000	55.4
Design, supply and installation for renovation works for existing buildings	2,435	0.7	191	–	14,737	3.5	–	–	892	0.6
Repairing, maintenance and others *(note iii)*	3,010	0.8	323	0.1	1,360	0.3	621	0.3	872	0.6
Total	367,768	100.0	501,938	100.0	421,146	100.0	215,129	100.0	157,072	100.0

Notes:

i *The contract type involves aluminium windows, doors and other products in addition to curtain walls. The curtain walls are the principal products for the contract type and the principal revenue from this contract type is also from curtain walls.*

ii *Other products represent balustrade, louvre, cladding, window wall, canopy and grille.*

iii *Others mainly represent mock up.*

During the course of a project, customers of the Group may require additional services or amendments to the specifications, which will result in variation orders that may increase, reduce or vary the original scope of work. The following table sets forth a breakdown of the revenue contribution during the Track Record Period in terms of the original contract sum and amount of variation orders:

	Year ended 31 March						Five months ended 31 August			
	2016		2017		2018		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000 (unaudited)*	*%*	*HK$'000*	*%*
Revenue recognised										
– under original contract	350,404	95.3	475,713	94.8	401,336	95.3	208,647	97.0	138,704	88.3
– under variation order	17,364	4.7	26,225	5.2	19,810	4.7	6,482	3.0	18,368	11.7
Total	367,768	100.0	501,938	100.0	421,146	100.0	215,129	100.0	157,072	100.0

The following table sets forth a breakdown of the Group's revenue in Hong Kong during the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
Revenue derived from projects in Hong Kong	2016		2017		2018		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000 (unaudited)*	*%*	*HK$'000*	*%*
Nominated subcontractor contracts (Hong Kong)	316,795	92.4	427,813	88.5	331,842	88.0	165,681	95.6	102,460	67.3
Domestic subcontractor contracts (Hong Kong)	26,146	7.6	55,584	11.5	45,252	12.0	7,623	4.4	49,721	32.7
Total	342,941	100.0	483,397	100.0	377,094	100.0	173,304	100.0	152,181	100.0

BUSINESS MODEL

One-stop design, supply and installation services for new buildings

The Group provides one-stop design, supply and installation services for facade and curtain wall systems for new buildings, with a focus on curtain walls, aluminium windows and doors. The services undertaken by the Group in a typical design, supply and installation project for new buildings mainly include development of design, shop drawings, structural calculation, method statements sourcing and procurement of materials, material fabrication and processing, arranging for installation works and post completion maintenance service 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. Please refer to the section headed "Business – Operating procedures – Principal steps in a Design, Supply and Installation Project" in this listing document for details of the major steps included in a typical Design, Supply and Installation Project.

Generally, the Group may act as a nominated subcontractor and is engaged by the main contractor through the nomination of the ultimate owners of the projects (i.e. developers of the relevant construction site), or the Group may act as a domestic subcontractor and is directly engaged by the main contractors. During the Track Record Period, the Group acted as a nominated subcontractor in the majority of its projects. Please refer to the section headed "Business – Services of the Group" in this listing document for further details.

One-stop design, supply and installation services for renovation works of existing buildings

On a much smaller scale, the Group provides renovation works for facade and curtain walls in Hong Kong for existing buildings. Please refer to the section headed "Business – Operating procedures – Design, supply and installation projects for renovation works of existing buildings" in this listing document for further details.

Repair, maintenance and others

Also on a much smaller scale, the Group provides repair and maintenance services for curtain walls, aluminium windows and doors projects in Hong Kong. Others mainly represented mock-up. Please refer to the section headed "Business – Operating procedures – Repair, maintenance and others" in this listing document for further details.

DESIGN, SUPPLY AND INSTALLATION PROJECTS FOR NEW BUILDINGS OF THE GROUP

The following table sets forth a summary of the number of design, supply and installation projects for new buildings awarded to the Group and completed by the Group during the Track Record Period and up to the Latest Practicable Date:

	Year ended 31 March			Five months ended 31 August 2018	From 1 September 2018 up to the Latest Practicable Date	Total
	2016	2017	2018			
Number of design, supply and installation projects for new buildings awarded	8	7	6	3	3	27
Number of design, supply and installation projects for new buildings completed	13	10	12	6	1	42

The following table sets forth a summary of the Group's design, supply and installation projects for new buildings as at the dates indicated:

	As at 31 March			As at 31 August 2018	As at the Latest Practicable Date
	2016	2017	2018		
Number of design, supply and installation projects for new buildings on hand	41	38	32	29	31
Value of design, supply and installation projects for new buildings on hand *(HK$ million)*	689.6	575.3	634.7	681.8	623.2

For details regarding the movement of the Group's design, supply and installation projects for new buildings, please refer to the section headed "Business – Design, supply and installation projects for new buildings of the Group" in this listing document.

CUSTOMERS

The Group's customer types generally include main contractors and property developers. During the Track Record Period, the business relationship between the Group and its five largest customers ranged from approximately two years to 13 years. During the Track Record Period, all of the Group's major customers were located in Hong Kong and most of the Group's revenue was denominated in Hong Kong dollars.

For each of the three years ended 31 March 2018 and the five months ended 31 August 2018, the percentage of the Group's total revenue attributable to the Group's five largest customers, in aggregate, amounted to approximately 84.6%, 91.8%, 92.6% and 90.3%, respectively. For further details, please refer to the section headed "Business – Customers" in this listing document.

SUPPLIERS

The Group's suppliers generally include suppliers for (i) building materials used in its Design, Supply and Installation Projects, such as aluminium and steel products, and glass; (ii) fabrication of curtain wall-unitised system products; and (iii) providers of other miscellaneous services such as transportation, rental of machinery, and laboratory testing 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 March 2018 and the five months ended 31 August 2018, the percentage of the Group's purchases attributable to the Group's largest supplier amounted to approximately 13.9%, 22.5%, 24.5% and 18.9%, respectively, while the percentage of the Group's total purchases attributable to the Group's five largest suppliers, in aggregate, amounted to approximately 52.5%, 53.0%, 52.5% and 52.7%, respectively, For further details, please refer to the section headed "Business – Suppliers" in this listing document.

SUBCONTRACTORS

The Group engages external subcontractors to perform site installation works for its Design, Supply and Installation Projects. During the Track Record Period, the Group's major subcontractors were located in Hong Kong and the PRC.

For each of the three years ended 31 March 2018 and the five months ended 31 August 2018, the percentage of the Group's total subcontracting fees paid to the Group's largest subcontractor amounted to approximately 13.5%, 16.5%, 25.4% and 34.8%, respectively, while the percentage of the Group's total fees paid attributable to the Group's five largest subcontractors, in aggregate, amounted to approximately 49.9%, 56.1%, 78.8% and 77.2%, respectively.

For further details, please refer to the section headed "Business – Subcontractors" in this listing document.

MAJOR LICENCES AND REGISTRATIONS

As at the Latest Practicable Date, Million Hope Industries (HK), a principal operating subsidiary, is a Registered Minor Works Contractor with the Buildings Department and a Registered Subcontractor with the Construction Industry Council in Hong Kong, and in the PRC, Million Hope (Huizhou) possesses the Project Design Qualification Certificate (工程設計資質證書), the Construction Enterprise Qualification Certificate (建築業企業資質證書), and the PRC Customs Declaration Entity Registration Certificate (中華人民共和國海關報關單位註冊登記證書). For further details, please refer to the section headed "Business – Licences and permits" in this listing document.

COMPETITIVE LANDSCAPE AND COMPETITIVE STRENGTHS

According to the Ipsos Report, the facade and curtain wall works industry in Hong Kong is considered mature and consolidated with approximately 30 to 40 major companies performing facade and curtain wall works in the industry in 2017. There are approximately five market players considered to be the top tier market players based on their estimated revenue in 2017, accounting for 55.0% of the market share. The Group's revenue accounted for 6.9% market share of the facade and curtain wall works industry in Hong Kong in 2017.

The Directors believe that there are several competitive strengths that set the Group apart from its competitors, which comprise: (i) well-established in the facade and curtain wall works industry in Hong Kong; (ii) self-owned fabrication plant; (iii) business cooperation with Schüco as its working partner in Hong Kong and southern China; (iv) professional operation by experienced management team, design team and project management team; (v) stable business relationships with the Group's major suppliers and subcontractors; and (vi) one-stop design, supply and installation services provider for facade and curtain wall systems. For further details, please refer to the section headed "Business – Competitive strengths" in this listing document.

BUSINESS STRATEGIES

The Group plans to pursue the following key business strategies: (i) further increasing market awareness and recognition of the Group; (ii) further enhancing the Group's production capacity and efficiency; (iii) expanding the Group's capacity to undertake more projects; (iv) further strengthening the Group's capital base; (v) establishing a new fabrication plant in the PRC; and (vi) further strengthening the Group's manpower. For further details, please refer to the section headed "Business – Business strategies" in this listing document.

SALES AND MARKETING AND PRICING STRATEGY

During the Track Record Period, the Group secured new businesses mainly through direct invitations for tender or quotation by customers. The Directors consider that due to the Group's proven track record and stable relationship with existing customers, the Group was able to leverage on its existing customer base, and thus the Group liaised with existing and potential customers from time to time for relationship building and management.

The Group's pricing is generally determined based on the estimated project costs plus a mark-up margin. For further details, please refer to the section headed "Business – Customers – Pricing strategy" in this listing document.

RISK FACTORS

There are certain risks involved in the Group's operations and in connection with the Listing. Many of these risks are beyond the Group's control. Amongst these risks, the Directors believe that some of the more material risk factors include the following:

- A significant portion of the Group's revenue was generated from contracts awarded by a limited number of customers, and inability to retain business relationships with the existing customers or secure new business may materially and adversely affect the Group's business and financial performance;
- The Group's projects are non-recurring in nature and the Group generally has to go through a competitive tendering process to secure new projects. Failure to continuously secure new projects could materially and adversely affect the Group's sustainability and financial performance;
- Changes to the supply and cost of materials, subcontracting fees, and other cost overruns may materially and adversely affect the Group's operations and profitability;
- The Group is exposed to the credit risk of its customers;
- Delay or defects of subcontractor's works would materially and adversely affect the Group's business operations;
- Failure to complete the projects on a timely basis could materially and adversely affect the Group's reputation and financial performance;
- The Group is dependent on suppliers and subcontractors to implement its contracts;
- The Group may be subject to defects liability claims and warranty claims in relation to its projects.

The risks mentioned above are not the only significant risks that may affect the Group's business and results of operations. As different investors may have different interpretations and standards for determining materiality of a risk, Shareholders and potential investors are advised to read the entire section headed "Risk Factors" in this listing document carefully.

PROPERTY VALUATION

According to the property valuation report prepared by Jones Lang LaSalle Limited, an independent valuer, as set out in Appendix III to this listing document, the market value of the properties owned by the Group as at 31 December 2018 was approximately HK$194.5 million. Please refer to the section headed "Business — Properties – Owned properties" and Appendix III to this listing document for further details.

CONTROLLING SHAREHOLDER

Immediately following completion of the Spin-off, the Company will cease to be a subsidiary of Hanison, and CCM Trust and Mingly will be the Controlling Shareholders. For further details, please refer to the section headed "Relationship with Controlling Shareholders" in this listing document.

REASONS FOR AND BENEFITS OF THE SPIN-OFF

The Board and the Hanison Board believe that the Spin-off will be beneficial to the Remaining Group and the Group and their respective shareholders as a whole for the following reasons:

(i) the business of the Group has been expanding in the past few years and the Board and the Hanison Board consider that it has reached a size and critical mass that justify it being separately listed;

(ii) the Spin-off will enable the Company to distinguish itself from Hanison and strategise its own expansion and identity, thus allowing it to react more promptly to developments and opportunities;

(iii) the Distribution places the entirety of the issued share capital of the Company into the hands of the Hanison Shareholders. Hanison Shareholders are being given, via the Distribution, an asset that should, on Listing, represent a liquid asset, that gives each Hanison Shareholder the choice to remain invested or readily realise or alter the mix of his/her investment (as between cash and the Company);

(iv) by separating the business lines by listed group, each of the Company and Hanison can devise and execute their own, independent, financing strategies, whether via the equity or debt capital or by bank borrowings tailored to the respective time frames for the holding or development of their businesses and assets; and

(v) the Spin-off will allow the management teams of both the Group and the Remaining Group to focus more effectively on their respective core businesses.

SUMMARY OF KEY FINANCIAL INFORMATION

The tables below set forth the key financial information of the Group derived from its consolidated financial statements set on in the Accountants' Report in Appendix I to this listing document. The following information should be read in conjunction with the section headed "Financial Information" in this listing document and the consolidated financial statements and the related notes in the Accountants' Report in Appendix I to this listing document.

Summary of consolidated statements of profit or loss and other comprehensive income information

	Year ended 31 March			Five months ended 31 August	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Revenue	367,768	501,938	421,146	215,129	157,072
Gross profit	57,123	91,672	117,180	53,809	32,406
Profit before taxation	35,139	67,050	64,950	36,214	11,368
Profit for the year/period	31,264	55,337	50,112	28,889	8,954
Total comprehensive income for the year/period	29,550	52,105	56,653	32,004	3,594

For each of the three years ended 31 March 2018 and the five months ended 31 August 2018, the Group's gross profit margins were 15.5%, 18.3%, 27.8% and 20.6%, respectively, and the net profit margins were 8.5%, 11.0%, 11.9% and 5.7%, respectively.

For analysis regarding the Group's result of operations during the Track Record Period, in particular, for the overall decreases in the above financial information for the five months ended 31 August 2018, please refer to the section headed "Financial Information — Principal Components of Results of Operations" in this listing document.

Summary of consolidated statements of financial position information

	As at 31 March			As at 31 August 2018
	2016	2017	2018	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	29,656	26,788	178,867	178,202
Current assets	137,803	383,997	204,251	229,819
Total assets	167,459	410,785	383,118	408,021
Current liabilities	(119,076)	(259,273)	(178,143)	(201,130)
Non-current liabilities	(25,064)	(76,088)	(76,283)	(75,567)
Total liabilities	(144,140)	(335,361)	(254,426)	(276,697)
Net current assets	18,727	124,724	26,108	28,689
Capital and reserves	23,319	75,424	128,692	131,324

For analysis regarding the Group's financial position (including net current assets) as at each of the year/period end of the Track Record Period, please refer to the sections headed "Financial Information — Analysis of Selected Consolidated Statements of Financial Position Items" and "Financial Information — Net current assets", in this listing document.

Summary of consolidated statements of cash flows information

	For the year ended 31 March			Five months ended 31 August 2018
	2016	2017	2018	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net cash from operating activities	65,666	114,696	5,295	30,997
Net cash (used in) from investing activities	(3,945)	(233,527)	226,740	(3,027)
Net cash (used in) from financing activities	(48,368)	118,198	(238,643)	6,564
Net increase (decrease) in cash and cash equivalents	13,353	(633)	(6,608)	34,534
Cash and cash equivalents at the beginning of the year/period	34,543	47,814	47,055	40,646
Effect of foreign exchange rate changes	(82)	(126)	199	(217)
Cash and cash equivalents at the end of the year/period, representing bank balances and cash	47,814	47,055	40,646	74,963

For analysis regarding 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 listing document.

Key Financial Ratios

	Year ended 31 March			Five months ended 31 August 2018
	2016	2017	2018	
Return on total assets	18.7%	13.5%	13.1%	5.3%
Return on equity	134.1%	73.4%	38.9%	16.4%
Net profit margin	8.5%	11.0%	11.9%	5.7%
Interest coverage	20.4 times	65.1 times	25.5 times	13.8 times

	As at 31 March			As at 31 August 2018
	2016	2017	2018	
Current ratio	1.2 times	1.5 times	1.1 times	1.1 times
Gearing ratio	143.6%	168.4%	60.2%	64.0%
Net debt to equity ratio	N/A (no net debts)	106.0%	28.6%	6.9%

For analysis of the Group's key financial ratios during the Track Record Period, their respective basis of calculation and the explanation of the material fluctuations, please refer to the section headed "Financial Information — Key Financial Ratios" in this listing document.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following sets forth the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Listing on the audited consolidated net tangible assets of the Group as at 31 August 2018, as if the Listing had taken place on that day:

		Pro forma adjustment		
	Audited consolidated net tangible assets of the Group as at 31 August 2018	Estimated listing expenses	Unaudited pro forma adjusted consolidated net tangible assets of the Group	Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share *(Note)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on **[REDACTED]** Shares issued prior to the Listing	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

For further details (including details of the basis of preparation) of the Groups' unaudited pro forma statement of adjusted consolidated net tangible assets, please refer to the unaudited pro forma financial information as set out in Appendix II to this listing document.

[REDACTED]

SUMMARY OF NON-COMPLIANCE INCIDENTS

During the Track Record Period, the Group has identified certain incidents of non-compliance with relevant laws and regulations in Hong Kong and the PRC. These incidents include: (i) breach of certain health and safety related laws and regulations in Hong Kong; (ii) defective title in respect of a structure primarily used for packaging and storage at the Group's fabrication plant in Huizhou, the PRC; and (iii) failure to make full contributions to social insurance and housing provident fund in the PRC in accordance with the relevant regulatory requirements. Such non-compliance incidents have not resulted, and are not expected to result, in any material impact on the Group's financial condition and operations. Please refer to the sub-sections headed "Business – Compliance with laws and regulations – Historical non-compliances" of this listing document for further details of these non-compliance incidents.

LISTING EXPENSES

The Directors estimate that the total amount of expenses in relation to the Listing is approximately HK$**[REDACTED]**. During the Track Record Period, the Group incurred listing expenses of approximately HK$**[REDACTED]**, of which approximately HK$**[REDACTED]** and HK$**[REDACTED]** was recognised in the consolidated statements of profit or loss for the year ended 31 March 2018 and the five months ended 31 August 2018, respectively. It is expected that the remaining balance of expense in relation to the Listing will be recognised in the consolidated statements of profit or loss for the year ending 31 March 2019. The listing expenses are estimates only and subject to adjustment based on audit and the actual amount incurred or to be incurred. The listing expenses are non-recurring in nature. In view of this, Shareholders and prospective investors should note that the financial results and the net profit of the Group for the year ending 31 March 2019 may be adversely affected by such non-recurring expenses in relation to the Listing and may not be comparable to the financial performance of the Group in the past.

DIVIDENDS

There was no dividend declared during the Track Record Period and up to the Latest Practicable Date. The Group may declare dividends in the future after taking into account the results of operations, earnings, capital requirements, general financial condition, and other factors as the Directors may deem relevant at such time. The declaration of dividends is subject to the discretion of the Directors and the approval of the Shareholders (except for interim dividends) as may be necessary. Any declaration and payment as well as the amount of dividends will be subject to the constitutional documents of the Company and the Companies Law. The Group currently does not have a fixed dividend policy.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

The business model of the Group has remained unchanged and the revenue and cost structure has remained stable since 31 August 2018. Based on the contracts on hand and the latest progress of the projects only, the Directors expect that the total revenue for the year ending 31 March 2019 will be noticeably lower than that for the year ended 31 March 2018 which is mainly due to the overall delay of master programme of the projects located at Lohas Park – Package 7 and Area 115, Tin Shui Wai for approximately five months and two months respectively. Furthermore, the Directors also expect that both of the gross profit margin and gross profit amount for the year ending 31 March 2019 will also be noticeably lower than that for the year ended 31 March 2018 as (i) the revenue of the luxury grade residential house projects which accounted for majority of the Group's total revenue for the year ended 31 March 2018 will not be that significant for the year ending 31 March 2019 as a result of substantial works of those projects having been carried out during the year ended 31 March 2018; and (ii) as explained above, there will be a drop of revenue resulting from the delay of master programme of the projects at Lohas Park – Package 7 and Area 115, Tin Shui Wai which resulted in these projects still in pre-execution peak stage and the gross profit magins are expected to be lower. It is expected that the Group will continue to incur the listing expenses for the year ending 31 March 2019 which the amount will be significant as compared to that for the year ended 31 March 2018. As the listing expenses are not deductible for tax purpose and more listing expenses are expected to be recorded for the year ending 31 March 2019, the effective tax rate of the Group for the year ending 31 March 2019 is expected to remain high. In view of the expected decreases in the Group's revenue, gross profit margin and gross profit amount for the year ending 31 March 2019, the Directors believe that the Group's net profit for the year ending 31 March 2019 will also be significantly lower than that for the year ended 31 March 2018 (even before deducting the listing expenses for the year ended 31 March 2018 and year ending 31 March 2019).

As at the Latest Practicable Date, the Group had 32 Design, Supply and Installation 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 outstanding contract sum of approximately HK$634.1 million. Based on the latest progress of the respective Design, Supply and Installation Projects on hand as at the Latest Practicable Date, the Group expects that the above contracts will contribute revenue to the Group in the coming three financial years of approximately HK$49.8 million, HK$430.6 million and HK$153.7 million respectively. Please refer to the section headed "Business — Design, Supply and Installation Projects on Hand as at the Latest Practicable Date" for further details.

Save as disclosed in this section and the paragraph headed "Listing expenses" in this section above, the Directors confirm that, up to the date of this listing document, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 August 2018 (being the date to which the latest audited consolidated financial statements of the Group were prepared) and there is no event since 31 August 2018 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this listing document.

In this listing document, the following expressions and terms shall have the meanings set out below unless the context otherwise requires. Certain terms are explained in the section headed "Glossary of Technical Terms" in this listing document.

"Articles" or "Articles of Association"	the articles of association of the Company conditionally adopted on 22 February 2019 and effective from the Listing Date, as amended from time to time, a summary of which is set out in Appendix IV to this listing document
"Beneficial Hanison Shareholder(s)"	beneficial owner(s) of Hanison Shares whose Hanison Shares are registered in the name of a Registered Hanison Shareholder
"Board" or "Board of Directors"	the board of Directors of the Company
"Business Day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant, or a CCASS Investor Participant
"CCM Trust"	CCM Trust (Cayman) Limited, a company incorporated in the Cayman Islands with limited liability, and the Controlling Shareholder

"Cha Family"	family members and descendants of the late Dr. Cha Chi Ming, including his son, Mr. Cha Mou Sing, Payson (the non-executive chairman of the Company)
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified or supplemented from time to time
"Company"	Million Hope Industries Holdings Limited (美亨實業控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 20 February 2018 under the Companies Law
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules, and in the context of the Company, means the controlling shareholders of the Company immediately after the completion of the Spin-off, being CCM Trust and Mingly
"Directors"	directors of the Company
"Distribution"	the conditional special interim dividend declared by the Hanison Board on 22 February 2019 to be satisfied by way of a distribution in specie of the entire issued share capital of the Company owned by Hanison (representing the entire issued share capital of the Company) to the Distribution Qualifying Shareholders, further details of which are set out in the section headed "Information about the Spin-off and the Distribution"
"Distribution Excluded Shareholders"	the Overseas Hanison Shareholders to whom the Hanison Board, after making relevant enquiries, consider it necessary or expedient not to distribute Shares pursuant to the Distribution on account of either the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction

"Distribution Qualifying Shareholders"	the Hanison Shareholders whose names appear on the register of members of Hanison on the Record Date, other than the Distribution Excluded Shareholders
"Excluded Jurisdiction(s)"	those jurisdictions outside Hong Kong in respect of which the Hanison Board and the Board have determined that it is necessary or expedient not to distribute the Share(s) to the Overseas Hanison Shareholder(s) located or resident in those jurisdictions pursuant to the Distribution, on account of either the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction
"Group"	the Company and its subsidiaries
"Hanison"	Hanison Construction Holdings Limited (興勝創建控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 896)
"Hanison Board'	the board of directors of Hanison
"Hanison Construction (BVI)"	Hanison Construction Holdings (BVI) Limited, a company incorporated in the BVI and a direct wholly-owned subsidiary of Hanison
"Hanison Construction Company"	Hanison Construction Company Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of Hanison
"Hanison Group"	Hanison and its subsidiaries
"Hanison Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of Hanison
"Hanison Shareholder(s)"	holder(s) of Hanison Share(s)
"Heroic Elite"	Heroic Elite Investments Limited (雄傑投資有限公司), a company incorporated in the BVI on 27 February 2017 with limited liability and an indirect wholly-owned subsidiary of the Company
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong

"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKRI"	HKR International Limited (香港興業國際集團有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 480)
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Share Registrar"	**[REDACTED]**
"Independent Third Party(ies)"	any individual or a company who, as far as the Directors are aware, is not a connected person of the Company
"Ipsos"	Ipsos Limited, an international market research company and an Independent Third Party
"Ipsos Report"	a market research report commissioned by the Company and prepared by Ipsos on the overview of the industry in which the Group operates
"Latest Practicable Date"	19 February 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this listing document prior to its publication
"LBJ Regents"	LBJ Regents Limited, a company incorporated under the laws of the BVI with limited liability, being the trustee of certain but not identical discretionary trusts of which members of the Cha Family are among the discretionary objects
"Listing"	the listing of, and commencement of dealings in, the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing sub-committee of the board of the Stock Exchange

"Listing Date"	the date expected to be on or about **[REDACTED]**, on which the Shares are first listed on the Stock Exchange and from which date dealings in the Shares are permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Million Hope (BVI)"	Million Hope (BVI) Limited, a company incorporated in the BVI on 15 February 2018 with limited liability and an indirect wholly-owned subsidiary of the Company
"Million Hope (Huizhou)"	美興新型建築材料(惠州)有限公司 (Translation: Million Hope New-Tech Building Supplies (Huizhou) Limited), a wholly foreign-owned enterprise established in the PRC on 27 May 2008 and an indirect wholly-owned subsidiary of the Company
"Million Hope Industries (BVI)"	Million Hope Industries (BVI) Limited, a company incorporated in the BVI on 15 February 2018 with limited liability and a direct wholly-owned subsidiary of the Company
"Million Hope Industries (HK)"	Million Hope Industries Limited (美亨實業有限公司), a company incorporated under the laws of Hong Kong with limited liability on 10 August 1990 and an indirect wholly-owned subsidiary of the Company
"Mingly"	Mingly Corporation (名力集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, and a non wholly-owned subsidiary of CCM Trust
"Overseas Hanison Shareholder(s)"	Hanison Shareholder(s) whose address(es) on the register of members of Hanison on the Record Date is/are in a jurisdiction outside Hong Kong
"Paramount Forward"	Paramount Forward Limited (邁峰有限公司), a company incorporated in the BVI on 2 January 2018 with limited liability and an indirect wholly-owned subsidiary of the Company
"PRC" or "China"	the People's Republic of China, excluding, for the purposes of this listing document, Hong Kong, the Macau Special Administrative Region, and Taiwan

"PRC Legal Adviser"	Guantao Law Firm, the legal adviser to the Company as to PRC law
"Property"	the property comprising offices A, B, C, D, E, F, G, H, J, K, L, M, N and P on 20/F., and car parking space numbers P50 and P51 on Basement Floor, Kings Wing Plaza 1, No. 3 On Kwan Street, Shatin, New Territories, Hong Kong
"Record Date"	**[REDACTED]**, being the date that was determined by the Hanison Board for ascertaining entitlements to the Distribution
"Registered Hanison Shareholder(s)"	in respect of a Beneficial Hanison Shareholder, any nominee, trustee, depositary or any other authorised custodian or third party whose name is entered in the register of members of Hanison as the holder of the Hanison Shares in which the Beneficial Hanison Shareholder is beneficially interested
"Relevant Persons"	the Company, Hanison, the Sponsor, any of the Company's, Hanison's or the Sponsor's respective directors, officers, employees, agents or representatives or any other person involved in the Spin-off
"Remaining Business"	the businesses of (i) construction; (ii) interior and renovation works; (iii) supply and installation of limited other building materials (being unrelated to the businesses of the Group); (iv) property investment; (v) property development; (vi) provision of property agency and management services; and (vii) sale of health products
"Remaining Group"	Hanison and its subsidiaries (excluding the Group) upon completion of the Spin-off
"Reorganisation"	the reorganisation of the Group in preparation for the Listing, details of which are set out in the section headed "History, Reorganisation and Corporate Structure" in this listing document
"Rich Victory"	Rich Victory (Hong Kong) Limited (益旺(香港)有限公司), a company incorporated under the laws of Hong Kong with limited liability on 5 December 2014 and an indirect wholly-owned subsidiary of the Company

"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Schüco"	the Schüco group of companies whose head office is located in Germany, and whose PRC branch, Schüco International (Beijing) Co., Ltd, has entered into a co-operation and framework agreement with the Group
"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 or supplemented from time to time
"Share(s)"	ordinary share(s) in the capital of the Company with a nominal value of HK$0.10 each
"Shareholder(s)"	holder(s) of Share(s)
"Spin-off"	the proposed spin-off of the Company by way of the Distribution and separate listing of the Shares on the Main Board of the Stock Exchange by way of introduction
"Sponsor"	VMS Securities Limited
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Sunny Oriental"	Sunny Oriental Limited (利瑋有限公司), a company incorporated under the laws of Hong Kong on 24 October 2007 and an indirect wholly-owned subsidiary of the Company
"Track Record Period"	the period comprising the three financial years ended 31 March 2018 and the five months ended 31 August 2018
"Trigon Building Materials"	Trigon Building Materials Limited (華高達建材有限公司), a company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of Hanison
"Trigon Companies"	Trigon Building Materials and Trigon Interior

DEFINITIONS

"Trigon Interior"	Trigon Interior Fitting-Out Works (Macau) Limited (華高達室內裝修(澳門)有限公司), a company incorporated under the laws of Macau and an indirect wholly-owned subsidiary of Hanison
"US"	the United States of America
"US$" or "US dollars"	United States dollars, the lawful currency of the United States of America
"Waller Holdings"	Waller Holdings Limited, a company incorporated in the BVI on 17 November 2014 with limited liability and an indirect wholly-owned subsidiary of the Company

In this listing document:

- Certain amounts set out in this listing document have been rounded. Accordingly, figures shown as totals of certain amounts may not be an arithmetic sum of such amounts.

- For ease of reference, certain terms relating to laws or regulations in the PRC have been included in this listing document in both the Chinese and English languages and in the event of any inconsistency between the Chinese terms mentioned in this listing document and their English translation, the Chinese terms shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this listing document as they relate to the Company and as they are used in this listing document in connection with the Group's business. These terms and their given meanings herein may not correspond to standard industry definitions.

"Buildings Department"	the Buildings Department of the Hong Kong Government, which provides services to owners and occupants in both existing and new buildings in the private sector through enforcement of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)
"CAGR"	compounded annual growth rate
"Construction Industry Council"	the Construction Industry Council, a statutory body corporate established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
"curtain wall(s) – stick system"	a type of curtain wall system, where the assembly and installation of the curtain wall frame and the glazing is mainly done on-site
"curtain wall(s) – unitised system"	a type of curtain wall system, where the framing components and panel materials are generally assembled into single modules in factory, and the finished modules are transported to the construction site for installation
"Design, Supply and Installation Projects"	the Group's design, supply and installation projects for (i) new buildings; and (ii) renovation of existing buildings
"GDP"	gross domestic product
"green building(s)"	a building that, in its design, construction or operation, reduces or eliminates negative impacts, and can create positive impacts, on the climate and natural environment
"ISO"	International Organisation for Standardisation, a worldwide federation of national standards bodies

"ISO 9001"	a standard under ISO used for certification or registration and contractual purposes by organisations seeking recognition of their quality management, which specifies the requirement for quality management systems for any organisation that needs to demonstrate its ability to consistently provide products that meet its requisite standards
"ISO 14001"	an internationally agreed standard under ISO that sets out the requirements for an environmental management system, which helps organisations identify, manage, monitor and control their environmental issues in a holistic manner
"Practical Completion Certificate"	a certificate issued by the architect under the main building contract, if in the opinion of the architect, the works under the main building contract have been substantially completed to the architect's satisfaction and passed the required test and inspections which may be prescribed by the main building contract
"Registered Minor Works Contractor"	a person whose name is on the register of minor works contractors maintained under section 8A of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) from time to time
"Registered Structural Engineer"	a person whose name is on the structural engineers' register maintained under section 3(3) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) from time to time
"Registered Subcontractor"	a person whose name is on the list of registered subcontractors maintained under the Subcontractor Registration Scheme by the Construction Industry Council from time to time
"Schedule of Rates"	a schedule setting out the agreed unit rates and estimated quantities of the work items and materials required in relation to a building project
"Subcontractor Registration Scheme"	a registration scheme for trade subcontractors taking part in building and engineering works, implemented by the Construction Industry Council

FORWARD-LOOKING STATEMENTS

This listing document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed in "Risk Factors", which may cause the Group's actual results, performance or achievements to be materially different from the performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- the Group's business and operating strategies and its ability to implement such strategies;
- the Group's dividend policy;
- the Group's operations and business prospects, including development plans for its existing and/or new businesses;
- future developments, trends and conditions in the industry and markets in which the Group operates or plans to operate;
- the regulatory environment in terms of changes in laws and government regulations, policies and approval processes in the regions where the Group develops or manages its projects; and
- all other risks and uncertainties described in the section headed "Risk Factors" in this listing document.

The words "aim," "anticipate," "believe," "could," "estimate," "expect," "going forward," "intend," "may," "plan," "seek," "will," "would" and the negative of these terms and other similar expressions, as they relate to the Group, are intended to identify a number of these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategy and the environment in which it will operate. They reflect the current views of the Group's management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this listing document, and are not a guarantee of future performance.

Subject to the requirements of applicable laws, rules and regulations, the Group does not have any obligation to update or otherwise revise the forward-looking statements in this listing document, whether as a result of new information, future events or otherwise. Hence, should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, the Group's financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. All forward-looking statements contained in this listing document are qualified by reference to the cautionary statements set out in this section.

In this listing document, statements of or references to the Group's intentions or those of any of the Directors are made as of the date of this listing document. Any such intentions may change in light of future developments.

You should consider carefully all the information set out in this listing document and, in particular, the risks and uncertainties described below before making an investment decision in relation to the Shares. If any of the possible events as described below, or any other risk factors or uncertainties that the Company is unaware of, materialises, the Group's business, financial position and prospects could be materially and adversely affected and the trading price of the Shares could decline and you may lose all or part of your investment.

RISKS RELATING TO THE BUSINESS OF THE GROUP

A significant portion of the Group's revenue was generated from contracts awarded by a limited number of customers, and inability to retain business relationships with the existing customers or secure new business may materially and adversely affect the Group's business and financial performance

For each of the three years ended 31 March 2018 and the five months ended 31 August 2018, the Group's revenue amounted to approximately HK$367.8 million, HK$501.9 million, HK$421.1 million and HK$157.1 million, respectively, of which approximately 84.6%, 91.8%, 92.6% and 90.3% were attributed to the five largest customers, respectively. The Group does not enter into any long-term agreements or master agreements with its existing customers as the Group's contracts are awarded on a project-by-project basis. During the Track Record Period, the Group secured new businesses mainly through direct invitation for quotation or tender by its customers, and contracts are normally awarded to the Group through a tendering process. There is no assurance that the Group will be able to continue to obtain contracts from its major customers in the future. Also, there may be significant decrease in the number or scale of projects awarded by the Group's major customers in the future.

If the Group cannot secure new projects from its existing customers and it is unable to obtain suitable projects of a comparable scale and quantity as replacements from other customers, the Group's financial condition and operating results would be materially and adversely affected. Besides, if any of the Group's existing customers experiences any liquidity problem, it may result in delays or default in settling progress payments to the Group, which may have a material adverse impact on the Group's cash flows and financial performance. The Group cannot guarantee that it will be able to diversify its customer base by obtaining significant number of new projects from potential customers.

The Group's projects are non-recurring in nature and the Group generally has to go through a competitive tendering process to secure new projects. Failure to continuously secure new projects could materially and adversely affect the Group's sustainability and financial performance

The projects undertaken by the Group are awarded on a project-by-project basis. The Group's customers are under no obligation to continue to award contracts to the Group and there is no assurance that the Group's existing customers will continue to engage the Group for new projects in the future. The Group generally has to go through a competitive tendering process to secure new projects. The result of such process is beyond the Group's control, and there is no assurance that the Group can secure new projects from future tender submissions.

As at the Latest Practicable Date, the Group had 32 Design, Supply and Installation Projects on hand and the last expected completion time of such projects is year 2021. The duration of the Group's Design, Supply and Installation Projects usually ranges from 12 to 24 months. The Group cannot guarantee that it can continuously secure new projects after the completion of all its Design, Supply and Installation Projects on hand.

The number and scale of contracts and the amount of revenue that the Group is able to derive therefrom are affected by a series of factors including but not limited to changes in customers' businesses, market conditions and the availability of funds on the part of project owners. Consequently, the Group's revenue may vary significantly from period to period, and it may be difficult to forecast the volume of its future business.

Further, the Group cannot assure that it will be invited to the tender process by its existing and potential customers in the future. The Group also cannot assure that the future projects could be secured with reasonable gross profit margin. If the Group is unable to secure new tenders and be awarded new projects with favorable terms, the Group's business operations and the financial performance would be materially and adversely affected.

It is critical for the Group to secure new projects at a similar or greater value than its current business level on a continuous basis. In the event the Group is unable to maintain business relationship with existing customers or unable to price its tender or quotation competitively, its business, sustainability and financial performance could be materially and adversely affected.

Changes to the supply and cost of materials, subcontracting fees, and other cost overruns may materially and adversely affect the Group's operations and profitability

The Group generally determines the price of tender or quotation based on the estimated project costs plus a mark-up margin. The price of a contract would be determined and fixed once it is awarded to the Group. The Group generally carries out internal assessment and budgeting estimates of the various costs, including but not limited to, operating costs, labour costs, procurement and subcontracting costs, when preparing the tender or quotation to customers. However, the actual costs incurred and time spent for completing a project may vary from the estimation due to various factors.

One of the factors which may affect the actual costs of the Group's projects is the cost of materials. The Group's cost of materials accounted for approximately 38.4%, 34.0%, 37.5% and 39.3% of the Group's total cost of sales for each of the three years ended 31 March 2018 and the five months ended 31 August 2018, respectively. The supply and cost of building materials are affected by macroeconomic conditions, production quantity and cost of such materials. Fluctuation in foreign exchange rate may also affect the Group's cost of materials since some of the Group's suppliers are located in the PRC.

All of the Group's Design, Supply and Installation Projects are subject to the risks arising from fluctuations in the cost of materials as there is a time lag between the time the Group submits the tender and the time it purchases the materials. Failure to accurately estimate the cost of materials for the projects and any substantial increase in the price of the materials between the time of submission of the tender and the time the Group purchases the materials will therefore substantially increase the Group's cost of materials. In the event that the cost of materials increases due to the external factors aforementioned, which are out of the Group's control, the Group's profitability may be materially and adversely affected.

The Group does not employ any direct labour for installation works, but engages external subcontractors to carry out the on-site installation works. During the Track Record Period, subcontracting and other charges of the Group accounted for approximately 30.7%, 24.3%, 27.6% and 22.5% of the Group's total cost of sales for each of the three years ended 31 March 2018 and the five months ended 31 August 2018, respectively. Such charges may fluctuate from time to time due to changes in, among others, macroeconomic conditions, and the supply and cost of labour in the market. If there is any unexpected and significant increase in subcontracting and other charges due to the abovementioned factors, the actual costs of the project may be greater than the estimated costs, and the Group's profitability may be materially and adversely affected.

A project may also take a longer time than expected to complete and the risk of cost overruns increases with the duration of a project due to a higher possibility of increases in the cost of materials and labour. In the event that cost overruns occur in the Group's projects due to the factors including but not limited to the abovementioned, the Group may have to bear such increased project costs, and the profitability and financial performance of the Group may be materially and adversely affected.

The Group is exposed to the credit risk of its customers

The Group is subject to the credit risk of its customers and its profitability and cash flow are dependent on the receipt of payments from its customers in a timely manner. If there is any delay in payment from the Group's customers, the profitability, working capital and cash flow of the Group may be materially and adversely affected. There is no assurance that the Group will be able to collect all or any of its trade debtors in a timely manner, or at all. As at 31 March 2016, 2017, 2018 and 31 August 2018, the trade debtors amounted to approximately HK$5.0 million, HK$5.4 million, HK$62.0 million and HK$44.7 million, respectively. If any of the Group's customers runs into unexpected situations, including but not limited to, financial difficulties or disputes between the customer and the project owner which in turn affects the timing of the customer's payment to the Group, the Group may not be able to receive full or any payment of uncollected sums or enforce any judgment debts against such customers. Non-payment or delays in payment by the Group's customers may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Delay or defects of subcontractor's works would materially and adversely affect the Group's business operations

The Group engages external subcontractors to carry out on-site installation works. The engagement of subcontractors is subject to certain risks, including but not limited to the difficulties in overseeing the subcontractors' performance in a direct and effective manner. As the subcontractors do not have direct contractual relationships with the Group's customers, the Group is subject to risks associated with non-performance, late performance or poor performance by the subcontractors. As a result, the Group may experience deterioration in quality of the services, incur additional costs, or even be exposed to liability in relation to the performance of subcontractors, which may materially and adversely affect the Group's reputation, profitability, and even lead to litigation or damage claims against the Group.

Failure to complete the projects on a timely basis could materially and adversely affect the Group's reputation and financial performance

A delay in a project will adversely affect the Group's receipt of progress payments, revenue, operational cash flows and financial performance. The Group is also required to pay its suppliers notwithstanding the delay in project if the purchase orders have been fulfilled, which will adversely affect the Group's operational cash flows. A delay in a project can be due to various factors, including but not limited to, a shortage of manpower, delays by subcontractors, adverse weather or factors attributable to the main contractor of the construction projects, and other factors which are beyond the Group's control. If the delay is caused by the Group, the Group is liable to pay damages to the contracting parties as stipulated in the contracts, as well as any additional costs incurred, and the Group's financial performance and reputation may be materially and adversely affected.

The Group is dependent on suppliers and subcontractors to implement its contracts

As the Group does not sign any long-term contracts with its suppliers and subcontractors, there is no assurance that they will be able to continue to provide materials and services to the Group at prices acceptable to the Group. Also, there is no assurance that the Group can still maintain the relationship with the suppliers and subcontractors in the future. In the event that any of the major suppliers and subcontractors are unable to provide the required materials and services to the Group or the costs for them to provide those required materials and services increase substantially whereas the Group fails to obtain alternative providers on similar or more favourable terms, the Group's business, results of operation, profitability and liquidity may be materially and adversely affected.

The Group may be subject to defects liability claims and warranty claims in relation to its projects

The Group generally provides a defects liability period ranging from 12 to 24 months from the practical completion of the works for its Design, Supply and Installation Projects, during which the Group is responsible, at its own costs, for remedial works which may arise from any defective works or materials used in relation to the contracted works. Under such circumstances, the remedial works may cause the Group to incur extra expenses which may be substantial.

Further, the Group generally provides a warranty period of 10 to 15 years from the date of practical completion or after the end of the defects liability period of the project, depending on the relevant contract terms. During the warranty period, the Group may be subject to potential warranty claims. The Group could be required to rectify, without charge, any defects and deficiencies in the contracted works discovered after the completion of the project. The Group may also have to expend resources to defend itself in the event where claims or legal proceedings are instituted against the Group. Even if the Group can make claims against its subcontractors for the defects in the works performed by such subcontractors, the Group may not be able to fully recover the desired amount from its subcontractors. Thus, the Group may be required to bear the damages to its customers at its own costs and expenses, and the Group's reputation, business, financial condition and results of operations may be materially and adversely affected.

Loss of the Group's key personnel could materially and adversely affect the Group's operations

The Directors believe that success of the Group is, to a large extent, attributable to its Directors and senior management team, and other key personnel. Details of the background and experience of the Directors and senior management are set out in the section headed "Directors and Senior Management" in this listing document. Most of the Group's Directors and senior management members have been with the Group for over five years, and have made significant contributions to the Group in various key aspects of the Group's business, including but not limited to maintaining customer relationships, project management, and project execution. The Group also relies on its experienced senior management team to ensure the smooth operation of the Group's projects. The loss of any Director or senior management member could have a material adverse impact on the Group's business if the Group is unable to recruit a suitable replacement in a timely manner.

The Group's success and growth also depends on its ability to attract and retain skilled and qualified key personnel. According to the Ipsos Report, due to the high complexity of facade and curtain wall design and the application and combination of multiple types of construction materials, experienced designers are important for handling such design-related work and preparing the design for tender. Whether a candidate possesses such design engineering experience and is able to deliver feasible designs is also part of the consideration for the main contractors or developers in selecting the most suitable subcontractors. However, the Ipsos Report also noted that there is a shortage in supply of experienced designers in the industry. The Group may face challenges in attracting, recruiting or retaining its staff. Failure to recruit and retain the necessary personnel or the loss of a significant number of staff at any time could adversely affect the Group's operations, business and prospects.

The Group's short-term revenue and profitability may not be indicative of the long-term results of the Group's business operations

The revenue and profitability for different contracts vary and should the progress payments be higher for a certain financial year, that particular financial year will record better short-term results. Therefore, there is no assurance that the Group's short-term results of operation will be indicative of the Group's long-term results of operation.

Failure to renew requisite licences or qualifications could affect the Group's ability to obtain new projects

During the Track Record Period, the Group held various licences and qualifications in relation to its business operations, including registration in Hong Kong as a Registered Minor Works Contractor under the minor works control system implemented by the Buildings Department, and registration as a Registered Subcontractor under the Subcontractor Registration Scheme implemented by the Construction Industry Council, and in the PRC, the qualification for certain building decoration and curtain wall projects design and construction in accordance with the criteria implemented by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) and its local counterparts, and registration as a customs declaration entity with the Shenzhen Customs, details of which are set out in the sub-section headed "Business – Licences and Permits" in this listing document. Some of these major licences and qualifications have expiry dates. There is no assurance that the Group can renew the licences and qualifications in a timely matter.

In addition, the licences and qualifications are subject to continued compliance with standards relating to, among other things, financial capability, expertise, management and safety. If the Group fails to comply with the applicable requirements or conditions, the related licences and qualifications may be downgraded, suspended or cancelled. Delay or refusal may occur when renewing such licences and qualifications upon expiry. Although certain registrations, such as being a Registered Subcontractor under the Subcontractor Registration Scheme, are not compulsory, the Group may not be able to tender for certain projects or undertake certain works if it does not possess such licences or qualifications, and it may also affect the competitiveness of the Group in relation to other service providers in the market. Failure to maintain or renew the existing licences and qualifications could affect the Group's ability to secure new projects, which in turn, could materially and adversely affect the Group's operation and financial performance.

The Group's cash flows may fluctuate due to the payment practice applied to the projects

During the Track Record Period, the Group derived most of its revenue from its projects in Hong Kong. In general, such projects are subject to progress payments and the customers do not make any prepayments upon the beginning of the projects. The progress payment is subject to the Group's on-site delivery of finished products, beginning of the installation and practical completion. Nevertheless, the Group will incur costs including but not limited to purchasing materials from the suppliers, rental costs for machineries, settlement of workers' salary and subcontractors' fees before receiving payment from customers.

Accordingly, the cash flow of a particular project will turn from net outflows at the early stage into accumulative net inflows gradually as the works progress. The Group undertakes a number of projects at any given period, and the cash outflow of a particular project could be compensated by the cash inflows of other projects. Should the mix of the projects be such that more projects are at the initial stage, the Group's corresponding cash flow position may be materially and adversely affected.

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

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

The Group may be exposed to disputes, claims and litigation

The Group may be exposed to claims or disputes with customers, suppliers, subcontractors, workers and other parties involved in the projects from time to time. Claims against the Group may result from, among others things, the late completion of works, defects in the contracted works, personal injuries, and employees' compensation, resulting in the Group having to incur significant amounts in rectifying such defects or settling such claims.

As at the Latest Practicable Date, the Group was involved in three ongoing legal proceedings related to employee compensation and/or personal injury claims, and there were six cases of workplace injuries in respect of which no claims have been filed yet. For details, please refer to the section headed "Business – Litigation and potential claims" of this listing document.

Any such claims and potential claims may lead to time-consuming and costly litigation, arbitration, administrative proceedings or other legal procedures. Expenses incurred in legal proceedings may have material and adverse impact on the Group's financial situation. Further, the unfavourable result in judgment or findings would harm the Group's reputation, which in turn, could materially and adversely impact the Group's business operations.

The amount of revenue that the Group is able to derive from a project may be higher or lower than the original contract sum due to factors such as variation orders and recoverability of contract assets

The aggregate amount of revenue that the Group is able to derive from a project may be different from the original contract sum specified in the relevant contract for the project due to factors such as variation orders (including addition, modification or cancellation of certain contract works) placed by the Group's customers from time to time during the course of project execution and the recoverability of contract assets. As such, there is no assurance that the amount of revenue derived from the Group's projects will not be substantially different from the original contract sum as specified in the relevant contracts.

In respect of the Design, Supply and Installation Projects completed during each of the years ended 31 March 2016, 2017 and 2018 and the five months ended 31 August 2018, the amount of revenue recognised was higher than the original contract sum, and such differences amounted to an aggregate of approximately HK$19.4 million, HK$49.2 million, HK$10.2 million and HK$19.3 million respectively.

Contract assets include retention money (generally 10% of each interim payment until the accumulated retention money reaches 5% of the total contract sum) and works performed but not yet certified and billed. While the Group estimates the amount of loss allowance for expected credit losses on contract assets based on reasonable and supportable forward-looking information (for example, the current and forecasted economic growth rates and unemployment rate in Hong Kong, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort, there is no assurance that the Group will be able to recover the full amount of contract assets. Further details in relation to the Group's trade debtors and contract assets are set out in the section headed "Financial Information" in this listing document.

As at the Latest Practicable Date, the Group had 32 Design, Supply and Installation 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 outstanding contract sum of approximately HK$634.1 million. The Group expects that these projects will contribute revenue to the Group in the coming three years. Further details are set out in the section headed "Business — Design, Supply and Installation Projects on Hand as at the Latest Practicable Date". Due to the reasons mentioned above, there is no assurance that the actual amount of revenue to be recognised from such contracts on hand will not be substantially different from the original contract sum as specified in the relevant contracts.

The Group is exposed to risks of obsolete inventory which may materially and adversely affect the Group's financial position

The Group's inventories primarily consist of raw materials (such as aluminium, steel products and glass) and work-in-progress of semi-processed products for the Design, Supply and Installation Projects. As the Group's products are designed and tailor-made for each Design, Supply and Installation Project, the Group purchases raw materials on a project-by-project basis after the contracts are awarded, and the Group generally does not maintain a finished product inventory for prospective future projects. However, the Group remains exposed to risks of obsolete inventory if any of the Group's customers or project owners run into unexpected situations, such as financial difficulties, delays, disruptions to or suspension of the relevant project due to factors beyond the Group's control, as a result of which the raw materials procured or the semi-processed products for the specific project cannot be used and the Group is not able to collect payment. For the year ended 31 March 2018, the Group recorded impairment loss recognised on inventories of approximately HK$1.5 million in respect of work-in-progress specifically for a project where the overall project was delayed. For the reasons set out above, the Group's relevant inventories may become obsolete as the raw materials and semi-processed products for a specific project generally cannot be used for other projects. Consequently, the Group's financial position may be materially and adversely affected.

The Group's future business plan may not be implemented successfully

The future business plan of the Group is prepared by the Directors by reference to the expected prospects of the construction industry in Hong Kong, and thus, the Group's business plan is based on certain assumptions. The successful implementation of the Group's business plan may be affected by various factors including but not limited to the availability of sufficient funds, government policies, the economic environment and the Group's capacity for maintaining its existing competitive advantages. There is no assurance that the Group's business plan would be successfully implemented in the future. Should there be any material adverse change in the operating environment, the Group's business operations may be materially and adversely affected.

The Group's insurance may not cover all the Group's potential losses and claims

The Group is generally covered by employees' compensation insurance and contractors' all risks insurance to cover claims in connection with personal injuries or damage to property due to accidents at the construction sites of the Group's projects. However, the Group may become subject to liabilities against which it is not insured adequately or at all. Should any significant property damage or personal injury occur in the construction sites or to the employees due to accidents, natural disasters, or similar events which are not wholly or partially covered by insurance, the Group's business may be materially and adversely affected, potentially leading to a loss of assets, lawsuits, employee compensation obligations, or other form of economic loss.

There is no assurance that the current levels of insurance maintained by the Group are sufficient to cover all potential risks and losses. If the Group faces any operating risks resulting from any of the aforesaid events in relation to the failure to purchase insurance, the Group may bear a substantial cost and experience a loss. In addition, the insurers will review the policies each year and there is no guarantee that the Group can renew the policies or can renew on similar or other acceptable terms. If the Group suffers from severe unexpected losses or losses that far exceed the policy limits, it could have a material and adverse effect on the business, financial position, results of operations and prospects.

Fair value changes for investment properties and uncertainties in accounting estimation as the valuation of investment properties requires the use of significant unobservable inputs

The Group is required to reassess the fair value of its investment properties at the end of each reporting period. Under HKFRS, gains or losses arising from changes in the fair value of the Group's investment properties are included in the consolidated statement of profit or loss and other comprehensive income for the period in which they arise. In August 2017, the Group acquired certain office units of a commercial property in Hong Kong, part of which was leased out for rental income purposes. The investment properties were valued at the fair value of approximately HK$60.3 million and HK$61.7 million as at 31 March 2018 and 31 August 2018, respectively, by an independent valuer. The Group recorded gain on change in fair value of investment properties of approximately HK$1.4 million for the five months ended 31 August 2018.

Despite their impact on the reported profit, fair value gains or losses do not change the Group's cash position as long as the relevant investment properties are held by the Group. In determining the fair values of the Group's investment properties, the valuer applied a market value basis which involves, inter-alia, significant unobservable inputs and significant judgements, representing appropriate market rent and capitalisation rate. There is no assurance that changes in the market conditions will continue to create fair value gains on the Group's investment properties or that the fair value of the Group's investment properties will not decrease in the future. In addition, the fair value of the Group's investment properties may materially differ from the amounts it would receive in actual sales of the investment properties. Any significant decreases in the fair value of the Group's investment properties or any significant decreases in the amount the Group receives in actual sales of the investment properties as compared with the recorded fair value of such properties would materially and adversely impact the Group's results of operations.

Fluctuations in the value of Renminbi may adversely affect the Group's financial position

The Group is subject to foreign exchange gain or loss as the Company's consolidated financial statements are presented in Hong Kong dollars but the functional currency of a foreign operation is Renminbi. Exchange differences arising on the settlement of monetary items denominated at foreign currency, and on the retranslation of those monetary items, are recognised in profit or loss in the year/period in which they arise.

During the Track Record Period, the Group recognised exchange differences arising on translation of a foreign operation from its functional currency to presentation currency in other comprehensive income. The amount of exchange difference represents the impact of change in the exchange rates between the Company's presentation currency and the functional currency of the foreign operation at the beginning and the end of the respective reporting year/period. The exchange difference is not recognised in profit or loss because such difference related to the translation of a foreign operation as of the respective reporting dates and arose in the preparation of the Company's consolidated financial statements. In particular, for the five months ended 31 August 2018, the exchange loss arising on translation of a foreign operation recognised in other comprehensive income amounted to approximately HK$5.4 million, while the Group's net profit for the corresponding period was approximately HK$9.0 million. Fluctuations in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and the foreign exchange regime and policy of the PRC. The Group currently does not have any hedging arrangements to control the risks related to fluctuations in exchange rates. There is no assurance that Renminbi will not appreciate or depreciate significantly in value against Hong Kong dollars in future. Therefore, the fluctuation in the exchange rates of Renminbi against Hong Kong dollars may materially and adversely affect the Group's financial position.

RISKS RELATING TO THE INDUSTRY IN WHICH THE GROUP OPERATES

Changes in the construction industry in Hong Kong could adversely affect the operating performance of the Group

During the Track Record Period, the Group's revenue was mainly derived from the Group's projects in Hong Kong. The Group's customers are primarily main contractors and property developers. The number of projects awarded to the Group is highly dependent on, among other things, the investment of property developers and the prospects of the Hong Kong economy. The future growth and level of profitability of construction industry in Hong Kong are likely to depend upon the continued availability of major construction projects. A downturn in the Hong Kong construction industry is likely to result in the possibility of postponement, delay or cancellation of construction projects and delay in recovery of receivables, which would have material and adverse impact on the Group's business and profitability.

Furthermore, the government's plans on land and housing development could delay property and infrastructure development and cause a corresponding reduction in the demand for curtain walls, aluminium windows and doors, which would have a direct impact on the Group's business operations and financial performance.

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

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

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

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

The Group operates in a competitive industry

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

Changes in existing laws and regulations may affect the Group's operating costs and profitability

The laws and regulations relevant to the operation of the Group's business may change from time to time, such changes may include but not limited to licensing and qualification requirements, labour safety and environmental requirements and regulations. Any such changes may result in the Group incurring additional costs. If the Group fails to meet the changes in laws and regulations in a timely manner, the Group's reputation, business operations and financial performance may be materially and adversely affected.

RISKS RELATING TO THE SPIN-OFF AND THE SHARES

There has been no prior public market for the Shares and there can be no assurance that an active trading market will develop

Prior to the Listing, there was no public market for, and no established price for, the Shares. The Company has made an application for the listing of, and permission to deal in, the Shares on the Stock Exchange. The Listing, however, does not guarantee that an active public market for the Shares will develop or, if it does develop, that it will be sustained following the Listing or that the market price of the Shares will not fluctuate following completion of the Listing. The price and trading volume of the Shares may be volatile. Factors including but not limited to the actual or anticipated fluctuations in the results of the Group's operations, potential litigation or regulatory investigations, general economic, market or regulatory conditions or other developments affecting the Group or the Group's industry, may affect the volume and price at which the Shares will trade.

Shareholders' interests may be diluted as a result of additional equity fund-raising or additional Shares issued by the Group in the future

The Group may need to raise additional funds in the future to finance further expansion of its business. If additional funds are raised through the issuance of new equity or equity-linked securities of the Group other than on a pro rata basis to existing Shareholders, the percentage shareholding of the then Shareholders may be diluted or reduced or such new securities may confer rights and privileges that have priority over those conferred by the issued Shares.

There is no assurance that the Company will pay dividends on the Shares in the future

The Company is the holding company of the Group, and thus, the Company's operating results and its financial situation depend on the performance of its subsidiaries. Therefore, the Company's ability to pay dividends is subject to the level of distributions, if any, received from the subsidiaries. The ability of the subsidiaries to make distributions to the Group may, from time to time, be restricted as a result of several factors, including foreign exchange limitations, the requirements of applicable laws and regulations, fiscal or other restrictions of countries in which the subsidiaries operate.

The declaration, payment and amount of any future dividends are also subject to the discretion of the Board. The Board's decision making on dividends may refer to, among other things, the Group's earnings, financial condition, cash requirements, the provisions governing the declaration and distribution as stated in the Articles of Association, applicable laws and other relevant factors. There is no guarantee that the Company will pay dividends to its investors in the future.

Investors may face difficulties in protecting their interests under the laws of the Cayman Islands

The rights of the Shareholders to take actions against the Directors and the rights of the minority shareholders to take actions against the Company and the duties of the Directors towards the Company and the Shareholders are governed by the common law of the Cayman Islands and the Articles of Association. In general, the Company is governed by, amongst other things, the laws of the Cayman Islands, the Articles of Association and the Companies Law. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ from the legal position for minority shareholders of companies incorporated in Hong Kong and in other jurisdictions. For further details, please refer to the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix IV to this listing document.

RISKS RELATING TO THIS LISTING DOCUMENT

There is no assurance as to the accuracy of facts and statistics contained in this listing document with respect to the economics and the industry

Certain facts, statistics, and data presented in the section headed "Industry Overview" and elsewhere in this listing document relating to the market of the industry have been derived, in part, from various publications and industry-related sources prepared by government officials or independent third parties. Neither the Group, the Directors, the Sponsor, nor any parties involved in the Spin-off has independently verified, or makes any representation as to, the accuracy of such information and statistics. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

Investors should read the entire listing document and the Group strongly cautions investors not to place any reliance on any information contained in press articles, other media and/or research reports regarding the Group, its business, its industry or the Spin-off

There may be press and media coverage regarding the Group or the Spin-off, which may include certain events, financial condition and other information about the Group that do not appear in this listing document. The Group has not authorised the disclosure of any other information not contained in this listing document. The Group does not accept any responsibility for any such press or media coverage and makes no representation as to the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications is inconsistent or conflicts with the information contained in this listing document, the Group disclaims responsibility for it and accordingly, Shareholders and prospective investors should not rely on any such information.

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

This listing document contains various forward-looking statements that are based on various assumptions, and are indicated by the use of forward-looking terminology such as "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "plan", "seek", "will", "would" or similar expressions. However, the future results could materially differ from those expressed or implied forward-looking statements. The inclusion of forward-looking statements in this listing document should not be regarded as representations of the Group that the plans and objectives will be achieved, and if the Group fails to achieve the objectives as planned, the business and financial condition of the Gruop may be adversely affected.

THE SPIN-OFF

Hanison submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules in relation to the Spin-off and, on 26 January 2018, the Stock Exchange confirmed that Hanison may proceed with the Spin-off.

Hanison is proposing to effect the Spin-off by means of a distribution in specie (i.e. the Distribution). On 12 February 2019, Hanison announced that resolutions are expected to be presented to the Hanison Board on or around 22 February 2019 for the purpose of, among others things, (i) the approval of the proposal relating to the Spin-off which will be implemented by way of the Distribution and (ii) the declaration of a conditional special interim dividend to be satisfied by the Distribution. The Hanison Board also announced that if such conditional special interim dividend is declared, the Record Date will be **[REDACTED]** and the register of members of Hanison will be closed from **[REDACTED]** to **[REDACTED]** for the purpose of determining entitlements to the Distribution.

The Spin-off will be implemented in accordance with the Listing Rules, including Practice Note 15 to the Listing Rules. As Hanison's disposal of its shareholding interest in the Company is by way of the Distribution with no offering of new Shares or any other securities, there will be no dilution of the indirect attributable interest of the Distribution Qualifying Shareholders in the Company, and the Spin-off will not constitute a transaction under Chapter 14 and 14A of the Listing Rules. Accordingly, no shareholder approval is required in respect of the Distribution or the Spin-off under the Listing Rules.

THE DISTRIBUTION

On 22 February 2019, the Hanison Board declared a conditional special interim dividend to the Distribution Qualifying Shareholders.

The Distribution will be satisfied wholly by way of a distribution in specie to the Distribution Qualifying Shareholders of an aggregate of **[REDACTED]** Shares (based on 1,077,737,651 Hanison Shares in issue as at the Latest Practicable Date and assuming it will remain unchanged on the Record Date), representing the entire issued share capital of the Company, in proportion to their shareholdings in Hanison as at the Record Date. Pursuant to the Distribution, the Distribution Qualifying Shareholders will be entitled to two Shares for every five Hanison Shares held as at the Record Date.

As at the Latest Practicable Date, there were outstanding share options (granted pursuant to the share option scheme of Hanison adopted on 21 September 2011) which entitle the holders thereof to subscribe for 22,751,725 Hanison Shares on or before the Record Date. Assuming all such options are exercised on or before the Record Date, there will be a total of 1,100,489,376 Hanison Shares in issue on the Record Date. In that case, the total number of Shares to be distributed to Distribution Qualifying Shareholders will be increased to **[REDACTED]**.

Fractional entitlements of the Distribution Qualifying Shareholders to the Shares under the Distribution will be disregarded and will instead be aggregated by Hanison for sale in the market and Hanison will keep the net proceeds of sale, after deduction of related expenses therefrom, for the benefit of Hanison. The Shares will be traded in board lots of **[REDACTED]** Shares each. As a result of the Distribution, the Distribution Qualifying Shareholders may receive Shares in odd lots. For details of the odd lot arrangements, please refer to the section "Information about this listing document and the Listing – Odd lot arrangements" in this listing document.

Condition to the Distribution

The Distribution is conditional on the Listing Committee granting approval for the listing by way of introduction of, and permission to deal in, the Shares on the Main Board of the Stock Exchange and such approval not having been revoked prior to 8:00 a.m. (Hong Kong time) on the Listing Date. If this condition is not satisfied, the Distribution will not be made and the Spin-off will not take place.

Distribution Excluded Shareholders

The distribution of the Shares under the Distribution to certain Hanison Shareholders may be subject to laws of jurisdictions outside Hong Kong. Hanison Shareholders and Beneficial Hanison Shareholders residing in jurisdictions other than Hong Kong should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of the Hanison Shareholders and Beneficial Hanison Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Distribution, including obtaining of any governmental, exchange control or other consents which may be required, or compliance with any other necessary formalities and payment of any issue, transfer or other taxes due in such jurisdiction. Overseas Hanison Shareholders and Beneficial Hanison Shareholders should consult their professional advisers if they are in doubt as to the potential applicability of, or consequences under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdiction, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the receipt, acquisition, retention, disposal or otherwise with respect to the Shares. It is emphasised that none of the Relevant Persons accepts any responsibility in relation to the above.

Distribution Excluded Shareholder(s) will not receive the Shares. Instead, the Shares which they would otherwise have received pursuant to the Distribution will be sold by Hanison on their behalf as soon as reasonably practicable after commencement of dealings in the Shares on the Stock Exchange if a premium, net of expenses, can be obtained. The proceeds of such sale, net of expenses and duties, will be paid to the Distribution Excluded Shareholder(s) in Hong Kong dollars at his own risk unless the amount falling to be distributed to the Distribution Excluded Shareholder is less than HK$100, in which case such amount will not be distributed but will be retained for the benefit of Hanison. Such payment of net proceeds to the Distribution Excluded Shareholders is expected to be made within approximately five weeks following the commencement of dealings in the Shares on the Main Board of the Stock Exchange.

As at the Latest Practicable Date, based on the information provided by Hanison, there were 53 Overseas Hanison Shareholders whose addresses as registered in the register of members of Hanison were outside Hong Kong, namely, Australia, The Bahamas, British Virgin Islands, Canada, Cayman Islands, France, Macau, Malaysia, New Zealand, Singapore, Spain, Sweden, Thailand, United Kingdom and the US. Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Hanison Board has made enquiries regarding the legal restrictions under the applicable securities legislation of the relevant jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to the distribution of the Shares to such Overseas Hanison Shareholders. Based on the legal advice received and, where relevant, taking into account the number of Overseas Hanison Shareholders in the relevant jurisdictions as at the Latest Practicable Date and/or the number of Hanison Shares they then held and assuming that the relevant legal requirements remain unchanged, the Hanison Board and the Board are of the view that the Distribution may be extended to the Overseas Hanison Shareholder(s) whose address is/are in the aforementioned overseas jurisdictions. Accordingly, as at the Latest Practicable Date, there were no Excluded Jurisdictions.

If there is any other jurisdiction outside Hong Kong which is not referred to above in which the address of any Hanison Shareholder as shown in the register of members of Hanison at the Record Date is located or any Hanison Shareholder or Beneficial Hanison Shareholder at the Record Date is otherwise known by Hanison to be located or resident, and such Hanison Shareholders should, in the view of the Hanison Board and the Board having made the relevant enquiries and having considered the circumstances, be excluded from receiving the Shares pursuant to the Distribution on the basis of the legal restrictions under the applicable laws of such jurisdiction or the requirements of the relevant regulatory bodies or stock exchanges in such jurisdiction, the Company will make an announcement.

With respect to the Excluded Jurisdiction(s), if any, Hanison will send a letter to CCASS Participants (other than CCASS Investor Participants) notifying them that, in light of applicable laws and regulations of the Excluded Jurisdiction(s), to the extent they hold any Hanison Shares on behalf of any Beneficial Hanison Shareholder with an address located in any of the Excluded Jurisdiction(s), they should sell the Shares which they receive pursuant to the Distribution on behalf of the Beneficial Hanison Shareholder and pay the net proceeds of such sale to such Beneficial Hanison Shareholder. None of the Relevant Persons takes any responsibility for the sale of such Shares or the payment of the net proceeds of the sale of such Shares to any such underlying Beneficial Hanison Shareholder.

Hanison and the Company reserve the right, in Hanison's and the Company's absolute discretion, to determine whether to allow the participation of any Hanison Shareholder or Beneficial Hanison Shareholder in the Distribution.

INFORMATION FOR THE OVERSEAS HANISON SHAREHOLDERS

1. Bahamas Overseas Hanison Shareholders

This listing document has not been filed with the Securities Commission of The Bahamas because the Distribution is exempt from the prospectus filing requirements under the Securities Industry Act, 2011, as amended. No offer or sale of any securities can be made in The Bahamas unless the offer is made by or through a firm registered with the Securities Commission of The Bahamas to carry on securities business and in compliance with the Bahamian Exchange Control Regulations.

2. British Virgin Islands Overseas Hanison Shareholders

No shares of the Company may be offered to the public in the British Virgin Islands for purchase or subscription except under circumstances that will result in compliance with the rules concerning offering of such securities in the British Virgin Islands and with the laws of the British Virgin Islands.

3. Cayman Islands Hanison Overseas Shareholders

No shares of the Company may be offered to the public in the Cayman Islands for purchase or subscription except under circumstances that will result in compliance with the rules concerning offering of such securities in the Cayman Islands and with the laws of the Cayman Islands.

4. French Overseas Hanison Shareholders

The distribution of Shares does not require a prospectus to be submitted for approval to the French financial regulator (the "**Autorité des Marchés Financiers**" or "**AMF**"). Persons or entities referred to in point 2°, Section II of Article L. 411-2, II of the French monetary and financial Code (the "**CMF**") (i.e. qualified investors or a restricted circle of investors) may take part in the offer solely for their own account, as provided in Articles D. 411-1, D. 411-2, D. 744-1, D. 754-1 and D. 764-1 of the CMF. The financial instruments thus acquired cannot be distributed directly or indirectly to the public otherwise than in accordance with Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the CMF (i.e. articles applicable to public offering and private placement).

5. New Zealand Overseas Hanison Shareholders

This listing document is not a New Zealand disclosure document and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Financial Markets Conduct Act 2013 (or any other relevant New Zealand law). The Distribution of shares in the Company is being made to existing shareholders of Hanison in reliance upon the "no consideration" exclusion in Schedule 1 to the Financial Markets Conduct Act 2013. Accordingly, this listing document does not contain all the information that a disclosure document would otherwise be required to contain under New Zealand law if that exclusion was not available to it.

6. United Kingdom Overseas Hanison Shareholders

This listing document does not constitute an offer of, nor is it calculated to invite offers for, Shares or other securities of the Company. This document constitutes a 'financial promotion' for the purposes of section 21 of the UK Financial Services and Markets Act 2000, as amended ("**FSMA**") and its distribution in the United Kingdom is restricted. The Shares must not and will not be offered to the public in the United Kingdom (within the meaning of section 102B of the FSMA) save in circumstances where it is lawful to do so without an approved prospectus (within the meaning of section 85 of FSMA) being made available to the public before the offer is made. No Shares or other securities have been allotted or issued with a view to any of them being offered for sale to or subscription by the public in the United Kingdom except to: (a) persons who are outside the United Kingdom; (b) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (SI 2005/1529) (as amended) (the "**Order**"); (c) high net worth companies, unincorporated associations and other bodies falling within Article 49(2)(a) to (d) of the Order; (d) certified high net worth individuals within Article 48 of the Order who, in this regard, have signed a statement dated within a period of 12 months ending on the date of receipt of this document complying with Part 1 of Schedule 5 of the Order stating that inter alia, they have either or both: (i) during the financial year immediately preceding the date on which the statement is signed an annual income of not less than £100,000; or (ii) held, throughout the financial year immediately preceding the date on which the statement is signed, net assets to the value of not less than £250,000 (excluding the property which is their primary residence or any loan secured on that residence, any of their rights under a qualifying contract of insurance within the meaning of the Financial Services and Markets Act 2000 (Regulated Authorities) Order 2001, or any benefits (in the form of pensions or otherwise) which are payable on termination of their service or death or retirement and to which they are (or their dependants are), or may be entitled; (e) sophisticated investors falling within Article 50 of the Order; (f) self-certified sophisticated investors falling within Article 50A of the Order; and other persons to whom it may lawfully be communicated (all such persons together being "Relevant Persons" for the purpose of this paragraph). It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of person and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document. No Shares or other securities will be allotted or issued in connection with, or pursuant to this listing document. This listing document does not comprise a prospectus for the purposes of the FSMA and has not been approved by or filed with the Financial Conduct Authority.

REASONS FOR AND BENEFITS OF THE SPIN-OFF

The Board and the Hanison Board believe that the Spin-off will be beneficial to the Remaining Group and the Group and their respective shareholders as a whole for the following reasons:

(i) the business of the Group has been expanding in the past few years and the Board and the Hanison Board consider that it has reached a size and critical mass that justify it being separately listed;

(ii) the Spin-off will enable the Company to distinguish itself from Hanison and strategise its own expansion and identity, thus allowing it to react more promptly to developments and opportunities;

(iii) the Distribution places the entirety of the issued share capital of the Company into the hands of the Hanison Shareholders. Hanison Shareholders are being given, via the Distribution, an asset that should, on Listing, represent a liquid asset, that gives each Hanison Shareholder the choice to remain invested or readily realise or alter the mix of his/her investment (as between cash and the Company);

(iv) by separating the business lines by listed group, each of the Company and Hanison can devise and execute their own, independent, financing strategies, whether via the equity or debt capital or by bank borrowings tailored to the respective time frames for the holding or development of their businesses and assets; and

(v) the Spin-off will allow the management teams of both the Group and the Remaining Group to focus more effectively on their respective core businesses.

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Residential Address	Nationality
Chairman and Non-executive Director		
Mr. Cha Mou Sing, Payson (查懋聲先生)	55 Shouson Hill Road Hong Kong	Chinese
Deputy Chairman and Non-executive Director		
Mr. Wong Sue Toa, Stewart (王世濤先生)	Flat D1, 2/F., Silver Crest 75 Nga Tsin Wai Road Kowloon, Hong Kong	Chinese
Executive Directors and Joint Managing Directors		
Mr. Chuk Kin Lun (祝健麟先生)	Flat D, 2/F., Block 36 Parc Versailles, Phase II Mui Shu Hang Road, Tai Po New Territories, Hong Kong	Chinese
Mr. Lee Cheuk Hung (李卓雄先生)	Flat G, 28/F., Tower 22 Hoi Yue Mansion Riviera Gardens 1–5 Yi Lok Street Tsuen Wan, New Territories Hong Kong	Chinese
Non-executive Director		
Mr. Tai Sai Ho (戴世豪先生)	Flat B, 16/F., Block 5 Julimount Garden, Tai Wai New Territories, Hong Kong	Chinese
Independent non-executive Directors		
Mr. Yip Kai Yung (葉啓容先生)	Flat B, 9/F., Block 2 Academic Terrace 101 Pokfulam Road Hong Kong	Chinese
Professor Ho Richard Yan Ki (何炘基教授)	Flat A, 6/F., Tower 15 Providence Peak 8 Fo Chun Road, Tai Po New Territories, Hong Kong	Chinese
Mr. Poon Kan Young (潘根濃先生)	Flat A, 11/F., The Signature 8 Chun Fai Terrace Tai Hang, Hong Kong	Chinese

Further information on the Directors is disclosed in the section headed "Directors and Senior Management" of this listing document.

PARTIES INVOLVED IN THE SPIN-OFF

Sponsor	VMS Securities Limited 49th Floor One Exchange Square 8 Connaught Place, Central Hong Kong
Legal advisers to the Company	*As to Hong Kong law:* Reed Smith Richards Butler 20th Floor Alexandra House 18 Chater Road, Central Hong Kong *As to PRC law:* Guantao Law Firm 18/F, Tower B, Xinsheng Plaza 5 Finance Street, Xicheng District Beijing China *As to Cayman Islands law:* Maples and Calder (Hong Kong) LLP 53rd Floor The Center 99 Queen's Road Central Hong Kong
Legal advisers to the Sponsor	*As to Hong Kong law:* Sidley Austin 39th Floor Two International Financial Centre 8 Finance Street, Central Hong Kong *As to PRC law:* Jingtian & Gongcheng 34/F, Tower 3, China Central Place 77 Jianguo Road Beijing China

Auditors and Reporting accountants	Deloitte Touche Tohmatsu *Certified Public Accountants* 35th Floor One Pacific Place 88 Queensway, Admiralty Hong Kong
Industry consultant	Ipsos Limited 22/F, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong
Property valuer	Jones Lang LaSalle Limited 7th Floor, One Taikoo Place 979 King's Road Quarry Bay Hong Kong

CORPORATE INFORMATION

Registered Office in Cayman Islands	Maples Corporate Services Limited P.O. Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Principal place of business in Hong Kong	Office A, 20th Floor Kings Wing Plaza 1 3 On Kwan Street Shek Mun, Shatin New Territories Hong Kong
Company website	www.millionhope.com.hk *(the information contained on this website does not form part of this listing document)*
Compliance adviser	VMS Securities Limited 49th Floor One Exchange Square 8 Connaught Place, Central Hong Kong
Company secretary	Mr. Kwok Wing Fai (郭永輝先生)*(FCCA, HKICPA)* Office A, 20th Floor Kings Wing Plaza 1 3 On Kwan Street Shek Mun, Shatin New Territories Hong Kong
Authorised representatives	Mr. Lee Cheuk Hung (李卓雄先生) Flat G, 28/F., Tower 22 Hoi Yue Mansion, Riviera Gardens 1–5 Yi Lok Street Tsuen Wan, New Territories Hong Kong Mr. Kwok Wing Fai (郭永輝先生) Office A, 20th Floor Kings Wing Plaza 1 3 On Kwan Street Shek Mun, Shatin New Territories Hong Kong

Audit committee	Mr. Yip Kai Yung *(Chairman)* Professor Ho Richard Yan Ki Mr. Poon Kan Young
Remuneration committee	Mr. Poon Kan Young *(Chairman)* Mr. Wong Sue Toa, Stewart Mr. Tai Sai Ho Mr. Yip Kai Yung Professor Ho Richard Yan Ki
Nomination committee	Professor Ho Richard Yan Ki *(Chairman)* Mr. Wong Sue Toa, Stewart Mr. Tai Sai Ho Mr. Yip Kai Yung Mr. Poon Kan Young
Principal share registrar and transfer office in Cayman Islands	**[REDACTED]**
Hong Kong Share Registrar	**[REDACTED]**
Principal bankers	Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Central Hong Kong The Bank of East Asia Limited 10 Des Voeux Road Central Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong

The Company has extracted and derived the information and statistics in the section below, unless otherwise specified, from the Ipsos Report. The Company believes that the sources of the information and statistics in this section are appropriate sources for such information and statistics and have taken reasonable care in the extraction and reproduction of such information and statistics. The Company has no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. The information in this section has not been independently verified by the Company, the Sponsor, any of its or their respective affiliates, directors or advisers or any other persons or parties involved in the Spin-off other than Ipsos with respect to the information contained in the Ipsos Report, and no representation is given as to its completeness, accuracy or fairness. Accordingly, you should not place undue reliance on the information in this section.

SOURCE AND RELIABILITY OF INFORMATION

Background of Ipsos

The Company has commissioned Ipsos to conduct an analysis of, and to report on the facade and curtain wall works industry in Hong Kong at a fee of HK$418,000 and the Directors consider that such fee reflects market rates. Ipsos is an independent market research company wholly-owned by Ipsos Group S.A. Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos Group S.A. acquired Synovate Limited in October 2011 and employs approximately 16,600 personnel worldwide across 88 countries. Ipsos Group S.A. conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence. Ipsos Business Consulting, a division of Ipsos, has solid experience in conducting market research for various industries in initial public offerings of companies listed on the Stock Exchange.

Research Methodology

The information in the Ipsos Report are derived by data and intelligence obtained by: (a) primary research via in-depth telephone conversations and face to face interviews with key knowledge leaders; (b) secondary desk research by gathering background information and to support facts and identify trends on the industry; and (c) performing client consultation to facilitate the research including in-house background information of the client (such as the business of the Group). The information and statistics as set forth in this section have been extracted from the Ipsos Report.

Assumptions and Parameters used in the Ipsos Report

The following bases and assumptions are used in the market sizing and forecasting model in the Ipsos Report:

- It is assumed that the global economy remains in steady growth across the period from 2018 to 2022;
- The external environment is assumed to have no shocks, such as financial crises or natural disasters, that will influence the demand and supply of the facade and curtain wall works in Hong Kong and China from 2018 to 2022.

The following parameters are used in the market sizing and forecasting model in the Ipsos Report:

- GDP and GDP growth rate in Hong Kong from 2013 to 2017 and forecast from 2018 to 2022.
- Gross output value of construction works performed at construction sites in Hong Kong from 2013 to 2017 and forecast from 2018 to 2022.
- Historical price trend of aluminium from 2013 to 2017 in Hong Kong and China.
- Historical price trend of steel from 2013 to 2017 in Hong Kong and China.
- Historical price trend of glass from 2013 to 2017 in Hong Kong and China.
- Historical average daily wage of direct labour related to facade and curtain wall works industry in Hong Kong from 2013 to 2017.
- Historical average wage of employed persons in the construction industry in China from 2013 to 2016.

The Directors confirmed that, as at the Latest Practicable Date, after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

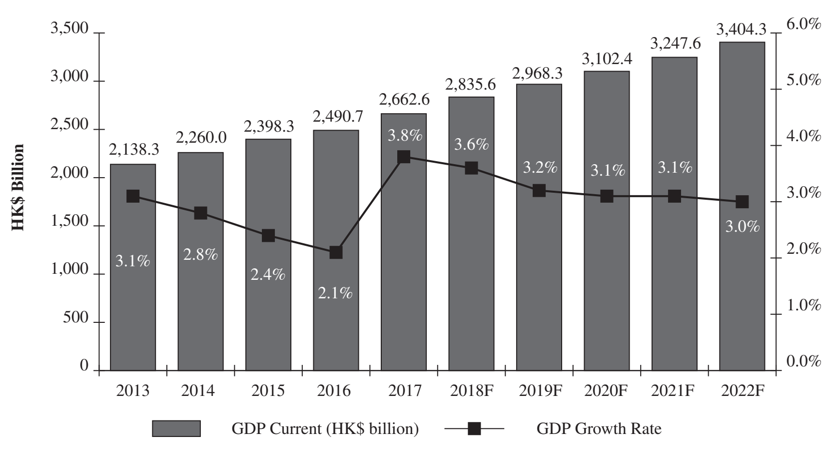
Except as otherwise noted, all the data and forecasts contained in this section are derived from the Ipsos Report.

MACRO-ECONOMIC ENVIRONMENT IN HONG KONG

The GDP[1] value of Hong Kong increased from approximately HK$2,138.3 billion to approximately HK$2,662.6 billion from 2013 to 2017, at a CAGR of approximately 5.6%. The increase was mainly attributable to the Hong Kong Government's intensive infrastructure investments, as well as the prudent development of finance, tourism and real estate sectors.

From 2018 to 2022, it is projected that the GDP value in Hong Kong will grow from approximately HK$2,835.6 billion to approximately HK$3,404.3 billion, at a CAGR of approximately 4.7%, taking into account the potential growth in capital investment from China as well as the infrastructure development resulting from the completion of Hong Kong-Zhuhai-Macao Bridge and the Guangzhou-Shenzhen-Hong Kong Express Rail Link.

GDP Growth in Hong Kong from 2013 to 2022F[2]



Notes:

1 GDP refers to Gross Domestic Products, current prices; GDP growth rate is calculated in constant prices.

2 F denotes forecast.

Sources: Census and Statistics Department, HKSAR; International Monetary Fund (IMF); Ipsos research and analysis

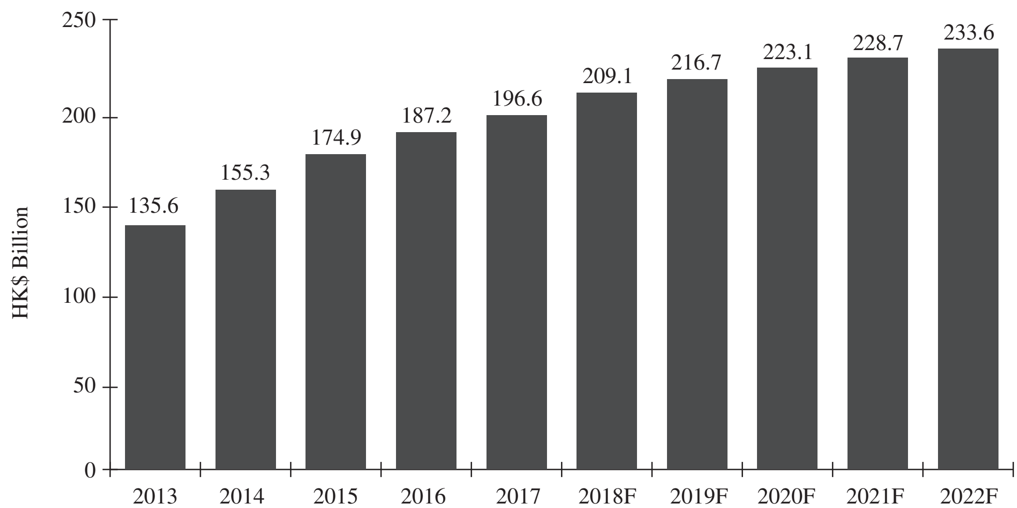
CONSTRUCTION INDUSTRY IN HONG KONG

The total gross output value of construction works performed at construction sites in Hong Kong increased from HK$135.6 billion in 2013 to HK$196.6 billion in 2017, at a CAGR of approximately 9.7%. The growth was due to the rising demand of commercial and residential buildings, renovation and revitalization of industrial buildings and large-scale public infrastructure projects.

It is expected that the gross output value of work performed at construction sites in Hong Kong will rise from HK$209.1 billion in 2018 to HK$233.6 billion in 2022 at a CAGR of approximately 2.8%. The growth is expected to be continuously driven by the Hong Kong Government's initiatives to increase the public housing supply, land supply for private housing and commercial buildings as well as the commencing and upcoming infrastructure projects.

The exhibit below sets forth the gross output value of construction works performed at construction sites in Hong Kong.

Gross Output Value of Construction Works Performed at Construction Sites in Hong Kong from 2013 to 2022F



Sources: Census and Statistics Department, HKSAR Construction Industry Council, HKSAR; Ipsos research and analysis

THE FACADE AND CURTAIN WALL WORKS INDUSTRY

Facade is generally referring to the exterior surface of the building. The external surface of a building can be made up of different materials, such as glass, granite and other cladding materials, or a combination of different materials. Depending on the requirements and complexity, the scope of a typical facade and curtain wall work project may include but not limited to the design, supply and installation of curtain wall, window wall, aluminium window, sliding door, cladding, skylight, balustrade, grille, canopy, and louvre.

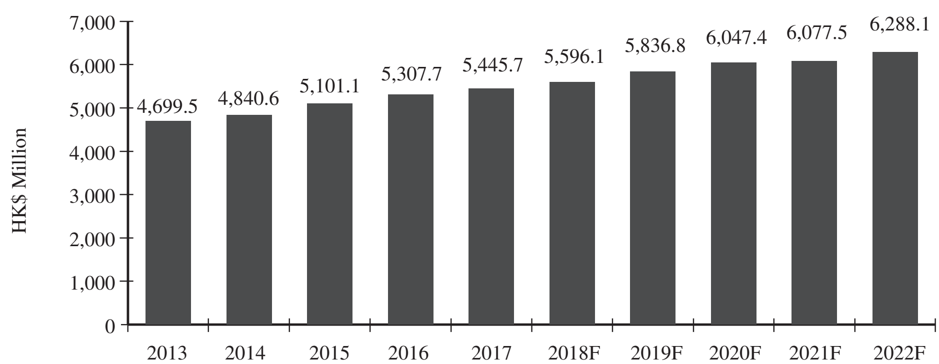
THE FACADE AND CURTAIN WALL WORKS INDUSTRY IN HONG KONG

In a typical new building project, facade and curtain walls works are considered part of the building construction works. To carry out the building construction works, the developer or the government will choose a main contractor to be responsible for the project management and the on-site construction. After a main contractor is selected, it will further tender different subcontractors in accordance with their expertise, such as foundation, site formation and building construction works including facade and curtain wall works. In this case, facade and curtain wall works contractors are engaged by the main contractor in the construction project and are considered as domestic subcontractor. However, there are cases in which facade and curtain wall works contractors are nominated by the ultimate developers of a construction project and become nominated subcontractor. Both of the domestic subcontractors and nominated subcontractors will sign contracts with the main contractor.

For maintenance projects, developers or shop retailers follow the same process flow as in a new building project. They will firstly engage main contractors by tendering, and the selected main contractor may further choose facade and curtain wall works subcontractors for the facade and curtain wall renovation works.

The exhibit below sets forth the gross output value of the facade and curtain wall works industry in Hong Kong.

Gross Output Value of the Facade and Curtain Wall Works Industry in Hong Kong from 2013 to 2022F



Source: Ipsos research and analysis

The gross output value of the facade and curtain wall works industry increased from HK$4,699.5 million in 2013 to HK$5,445.7 million in 2017, at a CAGR of approximately 3.8%. The growth is attributed to the rising demand from infrastructure projects. The increasing number of infrastructure projects which require facade and curtain wall works have generated demand for the industry, for example, the facade and curtain wall works in Kai Tak Cruise Terminal as part of its exterior envelope under the "Energising Kowloon East" program, and the construction of museums and theatres which require facade and curtain wall works under the development plan of Kowloon West Cultural district. Furthermore, the government increases land supply by converting governmental property into land for private residential and commercial uses.

The gross output value of the industry is expected to continue with the upward trend from HK$5,596.1 million in 2018 to HK$6,288.1 million in 2022, at a CAGR of approximately 3.0%. Such growth could be driven by the increase of land supply for public and private residential buildings under the development plan for North East New Territories New Development Areas and the conversion of government properties into commercial use. The continuous development of the New Territories is likely to bring business opportunities to the facade and curtain wall works industry in Hong Kong.

Key Costs in Facade and Curtain Wall Works Industry in Hong Kong

	2013	2014	2015	2016	2017	CAGR 13–17
AluminiumNote 1						
(HK$ per tonne)	16,273.6	16,461.7	14,479.5	13,755.1	13,985.1	-3.7%
SteelNote 2						
(HK$ per tonne)	10,277.7	10,592.9	10,360.9	10,162.4	12,192.1	4.4%
GlassNote 3						
(HK$ per meter square)	151.0	153.4	157.0	157.0	157.0	1.0%
Average Wage of Direct Labours						
(HK$ per day per worker)	1,140.7	1,298.5	1,356.5	1,429.6	1,442.6	6.0%

Notes:

1. Aluminium above refers to the aluminium alloy imported to Hong Kong.
2. Prices of steel above involved calculations of the average wholesale prices of (i) steel plates; (ii) steel angles, and (iii) steel flats.
3. Glass above refers to sheet glass, 5mm thick.

Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

Aluminium

The price of aluminium slightly decreased from HK$16,273.6 per tonne in 2013 to HK$13,985.1 per tonne in 2017, decreasing at a negative CAGR of approximately 3.7%. The decrease in Hong Kong aluminium price was primarily due to a drop in demand. Aluminium imported in Hong Kong decreased from 14,612.3 tonnes in 2013 to 6,662.8 tonnes imported in 2017, representing at a negative CAGR of approximately 17.8%. Despite the unstable demand of aluminium in other sectors, demand for aluminium in fabrication of aluminium windows, curtain walls, roofing and external claddings remain solid during 2013 and 2017.

Steel

The price of steel fluctuated with an overall increase from HK$10,277.7 per tonne in 2013 to HK$12,192.1 per tonne in 2017, rising at a CAGR of approximately 4.4%. The decreased price during 2014 and 2016 was mainly caused by the increase in production volume of steel in China. According to National Bureau of Statistics of the PRC, the production volume of steel in China increased from 1,125.1 million tonnes in 2014 to 1,134.6 million tonnes in 2016, rising at a CAGR of approximately 0.4%. The over-production of steel led to an excess supply domestically and resulted in the decrease in price. The price of steel rebounded to HK$12,192.1 per tonne in 2017 from HK$10,162.4 per tonne in 2016, representing an approximately 20.0% increase. The increase is mainly attributed to the issuance of China industrial overcapacity cutback policies in capping the excessive production.

Glass

The price of glass slightly increased from HK$151.0 per m^2 in 2013 to HK$157.0 per m^2 in 2017, with a CAGR of approximately 1.0%. The price is largely affected by the production volume and price movement of glass in China since Hong Kong mainly imports glass from China. According to National Bureau of Statistics, the production volume of flat glass decreased from 792.9 million weight cases in 2013 to 786.5 million weight cases in 2015. The supply of glass from China decreased from 2.8 million m^2 in 2013 to 1.5 million m^2 in 2015 in Hong Kong.

Average Daily Wage of Direct Labour

The average daily wage of direct labour related to facade and curtain wall works in Hong Kong increased from HK$1,140.7 in 2013 to HK$1,442.6 in 2017, rising at a CAGR of approximately 6.0%. The increase in average daily wage was mainly caused by the insufficient labour supply to the facade and curtain wall works industry in Hong Kong.

COMPETITIVE LANDSCAPE OF THE FACADE AND CURTAIN WALL WORKS INDUSTRY IN HONG KONG

The facade and curtain wall works industry is considered mature and consolidated with approximately 30 to 40 major companies performing facade and curtain wall works in the industry in 2017. There are approximately five market players considered to be the top tier market players based on their estimated revenue in 2017. The top five players dominated the facade and curtain wall works industry, accounting for 55.0% of the market share. The remaining market players accounted for 45.0% of the market share. The Group's revenue is approximately HK$377.1 million for the year ended March 2018, accounting for 6.9% market share of the facade and curtain wall works industry in Hong Kong in 2017.

Rank	Company	Headquarter Location	Estimated Revenue in 2017	Share of Total Industry Revenue
			(HK$ Million)	*(%)*
1	A	Hong Kong	985.3	18.1%
2	B	Italy	579.1	10.6%
3	C	China	552.0	10.1%
4	D	Malaysia	458.8	8.4%
5	E	Hong Kong	420.7	7.7%
	Others		2,449.7	45.0%
	Total		5,445.7	100%

Source: *Ipsos research and analysis*

MARKET DRIVERS AND OPPORTUNITIES IN HONG KONG

The demand for facade and curtain wall works is driven by construction of residential, office and commercial buildings. The production of residential buildings has been a major driver of facade and curtain wall works and the number grew from 8,254 new units in 2013 to 17,791 new units in 2017. Another driver for the facade and curtain wall works industry is office building where the government puts effort in developing areas like Kowloon East as new business areas. Between 2013 and 2017, 391,900 m^2 of new commercial floor space was constructed.

Major opportunities in the facade and curtain wall works industry are driven by the Hong Kong Government's investments on infrastructure. For instance, the Kai Tak area development including construction works of cruise terminal, hotels, housing, as well as other commercial and entertainment may require substantial facade and curtain wall works. Additionally, the Government has taken effort in promoting energy efficient buildings. Since that curtain wall systems, especially with the adoption of low-emissivity glass, can reduce heat loss and air leakage to achieve energy efficiency, demand for facade and curtain wall works may increase.

THREATS AND CHALLENGES IN HONG KONG

The facade and curtain wall works contractors have been facing increasing construction costs. The increase in construction costs is attributed to the increasing wage trend of construction workers due to the labour shortage. The average daily wage of direct labours in facade and curtain wall works industry in Hong Kong increased from approximately HK$1,140.7 in 2013 to approximately HK$1,442.6 in 2017, at a CAGR of approximately 6.0%.

Another threat is the aging workforce. As at March 2018, 43.1% of the registered 466,737 construction workers with the Construction Industry Council were over the age of 50. Moreover, young people are less willing to enter the construction industry which has worsened the labour shortage issue.

ENTRY BARRIERS IN HONG KONG

Capital requirement for subcontractors within the facade and curtain wall works industry remains significant as it is a general phenomenon to incur significant upfront costs for new projects such as material costs, subcontracting and other charges and/or insurance expenses in advance of receiving progress payments from their customers, on top of the fact that the subcontractors also need to continuously finance their existing projects.

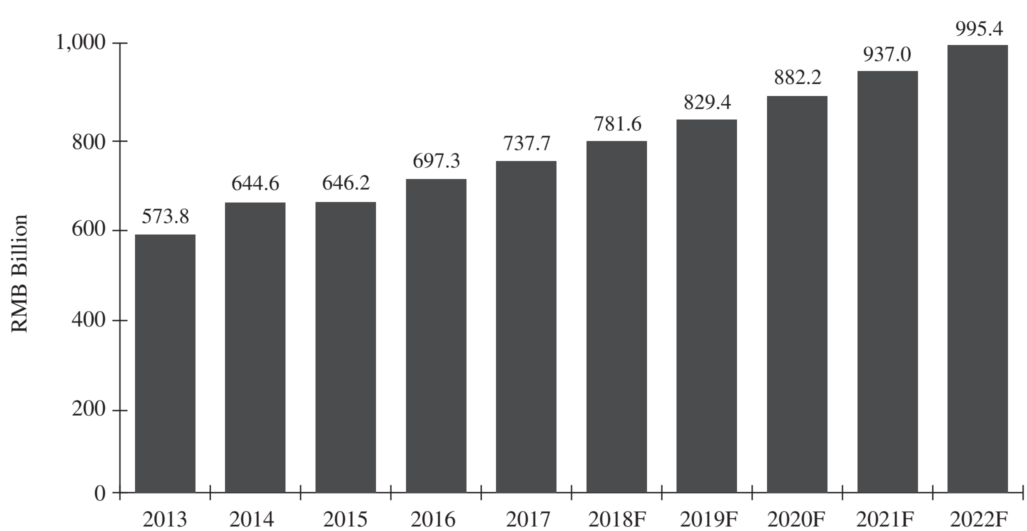
Proven track record is another entry barrier for new entrants in the industry. When selecting a facade and curtain wall works contractor, developers or main contractors will consider track record and reputation of the facade and curtain wall works contractors in terms of quality of works, design capability, and project management. New entrants to the industry may find difficulties obtaining projects because they have limited past project experience to showcase their capabilities.

THE FACADE AND CURTAIN WALL WORKS INDUSTRY IN CHINA

Facade and curtain wall systems are widely adopted in new building construction works for public infrastructures, commercial buildings, hotels, shopping malls and high-rise residential buildings in China. Real estate developers, the Government of China and their appointed main contractors will be the major customers in the facade and curtain wall works segment.

The exhibit below sets forth the gross output value of the facade and curtain wall works industry in China.

Gross Output Value of the Facade and Curtain Wall Works Industry in China from 2013 to 2022F



Source: Ipsos research and analysis

The gross output value of the facade and curtain wall works industry increased from RMB573.8 billion in 2013 to RMB737.7 billion in 2017, rising at a CAGR of approximately 6.5%. According to the National Bureau of Statistics, total floor space completed including commercial and residential buildings witnessed an overall growth at a CAGR of approximately 1.9% from 2013 to 2017. Increasing number of commercial as well as residential buildings built which require facade and curtain wall works have generated demand for the industry.

The gross output value of the industry is expected to continue its rising trend from RMB781.6 billion in 2018 to RMB995.4 billion in 2022, at a CAGR of approximately 6.2%. The expected growth of the revenue from 2018 to 2022 can be contributed to the Government of China's initiative in promoting green buildings. The 13th Five Year Plan for the construction industry has set forth several energy efficiency standards. In particular, green buildings are expected to account for 50% of the newly built buildings by 2020. The application of curtain wall systems in buildings is expected to grow in accordance with the PRC Governments' goal of promoting green buildings, since that the use of curtain wall systems, especially with the adoption of low-emissivity glass, can reduce heat loss and air leakage to achieve energy efficiency.

Key costs in Facade and Curtain Wall Works Industry in China

	2013	2014	2015	2016	2017	CAGR 13–17
Aluminium[1] *(RMB per tonne)*	14,136.3	13,483.4	12,043.0	12,637.1	14,489.5	0.6%
Steel[2] *(US$ per tonne)*	616.5	571.5	407.2	418.2	535.9	-3.4%
Glass[3] *(RMB per tonne)*	1,501.2	1,266.8	1,164.0	1,319.0	1,598.4	1.6%
Average wage of employed persons in the construction industry[4] *(RMB per person)*	39,434.4	42,870.0	45,771.6	48,660.4	N/A	(CAGR 2013–2016) 7.3%

Notes:

1 Aluminium above refers to the aluminium ingot.

2 Prices of steel above involved calculations of the average prices of reinforcement bar; steel profile, steel wire rods, structural steel, steel plates, hot rolled steel, cold rolled steel and galvanized steel.

3 Glass above refers to sheet glass, 4.8–5mm.

4 2017 data will be available in 2019

Sources: Chinese Iron and Steel Association, PRC; National Bureau of Statistics, PRC; Ipsos research and analysis

Aluminium

The decrease in aluminium price from RMB14,136.3 per tonne in 2013 to RMB12,043.0 per tonne in 2015 can be explained by the increase in production volume of aluminium due to the urbanisation and industrialisation in China. Positive business outlook has drawn a large amount of capital investment on industrial segments, which boost the production volume of aluminium. The average price of aluminium increased from RMB12,043.0 per tonne in 2015 to RMB14,489.5 per tonne in 2017. The increase can be attributed to the increasing demand for aluminium from emerging industries such as aerospace and integrated circuit industries during the period.

Steel

The price of steel decreased from US$616.5 per tonne in 2013 to US$407.2 per tonne in 2015. The drop in steel price was attributed to the decreasing demand in the market caused by the moderate economic slowdown in China. The average price of steel increased from US$407.2 per tonne in 2015 to US$535.9 per tonne in 2017 due to the decrease in production volume of steel in China led by the PRC Government's initiative in eliminating outdated production capacity.

Glass

The price of glass decreased from RMB1,501.2 per tonne in 2013 to RMB1,164.0 per tonne in 2015. The decrease in price can be explained by the increase in production volume of flat glass. The average price of glass increased from RMB1,164.0 per tonne in 2015 to RMB1,598.4 per tonne in 2017 due to the increasing demand from construction, car manufacturing and home appliance industries.

Average Wage of Employed Persons

The average wage of employed persons in the construction industry in China witnessed a steady growth from RMB39,434.4 per person in 2013 to RMB48,660.4 per person in 2016, at a CAGR of approximately 7.3%. The increasing wage trend of employed persons in the construction industry was a result of the increasing demand for more construction workers and limited supply of construction workers in China.

COMPETITIVE LANDSCAPE OF THE FACADE AND CURTAIN WALL WORKS INDUSTRY IN CHINA

The facade and curtain wall works industry is considered fragmented with no dominant player holding a significant market share. In 2017, the gross output value of the facade and curtain wall works industry in China was RMB737.7 billion. The Group is one of the players in the facade and curtain wall works industry in China. The Group's revenue from China is approximately HK$44.1 million (ie. exchange rate as of 31 March 2018 HK$: 0.79932 RMB) for the year end March 2018, accounted for 0.01% market share of the facade and curtain wall works industry in 2017.

MARKET DRIVERS AND OPPORTUNITIES IN CHINA

The expansion of property market in China continues to drive the growth of the facade and curtain wall industry in China. Urbanisation of first and second tier cities have created a strong demand in constructions of new residential, commercial buildings and public infrastructures where they are the major sources with the employment of facade and curtain wall systems. According to National Bureau of Statistics, newly completed residential and commercial buildings in China increased from 3,892.4 million m^2 in 2013 to 4,190.7 million m^2 in 2017, growing at a CAGR of approximately 1.9%. Increase completion of residential and commercial buildings support the growth of facade and curtain wall industry in China.

In the future, such urbanisation progress is expected to continuously drive the demand for commercial buildings, residential buildings, infrastructures such as museums, libraries, stadium and hospitals. Hence, the ongoing urbanisation is expected to drive demand for building construction works, which in turn is expected to bring opportunities to the facade and curtain wall works industry since some newly constructed buildings will require facade and curtain wall installation.

THREATS AND CHALLENGES IN CHINA

The facade and curtain wall works industry is facing labour shortage in China. The industry is encountering the existing skilled labour approaching the age of retirement, while it is difficult to attract new and young entrants into the industry.

ENTRY BARRIERS IN CHINA

Contractors in China are required to obtain certain certificate of qualification for professional contracting and design of curtain wall project before undertaking any design, build or consulting works on facade and curtain wall projects. Bound by the designated grade stated on the certificate, the scale and scope of facade and curtain wall projects a contractor can take will be restricted. New entrants need to accumulate enough experience, job references and upgraded grades in licenses before they are qualified to tender for large contract value or high level of complexity projects, which form a major entry barrier in the construction industry in China.

OVERVIEW

This section sets out a summary of the laws and regulations that are currently applicable and are material to the Group's business and operations in Hong Kong and the PRC.

I. THE LAWS AND REGULATIONS OF HONG KONG

LAWS AND REGULATIONS IN RELATION TO LABOUR, HEALTH AND SAFETY

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

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 (including person for the time being having the management or control of the business carried on in such industrial undertaking and also the occupier of any industrial undertaking) of an industrial undertaking to take care of, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking. The duties of a proprietor extend to include:

– providing and maintaining plant and work system that do not endanger safety or health;

– making arrangements for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;

– providing all necessary information, instructions, training and supervision for ensuing safety and health;

– maintain the workspace in a condition that is safe and without risks to health, providing and maintaining safe access to and egress from the workplaces; and

– providing and maintaining a safe and healthy working environment.

A proprietor of an industrial undertaking who contravenes any of these duties commits an offence and is liable to a fine of HK$500,000. A proprietor who contravenes any of these 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.

Under the Factories and Industrial Undertakings Ordinance, there are subsidiary regulations covering various aspects of work activities in factories, building and engineering construction sites, and other industrial workplaces. The subsidiary regulations prescribe detailed safety and health standards on work situations, plant and machinery, processes and substances. Subsidiary regulations which are relevant to the Group's operations include but are not limited to:

– Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong): provide for, among other things, the prohibition on employment of persons under 18 years of age at any place on a construction site (save for certain exceptions), safe use of hoists, duty to ensure safety of places of work, in particular in relation to preventing falls from heights, duty to comply with miscellaneous safety requirements;

– Factories and Industrial Undertakings (Safety Management) Regulation (Chapter AF of the Laws of Hong Kong): provide for, among other things, proprietors and contractors covered by the Regulation to implement a safety management system, and carry out safety audits or safety reviews of their safety management systems, depending on the number of workers working at the construction site; and

– Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Chapter 59J of the Laws of Hong Kong): set out requirements for testing, examination and inspection of lifting appliances and lifting gear (except a hoist) used for raising or lowering or as a means of suspension in any industrial undertaking, including cranes. The owner of a crane shall ensure that it is only 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 (iii) in the opinion of the owner, is trained and competent to operate the appliance.

Depending on the offence, different levels of penalty are imposed for contraventions of the subsidiary regulations. The penalties for committing an offence under the subsidiary regulations above range from a fine at level 1 (currently at HK$2,000) up to a fine of HK$200,000, or a fine of up to HK$200,000 and imprisonment of up to 12 months.

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

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

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

– providing and maintaining plant and work systems that are safe and without risks to health;

– making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;

– providing all necessary information, instructions, training and supervision for ensuring safety and health;

– as regards any workplace under the employer's control:

  i. maintaining the workplace in a condition that is safe and without risks to health; and

  ii. providing and maintaining means of access to and egress from the workplace that are safe and without any such risks; and

– providing and maintaining a working environment for the employees that is safe and without risks to health.

Failure to comply with any of the above requirements constitutes an offence and the employer 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.

Further, the Commissioner for Labour may, at his discretion, issue improvement notice against non-compliance of this ordinance and/or suspension notice against activity or condition of workplace which may create imminent risk of death or serious bodily injury. Failure to comply with such improvement notice or suspension notice without reasonable excuse constitutes an offence punishable by a fine of HK$200,000 and HK$500,000 respectively and to imprisonment for 12 months. In case of the offender knowingly and intentionally continuing the contravention, a daily fine of HK$50,000 may also be imposed.

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

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

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

Pursuant 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), irrespective of whether the accident gives rise to any liability to pay compensation. If the occurrence of such accident was not brought to the notice of the employer or did not otherwise come to his knowledge within such periods of 7 to 14 days (as the case may be), then such notice shall be given no later than 7 days or, as may be appropriate, 14 days after the occurrence of the accident was first brought to the notice of the employer or otherwise came to his knowledge.

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

Pursuant to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK$100 million per event (where the number of employees in relation to who the policy is in force does not exceed 200) and not less than HK$200 million per event (where the number of employees in relation to whom the policy is in force exceeds 200) to cover his liability and that of his 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 policy commits an offence and is liable on conviction upon indictment to a fine at level 6 (currently at HK$100,000) and to imprisonment for two years and on a summary conviction to a fine at level 6 (currently at HK$100,000) and to imprisonment for one year.

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

Pursuant to section 43C of the Employment Ordinance, if any wages become due to the employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior subcontractor (where applicable) jointly and severally. A principal contractor's and superior subcontractor (where applicable) liability shall be limited (i) to the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building work; and (ii) to the wages due to such an employee for two months (such months shall be the first two months of the period in respect of which the wages are due).

Pursuant to section 43D of the Employment Ordinance, an employee who has outstanding wage payments from a subcontractor must serve a written notice on the principal contractor within 60 days after the wage due date. A principal 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.

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior subcontractor to that subcontractor (where applicable) of whom he is aware. A principal contractor who without reasonable excuse fails to serve notice on the superior subcontractors shall be guilty of an offence and shall be liable on conviction to a fine of up to HK$50,000.

Pursuant to section 43F of the Employment Ordinance, if a principal 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 principal contractor or superior subcontractor, as the case may be. The principal contractor or superior subcontractor may either (i) claim contribution from every superior subcontractor to the employee's employer or from the principal 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 sub-contracted.

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

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

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

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

Pursuant to section 38A of the Immigration Ordinance, a construction site controller (i.e. the person who has control over or is in charge of a construction site) should take all practicable steps to (i) prevent having illegal immigrants from being on site; or (ii) prevent illegal workers who are not lawfully employable from taking employment on site.

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

Minimum Wage Ordinance (Chapter 608 of the laws of Hong Kong) (the "Minimum Wage Ordinance")

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently at HK$34.5) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. The Minimum Wage Ordinance (Amendment of Schedule 3) Notice 2019 has been published in the Government Gazette on 18 January 2019. Subject to the approval of the Legislative Council, the statutory minimum wage rate will be revised to HK$37.5 per hour (representing an increase of 8.7%) and is expected to come into force on 1 May 2019. 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.

LAW AND REGULATIONS IN RELATION TO LICENSING

Contractor licensing Regime

The Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) ("**Buildings Ordinance**") and its subsidiary regulations provide for the planning, design and construction of buildings, including as to authorisation and registration of relevant persons, and building safety requirements.

There are three contractor's registers under the current contractors registration system, namely (i) the general building contractors' register; (ii) the specialist contractors' register; and (iii) the minor works contractors' register, being kept by the Director of Buildings Department ("**Building Authority**"). 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.

For any works and ancillary services where an entity is involved as a subcontractor, if the principal contractor is registered with the Buildings Department under the appropriate category to supervise the works and liaise with the Building Authority, the entity itself is not required to obtain the same requisite licences, permits and approval for its operation and business except the business registration.

Minor works control system

(i) Minor works registration regime

Under the minor works control system (the "**MWCS**") implemented by the Buildings Department, a total of 126 items of building works have been included as minor works subject to the control under the MWCS. Those minor works are categorised into three classes according to their nature, scale, complexity and risk to safety: Class I (total of 44 items), Class II (total of 40 items) and Class III (total of 42 items).

Class I comprises more complicated minor works and requires higher technical experience and more stringent supervision, and thus requires the appointment of a prescribed building professional (the "**Building Professional**") (such as an authorised person and where necessary, may include a Registered Structural Engineer and/or a registered geotechnical engineer) and a prescribed registered contractor.

Class II comprises works of a lower complexity while Class III comprises common household minor works. Class II and Class III can be carried out by a registered contractor (which can be a registered general building contractor, a registered specialist contractor registered under the category of demolition works/site formation works/foundation works/ground investigation field works or a registered minor works contractor) without the involvement of a Building Professional.

Under each class of minor works, it will be further sub-divided into different types and items that correspond to the specialisation of works in the industry:

i. Type A – alteration and addition works;

ii. Type B – repair works;

iii. Type C – works relating to signboards;

iv. Type D – drainage works;

v. Type E – works relating to structures for amenities;

vi. Type F – finishes works; and

vii. Type G – demolition works.

The size, location and respective requirements of each item of minor works are set out in Schedule 1 to the Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong) ("**B(MW)R**").

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

(ii) Requirements for registration as an RMWC(Co)

Pursuant to section 12(5) of the B(MW)R, the application for registration as a RMWC(Co) is subject to the following requirements:

– appropriate qualifications and experience of at least one of the applicant's directors;

– the applicant has access to plants and resources;

– if the applicant is a corporation, its management structure is adequate;

– appropriate qualifications and experience of at least one of the persons appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance and his ability to understand the minor works under application through relevant experience and a general knowledge of the basic statutory requirements; and

– the applicant is suitable for registration in the register.

Pursuant to section 12(6) of the B(MW)R, in deciding whether the applicant is suitable for registration in the register, the following factors will be taken into account:

– whether the applicant has any criminal record in respect of any offence under the Laws of Hong Kong relating to the carrying-out of any building works; and

– whether any disciplinary order has been made against the applicant.

In considering each application, the Building Authority will give regard to the qualifications, experience and suitability of the following key personnel of the applicant:

– a minimum of one person appointed by the applicant to act for the applicant for the purposes of the Buildings Ordinance hereinafter referred to as the Authorised Signatory (the "**AS**"); and

– for a corporation – a minimum of one director from the board of directors of the applicant, hereinafter referred to as the Technical Director (the "**TD**"), who is authorised by the board to:

  i. have access to plants and resources;

  ii. provide technical and financial support for the execution of minor works; and

  iii. make decisions for the company and supervise the AS and other personnel for the purpose of ensuring that the works are carried out in accordance with the Buildings Ordinance.

A suitable person appointed by the board of directors is eligible to act as the AS, whereas the TD must be a director appointed under the Companies Ordinance and appointed by the board of directors to perform the role of TD.

A RMWC(Co) is required to suspend all the minor works immediately if there is no AS appointed to act for the contractor for the purposes of the Buildings Ordinance. Similarly, when there is no TD acting for the contractor, the contractor should apply for appointment of replacement of TD within a reasonable period of time. Before the AS/TD ceases to act for the contractor, apart from giving the Building Authority a prior notice, the contractor/AS/TD should provide necessary measures to ensure the safety and hygiene condition of the site during the period of suspension of works and should liaise with the project authorised person, Registered Structural Engineer or registered geotechnical engineer selected by the Building Authority in this regard where applicable.

A registration is valid for a period of three years. Under section 14(2)(c) of the B(MW)R, a RMWC(Co) should apply to the Building Authority for renewal of registration not earlier than four months and not later than 28 days prior to the date of expiry of the registration.

If the contractor has made an application for renewal within the statutory time limit and pays the renewal fee, its registration will continue to be in force until its application for renewal is finalised by the Building Authority.

(iii) Liability under the MWCS

Under section 13 of the Buildings Ordinance, a registered contractor or the director, officer or person appointed by the registered contractor to act on his behalf for the purposes of the Buildings Ordinance who has been convicted by any court of an offence relating to building works or street works, has been negligent or has misconducted himself in buildings works or street works or has failed to discharge any of the specified duties is subject to inquiry by the disciplinary board. The disciplinary board may, among others, order that (i) the name of the registered contractor or the name of the director, officer or person be removed from the relevant register, either permanently or for such period as the disciplinary board thinks fit; (ii) the registered contractor or the director, officer or person be fined a sum up to HK$250,000; and (iii) the registered contractor or the director, officer or person be reprimanded.

If any building works have been or are being carried out in such a manner as, in the opinion of the Building Authority, will cause or will be likely to cause a risk of injury or damage to property, an order may be served under section 24A of the Buildings Ordinance for ceasing the constitution of such a risk. The Building Authority may require a person to demolish, remove or alter any "minor works" commenced under the simplified requirements that have been or are being carried out in contravention of any provisions of the Buildings Ordinance. Any person who fails to comply with such order will commit an offence and shall be liable on conviction to a fine of up to HK$50,000 and to imprisonment for up to 3 months and to a fine of up to HK$5,000 for each day if the offence is continuing.

Subcontractor Registration Scheme

Subcontractors, who are involved in, among others, window fabrication and installation in Hong Kong, may apply for registration under the Subcontractor Registration Scheme (the "**SRS**") managed by the Construction Industry Council. The SRS covers 52 trades including 11 civil and structural trades, 11 finishing trades, 22 electronical and mechanical (E&M) trades and eight supporting services trades. The 52 trades further branch into further specialties, including aluminium windows/louvres and curtain walls etc. Subcontractors may apply for registration on the SRS in one or more trades.

Where a contractor is to sub-contract or 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 SRS), he shall engage all subcontractors (whether nominated, specialist or domestic) who are registered under the relevant trades in the Primary Register. Should the subcontractors further sub-contract (irrespective of any tier) any part of the public works sub-contracted to them involving trades available under the Primary Register, the contractor shall ensure that all subcontractors (irrespective of any tier) are registered under the relevant trades in the Primary Register.

Application for registration under the Primary Register of the SRS is subject to the following entry requirements:

– completion of at least one job within five years as a principal contractor/subcontractor in the areas which it applies or to have acquired comparable experience by itself/its proprietors, partners or directors within the last five years;

– listing on one or more government registration schemes operated by policy bureaus or department of the government relevant to the trades and specialties for which registration is sought;

– 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

– 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/speciality with at least 5 years' experience in the trade/speciality applying for and having completed the Senior Construction Workers Trade Management Course (or equivalent) conducted by the Construction Industry Council.

A registration is due for renewal every three or five years. 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 in specified format providing information and supporting documents as required showing compliance with the entry requirements. An application for renewal shall be subject to approval by the management committee 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 of the Construction Industry Council may give approval for renewal based on those trades and specialties where the requirements are met.

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 not limited to:

– supply of false information when making an application for registration, renewal of registration or inclusion of additional trades;

– failure to give timely notification of changes to the registration particulars;

– serious violations of the registration rules and procedures;

– 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);

– wilful misconducts that may bring the SRS into serious disrepute;

– civil awards/judgments in connection with the violation of or convictions under the relevant section of the Mandatory Provident Fund Schemes Ordinance;

– 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 consequence:

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;

– 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 6 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; and

– convictions for employment of illegal workers under the Immigration Ordinance; or late payment of workers' wages and/or late payment of contribution under the Mandatory Provident Fund Schemes Ordinance over 10 days with solid proof of such late payment of wages and/or contribution.

LAWS AND REGULATIONS IN RELATION BUILDING WORK UNDERTAKEN

Buildings Ordinance

Under the Buildings Ordinance, carrying-out large scale building works is subject to obtaining approval and consent from the Buildings Department prior to the commencement of work. For minor works, the B(MW)R provides for a simplified mechanism for carrying out such works without prior approval by the Buildings Department.

Projects involving curtain walls

Projects involving curtain walls are treated as large-scale projects requiring prior approval of the plans. Pursuant to the "Practice Note for Authorised Persons, Registered Structural Engineers and Registered Geotechnical Engineers – Building Approval Process (ADM-19)" issued by the Buildings Department, to streamline the approval process for building works, applications for approval of plans and consent for the commencement of curtain wall or cladding works may be concurrently applied for if the following criteria are met:

(a) The works do not involve foundation works, nor works with significant geotechnical content;

(b) The works do not entail precautionary works nor other safety measures which are required to be completed to the satisfaction of the Building Authority prior to the commencement of the proposed works;

(c) All the plans and documents prescribed under regulation 8 of the Building (Administration) Regulations are submitted for approval; and

(d) All the requisite supporting information/documents for the consent application are submitted. For curtain wall works, compliance certificates and test reports as required under "Practice Note for Authorised Persons, Registered Structural Engineers and Registered Geotechnical Engineers – Curtain Wall, Window and Window Wall Systems (APP-37)" may be submitted prior to the application for an occupation permit.

Together with the relevant building plans, a supervision plan must be lodged with the Building Authority by the authorised person (being a person who is registered as an architect, an engineer or surveyor with the Buildings Department) prior to or at the same time as the application for the first consent for commencement of building works. The supervision plan must comply with the current "Technical Memorandum for Supervision Plans" ("**Technical Memorandum**") issued by the Secretary for Development under section 39A of the Buildings Ordinance. The Technical Memorandum supplements the provisions of the Buildings Ordinance governing the supervision of building works and street works, and sets out the principles, requirements and operation of supervision plans.

The registered general building contractor, registered specialist contractor and Registered Minor Works Contractor appointed in respect of building works shall, during the carrying out thereof, give continuous supervision thereto to ensure that the building works, are carried out in accordance with the provisions of the Buildings Ordinance and regulations and with the plans approved in respect thereof and with any order made or condition imposed, pursuant to any provision of the Buildings Ordinance or regulations in that behalf, by the Building Authority and the supervision plan prepared in compliance with the Technical Memorandum.

Design requirements for curtain walls

Curtain walls have to be designed to meet the specific requirements set out in regulation 43 of the Building (Construction) Regulations. In addition, Table 3 of regulation 17(3) of the Building (Construction) Regulations sets out requirements for wind loads, horizontal imposed loads specified in on curtain wall when there is no protective barrier provided, protection of openings, protection against corrosion and the quality of materials.

When submitting curtain wall plans to the Building Authority for approval, the plans are required to include, among other things: (a) structural framing and key structural details and the installation procedures; (b) structural calculations comprising design check on the parent structure, analysis on the structural adequacy and stability of the proposed curtain wall system, element design for aluminium alloy, fixing components, glazing, and deflection check on major load carrying members; (c) workmanship specifications for welding, galvanization measures to overcome bimetallic effects, and corrosion prevention; (d) material specifications for structural steel, aluminium alloy, cast-in anchors, fixing screws, structural sealant, and glazing; (e) the mode of support from and connection to the load bearing structure of the building (anchorages in structural concrete members or welded connections to structural steel members); (f) the projection of the curtain wall system from the outer face of the structural elements, e.g. beams, columns and floor slabs, for consideration of exemption from gross floor area and site coverage calculations, etc.

Under regulation 43(6) of the Building (Construction) Regulations, all curtain wall systems are required to undergo a safety test. Pursuant to the "Practice Note for Authorised Persons, Registered Structural Engineers and Registered Geotechnical Engineers – Curtain Wall, Window and Window Wall Systems (APP-37)", the test should be carried out by an independent laboratory accredited by The Hong Kong Laboratory Accreditation Scheme ("**HOKLAS**") or by other laboratory accreditation bodies which have reached mutual recognition agreements/arrangements with HOKLAS. The test reports should be made on a HOKLAS Endorsed Certificate and be appended with a statement signed by the Registered Structural Engineer who has prepared the plans to confirm the acceptance criteria appropriate to the test have been complied with. They should be submitted prior to the application of an occupation permit.

Minor works

Under the MWCS, the Building Professional appointed will be responsible for the design and supervision of the works while the registered contractor appointed will be responsible for carrying out the works. If a Building Professional is not required to be appointed, i.e. no Class 1 minor works items is involved, the registered contractor appointed will also be responsible for the design of the works.

The Building Authority must be notified of the commencement of projects involving Class I and Class II minor works items, in the specified form with prescribed plans, supporting documents and site photos, which must be submitted at least seven days before the commencement of works. The Building Authority will issue a submission number after verification that of all works involved are "minor works" and a certificate of completion should be submitted in the specified form with the submission number, record plans, supporting documents and record photos within 14 days after the completion of works. For projects in which only Class III minor works are involved, it is not necessary to notify the Building Authority of the commencement of the projects as required for Class I and Class II minor works items. However, notice and certificate of completion should be submitted in the specified form with record plans or description of works, supporting documents and record photos (before and after the completion of works) within 14 days after the completion of works.

Design requirements for aluminium windows

The Buildings Department has issued the "Practice Note for Authorised Persons, Registered Structural Engineers and Registered Geotechnical Engineers – Aluminium Windows (APP 116)" (the "**PNAP (Aluminium Windows)**"), which specifies the requirements on the design and installation of aluminium windows and on the prevention of water seepage. Compliance with the design and installation requirements of aluminium windows described in PNAP (Aluminium Windows) will be accepted by the Building Authority as meeting the provisions of regulation 3 of the Building (Construction) Regulations. Any deviations from these requirements have to be separately substantiated for acceptance.

Others

Environmental laws and regulations

In the execution of the Group's Design, Supply and Installation Projects in Hong Kong, the Group is subject to certain laws and regulations in relation to environmental protection. A summary of the principal environmental laws relevant to the Group's business are set out below:

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

The Air Pollution Control Ordinance and its subsidiary legislation are the principal legislation in Hong Kong for controlling emission of air pollutants and noxious odour from construction, industrial and commercial activities. Under the relevant regulations, the contractor responsible for the construction site where notifiable work is proposed to be carried out has to give notice to the Environmental Protection Department before the commencement of work and adopt appropriate dust reduction measures. The maximum fines for convictions under the Air Pollution Control Ordinance range from $100,000 to $500,000 and six to 12 months' imprisonment.

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

The Noise Control Ordinance regulates, among other things, noise from construction sites generated from construction work. Under this legislation, general construction work (including any work in connection with the construction of the whole or any part of a building) may be carried out between 7:00 a.m. to 7:00 p.m. on normal weekdays, and a construction noise permit is required at any other times. Any person who carries out construction work except as permitted is liable on first conviction to a fine of HK$100,000, on second or subsequent conviction to a fine of HK$200,000, and in any case to a fine of HK$20,000 for each day during which the offence continues.

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

The Waste Disposal Ordinance controls the production, storage, collection and disposal of wastes. Under the relevant regulations, construction waste can only be disposed at designated prescribed facilities and the main contractor of the project would generally be responsible for paying any disposal charges for the construction waste generated from the construction work.

Others

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

The Competition Ordinance, among other things, prohibits conduct that prevents, restricts or distorts competition in Hong Kong. The Group is subject to the Competition Ordinance generally.

The "First Conduct Rule" under the Competition Ordinance prohibits undertakings from making or giving effect to an agreement, engaging in a concerted practice, or making or giving effect to a decision of an association, if the agreement concerned has the object or effect to harm competition in Hong Kong. Examples of serious anti-competitive conduct include price fixing agreements, market sharing agreements, and bid-rigging practices.

Penalties that the Competition Tribunal may impose for contraventions of the Competition Ordinance include pecuniary penalties, awards of damages, and interim injunctions during investigations or proceedings. The maximum penalty in relation to a single contravention can be up to 10% of the annual turnover obtained by the undertaking concerned in Hong Kong for each year the infringement lasted, or if the contravention occurred in more than three years, 10% of the annual turnover of the undertaking for the three years in which the contravention occurred with the highest turnover. The Competition Tribunal may also order the disqualification of responsible directors for up to five years.

II. THE LAWS AND REGULATIONS OF THE PRC

The Group, through one of its principal operating subsidiary, Million Hope (Huizhou), is engaged in the manufacture of aluminium windows and design, supply and installation of aluminium windows in the PRC. This section summarises applicable PRC laws and regulations that have a material impact on the Group's business in the PRC.

Foreign Investment

Foreign investment in the PRC is principally governed by *the Guidance Catalogue of Industries for Foreign Investment* (外商投資產業指導目錄) (the "**Catalogue**"). The Catalogue divides industries into three categories: encouraged, restricted and prohibited. Industries not listed in the Catalogue are classified as permitted and generally open to foreign investment. Pursuant to the Catalogue as revised in 2015 and 2017 by National Development and Reform Commission ("**NDRC**") and the Ministry of Commerce ("**MOFCOM**"), Million Hope (Huizhou)'s business falls within the permitted category.

Million Hope (Huizhou) was incorporated as a wholly foreign – owned enterprise in the PRC. Its establishment and operation is generally governed by *the PRC Company Law* (公司法), which was enacted by the Standing Committee National People's Congress (the "**SCNPC**") on 29 December 1993 and was implemented since 1 July 1994, and was amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013 respectively, and applies to all companies incorporated in the PRC, *the PRC Law on Wholly Foreign-Owned Enterprises* (中華人民共和國外資企業法) which was promulgated and became effective on 12 April 1986, amended on 31 October 2000 and on 3 September 2016 respectively, as well as *the Detailed Rules for the Implementation of the Law of the PRC on Wholly Foreign-owned Enterprises* (中華人民共和國外資企業法實施細則) which was promulgated on 12 December 1990 and amended on 12 April 2001 and 19 February 2014 respectively. Furthermore, according to *the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (Revision)* (外商投資企業設立及變更備案管理暫行辦法修訂)) which was promulgated and became effective on 30 July 2017, Million Hope (Huizhou)'s change of its shareholding structure, registered capital, scope of business or other relevant aspects will need to be filed with the MOFCOM or its local branch.

Design And Construction Qualification

Pursuant to *the Administrative Regulations on Survey and Design of Construction Projects* (建設工程勘察設計管理條例) which was promulgated and became effective on 6 December 2015 and was amended on 7 October 2017, and *the Administrative Measures on Qualifications for Survey and Design of Construction Projects* (建設工程勘察設計資質管理規定) which was promulgated on 26 June 2007, came into effect since 1 September 2007 and was amended on 13 September 2016, enterprises engaged in construction project design activities shall, on the basis of their registered capital, professional technical staff, technical equipment, design experiences and other conditions, apply for relevant qualifications. After being examined and confirmed as satisfying the requirements and issued with the relevant construction project design qualification certificates, the enterprises are allowed to carry out design activities within the scope of the corresponding qualifications. *The Qualification Standards for Construction Projects Design* (工程設計資質標準) (Jian Shi [2007] No. 86), which was promulgated and effective on 29 March 2007, sets out the detailed criteria for different types of construction projects design qualifications, as well as the specific scope of projects that are permitted to be undertaken under different types of qualifications. According to these standards, there are Class A, B and C Architectural Decoration Project Design Qualification (建築裝飾工程設計專項資質) and enterprises possessing Class B of such qualification may undertake the decoration design for architectural construction projects with single contract amount being no more than RMB12 million. There are Class A and B Architectural Curtain Wall Design Qualification (建築幕牆工程設計專項資質) and enterprises possessing Class B of such qualification may undertake design of various types of curtain walls with a height of not more than 80 meters and the single curtain wall project area being no more than 6,000 square meters.

Pursuant to *the Administrative Regulations on Qualifications of Construction Enterprises* (建築業企業資質管理規定), which was promulgated on 22 January 2015, came into effect since 1 March 2015 and was amended on 13 September 2016, enterprises engaged in architectural construction activities shall, on the basis of their assets, principal staff, previous construction experiences, technical equipment and other conditions, apply for construction qualifications. After being examined and confirmed as meeting the relevant requirements and issued with the construction qualification certificates, the enterprises are allowed to carry out construction activities within the scope permitted under the corresponding qualifications. *The Qualification Standards for Construction Enterprises* (建築業企業資質標準) (Jian Shi [2014] No. 159), which was promulgated on 6 November 2014 and came into effect since 1 January 2015, sets out the detailed criteria for different types of construction qualifications, as well as the specific scope of projects that can be undertaken under different types of qualifications. According to these standards, there are Class I and Class II Specialized Contracting Qualification for Architectural Decoration Projects (建築裝修裝飾工程專業承包資質), and enterprises holding such Class II qualification are allowed to undertake construction of decoration projects with single contract amount being no more than RMB20 million. There are Class I and Class II Specialized Contracting Qualification for Architectural Curtain Wall Projects (建築幕牆工程專業承包資質), and enterprises possessing such Class II qualification are allowed to undertake construction of such curtain wall projects where the area of the curtain wall of a single architectural project is no more than 8,000 square meters. In addition, according to *Standards for Construction Enterprises* (建築業企業資質標準), the Specialized Contracting Qualification for Metal Doors and Windows Projects has been cancelled. As a consequence, the enterprises engaged in relevant construction contracting are not required to hold the corresponding *Certificate of Construction Enterprises Qualification* (建築業企業資質證書).

Pursuant to the previous *Qualification Standards for Architectural Decoration Design and Construction* (建築裝飾裝修工程設計與施工資質標準) and *Qualification Standards for Architectural Curtain Wall Design and Construction* (建築幕牆工程設計與施工資質標準) (collectively the "**Combined Qualification Standards**"), Million Hope (Huizhou) previously held a combined Project Design and Construction Qualification Certificate (工程設計與施工資質證書) for Class II architectural decoration design and construction qualification (建築裝飾裝修工程設計與施工貳級) and Class II architectural curtain wall design and construction qualification (建築幕牆工程設計與施工貳級). According to *the Circular of the Ministry of Housing and Urban-Rural Development on Matters relating to the Cancellation of Four Project Design and Construction Qualifications Including Intelligent Buildings* (住房城鄉建設部關於取消建築智能化等4個工程設計與施工資質有關事項的通知) (Jian Shi [2015] No. 102), which was promulgated by the Ministry of Housing and Urban-Rural Development (the "**MHURD**") on 14 July 2015, the examination and approval of the Combined Qualification Standards were abolished since 14 July 2015. Based upon relevant regulations for change of certificates and transitional arrangements, Million Hope (Huizhou) is required to, at least 60 days prior to expiration of the previous combined qualification certificate, apply to the relevant regulatory authorities to directly replace the certificate with a new Class B decoration and curtain wall design qualification certificate and a new Class II decoration and curtain wall construction qualification certificate, as described in above paragraphs. According to these regulations, Million Hope (Huizhou) has obtained the new Class B Project Design Qualification Certificate for design of architectural decoration and curtain wall projects, and the new Class II Construction Enterprise Qualification Certificate for specialized contracting of architectural decoration and curtain wall projects.

Work Safety

The Work Safety Law of the PRC (中華人民共和國安全生產法), which was promulgated on 29 June 2002, came into effect since 1 November 2002, and was amended on 27 August 2009 and 31 August 2014, requires enterprises to strengthen work safety management, establish and improve work safety responsibility systems and work safety polices and rules, enhance work safety conditions, promote work safety standardization and ensure work safety. *The Administrative Regulations on Work Safety of Construction Projects* (建設工程安全生產管理條例), which was promulgated on 24 November 2003 and came into effect on 1 February 2004, specifies construction enterprises' responsibilities for work safety, including: (i) establishing work safety management body or having full time work safety management personnel, (ii) providing employees with work safety education and training, (iii) formulating work safety rules and policies, as well as operational procedures, (iv) ensuring usage of funds required to maintain work safety conditions, (v) conducting regular and special inspections for safety purpose of construction projects, and make records of such inspections, (vi) providing workers with personal protective equipment and inform them in writing the operational procedures for dangerous work, as well as the harm of breaching the procedures; and (vii) procuring accidental injury insurances for workers involved in dangerous work on construction sites.

Pursuant to *the Regulations on Work Safety License* (安全生產許可證條例), which was promulgated and effective on 29 July 2014, and *the Administrative Provisions on Construction Enterprise's Work Safety License* (建築施工企業安全生產許可證管理規定), which was promulgated and effective on 5 July 2004, construction enterprises are subject to a work safety licensing system and shall apply for, and obtain, *the Work Safety License* (安全生產許可證) before undertaking any construction activities. If a construction enterprise suffers a serious accident, its work safety license will be suspended and it shall make rectification within a prescribed time limit. Pursuant to *The Opinions of MHURD on the Application of Work Safety License by Eight Kinds of Specialized Contracting Enterprises (including Earthwork and Precast Concrete)(住房城鄉建設部辦公廳關於土石方、混凝土預製構件等8類專業承包企業申領安全生產許可證事宜的意見)* (Jian Ban Zhi Han [2015] No.269), enterprises engaged in the construction of metal windows and doors are not required to apply for and obtain the work safety license.

Product Quality

According to *the PRC Law on Product Quality* (中華人民共和國產品質量法) ("**Product Quality Law**"), which was promulgated and effective on 27 August 2009, and applies to all manufacture and sale activities in the PRC, manufacturers are responsible for the quality of the products they manufacture. Products shall meet the following quality requirements: (i) constituting no unreasonable threats to personal safety or safety of property, and conforming to national standards or industrial standards for ensuring human health, personal safety and safety of property, where there are such standards; (ii) possessing the properties and functions as required for use; and (iii) conforming to the product standards marked on the products or on the packages thereof, and to the quality conditions indicated by way of product descriptions, samples, etc.. Violation of the Product Quality Law may result in civil liabilities, administrative penalties and even criminal liabilities in serious cases. Where a defective product causes physical injury to a person or damage to another person's property, the victim may claim compensation from the manufacturer of the product.

Construction Project Quality

Pursuant to *the Administrative Regulations on Construction Project Quality* (建設工程質量管理條例), which was promulgated and effective on 30 January 2000, construction enterprises shall be responsible for the quality of their construction works. The main contractor of a construction project shall be responsible for the quality of the whole project. If the main contractor subcontracts construction works to a subcontractor, the subcontractor shall be liable to the main contractor for the quality of the subcontracted works in accordance with the contract between them, and the main contractor and subcontractor shall be jointly and severally liable to the owner for the quality of the subcontracted works.

Import and Export of Goods

According to *the PRC Law on Foreign Trade* (中華人民共和國對外貿易法), which was promulgated on 12 May 1994, came into effect since 1 July 1994 and was amended on 6 April 2004 and 7 November 2016, respectively, and *the Measures on Filing and Registration of Foreign Trade Business Operators* (對外貿易經營者備案登記辦法), which was promulgated on 25 June 2004, came into effect on 1 July 2004 and was amended on 18 August 2016, foreign trade business operators engaged in import of goods are required to go through filing and registration procedures with MOFCOM or institutions it entrusts. Foreign trade business operators failing to go through such procedures will be declined by the PRC Customs ("**Customs**") to process customs clearance.

Pursuant to *the Customs Law of the PRC* (中華人民共和國海關法), which was promulgated on 22 January 1987, came into effect on since 1 July 1987 and was amended on 8 July 2000, 28 December 2013, 7 November 2016 and 4 November 2017, respectively, and *the Regulations of PRC Customs on Administration of Registration of Declaration Entities* (中華人民共和國海關報關單位註冊登記管理規定), which was promulgated and effective on 13 March 2014 and was amended on 20 December 2017, and 29 May 2018 import and export of goods are subject to the Customs' control. Consignees of import goods and consignors of export goods have the obligations to make true declarations to the Customs. Duties shall be levied by the Customs in respect of the goods allowed to be imported and exported. Consignees of import goods and consignors of export goods are required to be registered with the local Customs and obtain *the Certificate for Registration of Consignee or Consignor of Import or Export Goods for Declarations with PRC Customs* (海關進出口貨物收發貨人報關註冊登記證書).

Environmental Protection

The Environmental Protection Law of the PRC (中華人民共和國環境保護法), which was promulgated and effective on 26 December 1989 and was amended on 24 April 2014, *the Administrative Regulations on the Environmental Protection of Construction Projects* (建設項目環境保護管理條例), which was promulgated and effective on 29 November 1989 and was amended on 16 July 2016, *the Law of the PRC on Environmental Impact Assessment* (中華人民共和國環境影響評價法), which was promulgated on 28 October 2002, came into effect on 1 September 2003 and was amended on 2 July 2016, *the Administration Regulations on Record-filing of the Registration Forms of Construction Projects* (建設項目環境影響登記表備案管理辦法), which was promulgated on 16 November 2016 and became effective on 1 January 2017, and *the Administrative Measures on Environmental Protection Inspection and Acceptance for Completion of Construction Projects* (建設項目竣工環境保護驗收管理辦法), which was promulgated on 27 December 2002 and came into effect on 1 February 2003, have established the fundamental legal regime on environmental protection in the PRC in respect of construction projects. Under these laws and regulations, environmental impact assessment ("**EIA**") shall be completed prior to construction of a project. The EIA document compiled in accordance with the laws and regulations shall be submitted to the competent environmental protection authority for approval or filing. Facilities for prevention and control of pollution must be designed, built and put into operation simultaneously with the principal part of the construction project. Once a construction project is completed, application shall be made to the competent environmental protection authority for inspection and acceptance of the project before commencing the actual production.

Pursuant to *the Environmental Protection Law of the PRC and the Law of the PRC on the Prevention and Control of Water Pollution* (中華人民共和國水污染防治法) promulgated on 11 May 1984, became effective on 1 November 1984 and amended respectively on 15 May 1996, 28 February 2008 and 27 June 2017, *the Law of the PRC on the Prevention and Control of Atmospheric Pollution* (中華人民共和國大氣污染防治法) promulgated on 5 September 1987, became effective on 1 June 1988 and amended respectively on 29 August 1995, 29 April 2000 and 6 July 2015, *the Law of the PRC on the Prevention and Control of Pollution from Environmental Noise* (中華人民共和國環境噪聲污染防治法) promulgated on 29 October 1996 and became effective on 1 March 1997, enterprises discharging pollutants must report to and register with the competent environmental protection administration authorities. Enterprises discharging pollutants in excess of the prescribed national or local discharge standards shall pay a fee for excessive discharge and assume the responsibility for eliminating and controlling the pollution.

Under *the Construction Law of the PRC* (中華人民共和國建築法), which was promulgated on 1 November 1997 came into effect on 1 March 1998 and was amended on 22 April 2011, construction enterprises must, in accordance with laws and regulations concerning environmental protection and work safety, adopt measures to control environmental pollution and harm resulting from dust, waste gas, waste water, solid waste materials, noise and vibration at construction sites.

Labour and Social Security

Million Hope (Huizhou) employs staff in the PRC and is required to comply with the PRC laws on labour and social security.

Pursuant to *the Labour Law of the PRC* (中華人民共和國勞動法) promulgated on 5 July 1994, became effective on 1 January and amended on 27 August 2009, and *the Labour Contract Law of the PRC* (中華人民共和國勞動合同法) promulgated on 29 June 2007, became effective on 1 January 2008 and amended on 28 December 2012, labour contracts shall be concluded in writing if labour relationships are to be or have been established between enterprises and employees. The salaries paid by enterprises to their employees shall not be lower than the local minimum salary standard. The salaries shall be paid by the enterprises on time and in full to the employees. Enterprises shall maintain work place safety and sanitation conditions in compliance with relevant laws and regulations.

Employers in the PRC are required to make contributions to various social insurances (including medical, pension, unemployment, work-related injury and maternity insurances) and the housing fund for employees in accordance with *the Social Insurance Law of the PRC* (中華人民共和國社會保險法), which was promulgated on 28 October 2010 and became effective since 1 July 2011, and *the Administrative Regulations on Housing Fund* (住房公積金管理條例), which was promulgated and effective on 3 April 1994 and amended on 24 March 2002. These payments are made to local administrative authorities, and an employer who fails to make contributions in a timely manner may be fined and be ordered to make up for the outstanding contributions.

Foreign Exchange

Million Hope (Huizhou) is a foreign invested enterprise under the PRC laws, its registered capital has been contributed by its shareholder in foreign currency and it has opened foreign exchange accounts at the PRC banks. Million Hope (Huizhou) is required to use its registered capital, deal with its foreign exchange bank accounts, and conduct its other foreign exchange business in accordance with the PRC's foreign exchange control regime. Major applicable regulations include *the Regulations on Foreign Exchange Control of the PRC* (中華人民共和國外匯管理條例), which was promulgated on 29 January 1996 and was last amended on 5 August 2008, *the Regulations on Foreign Exchange Administration for Foreign Investors' Direct Investments* (外國投資者境內直接投資外匯管理規定) (Hui Fa [2013] No. 21), which was promulgated on 10 May 2013, *the Circular of State Administration of Foreign Exchange on Further Simplifying and Improving Foreign Exchange Administration Policies on Direct Investments* (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (Hui Fa [2015] No.13), which was promulgated on 13 February 2015 and became effective since 1 June 2015, and *the Circular of State Administration of Foreign Exchange on Reform of Administrative Approach Concerning Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises* (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知)(Hui Fa [2015] No. 19), which was promulgated on 30 March 2015 and became effective on 1 June 2015.

Pursuant to these rules and regulations, (i) RMB is freely convertible for international payment and transfer of foreign exchange for current accounts transactions (including sales of goods, provision of services, etc.); (ii) payment and receipt of foreign exchange for current accounts transactions shall be on the basis of genuine and lawful transactions; (iii) foreign exchange registration shall be handled in respect of foreign investors' direct investment in the PRC; (iv) foreign-invested enterprises can settle foreign exchange capitals on a discretionary basis, and foreign-invested enterprises may, according to their actual business needs, settle with a bank the portion of the foreign exchange capital in their capital account for which the relevant foreign exchange bureau has confirmed monetary contribution interests (or for which the bank has registered the account-crediting of monetary contribution); Foreign-invested enterprises are temporarily allowed to settle 100.0% of their foreign exchange capitals on a discretionary basis and the State Administration of Foreign Exchange ("**SAFE**") may adjust the foregoing percentage as appropriate based on prevailing international balance of payments; (v) foreign exchange settlement funds for capital accounts transactions (including direct investments, loans, etc.) must be used for the purpose approved by the relevant authorities, and in particular, foreign invested enterprises may settle their registered capital into RMB according to their actual operation needs, but they shall not use such RMB funds for purposes beyond their scope of business or for other purposes prohibited by foreign exchange regulations; and (vi) loans borrowed by PRC companies (including a foreign invested enterprise such as Million Hope (Huizhou)) from foreign companies (including a shareholder of a foreign invested enterprise) must be registered with competent foreign exchange authorities.

Taxation

1. Enterprise Income Tax

According to *the Enterprise Income Tax Law* (中華人民共和國企業所得稅法) (the "**EIT Law**"), which was promulgated on 16 March 2007 and came into effect on 1 January 2008 and was amended on 24 February 2017, and *the Implementation Regulations of EIT Law* (企業所得稅法實施條例), which was promulgated on 6 December 2007 and came into effect on 1 January 2008, the income tax rate of 25% applies to all PRC companies, foreign-invested companies and foreign companies which have established production and operation facilities in the PRC.

These enterprises are classified as either resident enterprises or non-resident enterprises. An enterprise that is established in China in accordance with PRC laws, or that is established in accordance with the law of a foreign country (region) but whose "de facto management bodies" inside China is resident enterprise, which is subject to enterprise income tax at the rate of 25% on their global income. The Implementation Regulations of EIT Law defines the term "de facto management bodies" as "bodies that conduct substantial and all-round management and control with respect to the production, operations, personnel, finance, property, etc. of the enterprise." An enterprise that is established according to the law of a foreign country (region) and whose "de facto management bodies" are not in China, but which have established institutions or premises in China or which have not established institutions or premises in China but have income earned in China is non-resident enterprise.

2. Value-added tax

In accordance with *the Provisional Regulations of the PRC Concerning Value-added Tax* (中華人民共和國增值稅暫行條例), which was promulgated by the State Council on 10 November 2008 and amended on 6 February 2016, and *the Rules for Implementation of the Provisional Regulations of the PRC concerning Value-added Tax* (中華人民共和國增值稅暫行條例實施細則), which was promulgated on 18 December 2008 and amended on 28 October 2011 (the latest revision became effective on 1 November 2011), value-added tax (增值稅) (the

"**VAT**") is imposed on any entity or individual engaging in the sale of goods, provision of processing, repair or replacement services, or importation of goods within the PRC.

Pursuant to *the Circular on Printing and Issuing the Pilot Proposals for the Transformation from Business Tax to VAT* (關於印發營業稅改徵增值稅試點方案的通知) (Cai Shui [2011] No. 110), which was promulgated by the Ministry of Finance of the PRC and the SAT and became effective on 16 November 2011, and in accordance with *the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in lieu of Business Tax* (關於全面推開營業稅改徵增值稅試點的通知) (Cai Shui [2016] No. 36) promulgated by the Ministry of Finance and the SAT on 23 March 2016 and which became effective on 1 May 2016, the transformation from business tax to VAT took effect on 1 January 2012 in businesses of pilot areas and has been implemented nationwide from 1 May 2016. VAT is imposed by the SAT on all units and individuals selling services, intangible assets or immovable assets within the territory of the PRC. According to the foregoing regulations, two levels of low VAT rates of 11.0% and 6.0% are added to the current VAT rates which are 17.0% and 13.0% respectively. The tax rate for businesses such as transportation and construction is 11.0%, while the tax rate for certain other modern service businesses is 6.0%.

On 4 April 2018, the Ministry of Finance and the SAT jointly issued the Notice on Adjustment of Value-added Tax Rates (Cai Shui [2018] No. 32), which took effect from 1 May 2018. Pursuant to the Notice, the previously applicable VAT rates of 17% and 11% shall be adjusted to 16% and 10% respectively.

3. VAT export refund

According to *the Administrative Measures for Tax Rebate (Exemption) of Exported Goods (Trial Implementation)* (出口貨物退免稅管理辦法試行)) (Guo Fa [2005] No. 51), which was promulgated by the SAT on 16 March 2005 and became effective on 1 May 2005, unless otherwise prescribed, upon declaration of export and financial accounting for sale, the VAT in relation to the goods exported by export agents can be rebated or exempted upon approval by competent tax authority.

III. COMPLIANCE WITH THE RELEVANT REQUIREMENTS IN HONG KONG AND THE PRC

So far as the Directors are aware, the Group has obtained all necessary licences, permits, and approvals to operate its existing business in Hong Kong and the PRC and has complied with all applicable laws, regulations, rules and guidelines which are material to the business and operations of the Group in Hong Kong and the PRC in all material respects during the Track Record Period and up to the Latest Practicable Date.

OVERVIEW

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 20 February 2018 in preparation for the Spin-off and is the holding company of the Group. As at the Latest Practicable Date, the subsidiaries of the Group comprised Million Hope Industries (BVI), Million Hope (BVI), Paramount Forward, Million Hope Industries (HK), Sunny Oriental, Million Hope (Huizhou), Heroic Elite, Waller Holdings, and Rich Victory.

HISTORY AND BUSINESS DEVELOPMENT

The Group's history dates back to 1990, when Million Hope Industries (HK) was incorporated in Hong Kong by Independent Third Parties. Mr. Lee Cheuk Hung, one of the executive Directors and Joint Managing Directors of the Company, became a shareholder of Million Hope Industries (HK) in 1997, and has been a director of Million Hope Industries (HK) since March 1998. In 2004, Million Hope Industries (HK) started a business cooperation with Schüco, a leading specialist in multi-functional building envelopes with expertise in windows, doors, and facade, and was appointed as one of its working partners and an authorised manufacturer of "Schüco" products in Hong Kong and southern China. The Hanison Group first worked with Million Hope Industries (HK) in 2005, when Million Hope Industries (HK) worked as subcontractor for the Hanison Group for the design, supply and installation of curtain walls and window walls in Hong Kong. During the period from 2005 to 2007, the Hanison Group continued to work with Million Hope Industries (HK) on various property development projects in Hong Kong, and developed a business relationship with Million Hope Industries (HK). In 2007, Million Hope Industries (HK) was acquired by the Hanison Group and became a wholly-owned subsidiary of Hanison, and has since been part of the building materials division of the Hanison Group. Since then, the Group has been principally engaged in the business of design, supply and installation of facade and curtain wall systems with a focus on curtain walls, aluminium windows and doors, primarily for property development projects in Hong Kong and the PRC.

Business milestones

The following is a brief summary of the Group's business milestones:

Year	Milestone
1990	Million Hope Industries (HK) was incorporated and commenced its business in the design, supply and installation of curtain walls, aluminium windows and doors
1998	Million Hope Industries (HK) first obtained the ISO 9001 certificate issued by the Hong Kong Quality Assurance Agency
2004	Million Hope Industries (HK) was appointed as a working partner of Schüco and became an authorised manufacturer of "Schüco" products in Hong Kong and southern China
2005	Million Hope Industries (HK) started its business relationship with the Hanison Group
2007	Million Hope Industries (HK) was acquired by the Hanison Group and became part of the building materials division of the Hanison Group
2008	Million Hope (Huizhou) was established in the PRC on 27 May 2008
	Million Hope (Huizhou) acquired land in Huizhou, PRC, and set up the Group's fabrication plant to serve as the production base for the products used in its projects, including customer-specified products and "Schüco" products
2010	Million Hope Industries (HK) first obtained the ISO 14001 certificate issued by the Hong Kong Quality Assurance Agency

Year	Milestone
2013	The Group was awarded a design, supply and installation contract for a luxury housing development located at Mount Nicholson, The Peak, in Hong Kong. Transactions for certain apartments at this property development broke price records in Hong Kong in 2017, with the apartments concerned becoming the most expensive residences in Asia on a square-footage basis. The Group completed its contracted works for the project in 2016
2016	The Group received an excellence award from one of its customers in recognition of its work on the An Tuo Hill (安托山) project in the PRC

CORPORATE DEVELOPMENT

Incorporation and development of Million Hope Industries (HK)

Million Hope Industries (HK) was incorporated in Hong Kong on 10 August 1990 with limited liability, and is the principal operating subsidiary of the Group in Hong Kong. At the time of incorporation, Million Hope Industries (HK) was principally engaged in the design, supply and installation of aluminium windows, doors and curtain walls in Hong Kong.

On 15 May 2007, the Hanison Group acquired the entire shareholding interests in Million Hope Industries (HK) at an aggregate consideration of HK$3,385,189 from Mr. Lee Cheuk Hung and other Independent Third Parties. Details of the acquisition are set out in the announcement and circular of Hanison dated 15 May 2007 and 4 June 2007, respectively. Following such acquisition, Million Hope Industries (HK) became a wholly-owned subsidiary of Hanison.

Establishment and development of Million Hope (Huizhou)

Million Hope (Huizhou) was established in the PRC as a wholly foreign-owned enterprise on 27 May 2008 with an initial registered capital of HK$40,000,000 and is wholly-owned by Sunny Oriental, which in turn is wholly-owned by Million Hope Industries (HK). It is the principal operating subsidiary of the Group in the PRC. As at the Latest Practicable Date, the registered capital of Million Hope (Huizhou) was HK$65,000,000 and is fully paid-up. As at the Latest Practicable Date, the approved scope of operation of Million Hope (Huizhou) includes the research and development, manufacture, sale and installation of aluminium doors and windows, glass curtain walls and hardware accessories (not including plating process), new energy-saving and environmentally friendly building materials (high end environmentally friendly accessories and renovation materials), and its products may be sold in the mainland and overseas markets; and consultancy in respect of interior decoration and renovations and related businesses etc.

Million Hope (Huizhou) is the title holder of the Group's fabrication plant in Huizhou, the PRC and the land on which it is located. Following the Reorganisation, Million Hope Industries (HK) continues to hold the entire issued share capital of Sunny Oriental, and Sunny Oriental continues to hold the entire equity capital of Million Hope (Huizhou).

REORGANISATION

In preparation for the Spin-off and Listing, the following reorganisation steps were implemented:

Incorporation of the Company

The Company was incorporated in the Cayman Islands on 20 February 2018 as an exempted company with limited liability with an authorised share capital of HK$380,000 consisting of 3,800,000 Shares of HK$0.10 par value each. Upon incorporation, one fully-paid Share was allotted and issued to the initial subscriber and transferred to Hanison Construction (BVI) on the same date. On 13 March 2018, a further 99 fully-paid Shares were allotted and issued to Hanison Construction (BVI). Following the Reorganisation, the Company became the holding company of the Group.

Incorporation of the intermediate holding companies

Million Hope Industries (BVI) was incorporated in the BVI with limited liability on 15 February 2018. As at the date of incorporation, Million Hope Industries (BVI) was authorised to issue a maximum of 50,000 shares of one class of no par value. On 13 March 2018, one share of Million Hope Industries (BVI) was allotted and issued as fully paid at an issue price of US$1.00 to the Company.

Million Hope (BVI) was incorporated in the BVI with limited liability on 15 February 2018. As at the date of incorporation, Million Hope (BVI) was authorised to issue a maximum of 50,000 shares of one class of no par value. On 13 March 2018, one share of Million Hope (BVI) was allotted and issued as fully paid at an issue price of US$1.00 to Million Hope Industries (BVI).

Paramount Forward was incorporated in the BVI with limited liability on 2 January 2018. As at the date of incorporation, Paramount Forward was authorised to issue a maximum of 50,000 shares of one class with a par value of US$1.00. On 28 March 2018, one share of Paramount Forward was allotted and issued as fully paid at an issue price of US$1.00 to Million Hope (BVI).

Following the Reorganisation, Million Hope Industries (BVI) became a direct wholly-owned subsidiary of the Company, and Million Hope (BVI) and Paramount Forward became indirect wholly-owned subsidiaries of the Company.

Transfer of shares in Heroic Elite to Million Hope (BVI)

Heroic Elite is a company incorporated in the BVI on 27 February 2017 with limited liability, and is authorised to issue a maximum of 50,000 shares of a single class with a par value of US$1.00 par value each. On 28 March 2018, pursuant to a sale and purchase agreement, Million Hope (BVI) acquired the entire issued share capital of Heroic Elite for a consideration of HK$7.80, and took assignment of a shareholder's loan owing by Heroic Elite in the amount of HK$153,409,064.60, representing the Hanison Group's investment cost in Heroic Elite. The consideration for transfer of the share capital and assignment of the loan was left outstanding as an inter-company balance, which balance will ultimately be settled in the form of a net repayment by the Company to Hanison Construction (BVI) prior to the Listing.

Heroic Elite is an investment holding company, and holds the Property, a main portion of which is used as the Group's office space through its wholly-owned subsidiaries. Following the Reorganisation, Heroic Elite became an indirect wholly-owned subsidiary of the Company.

Transfer of shares in Million Hope Industries (HK)

On 28 March 2018, Paramount Forward acquired all the issued shares of Million Hope Industries (HK) for a consideration of HK$3,385,189. The consideration represented the investment cost of the Hanison Group in Million Hope Industries (HK). The consideration for the transfer was settled by way of a promissory note issued by Paramount Forward to Rich Color Limited. The promissory note was transferred and left outstanding as a balance owing by the Company to Hanison Construction (BVI) and will ultimately be settled in the form of a net repayment by the Company to Hanison Construction (BVI) prior to the Listing.

Million Hope Industries (HK) is the principal operating subsidiary of the Group in Hong Kong, and is also a holding company of Million Hope (Huizhou), the principal operating subsidiary of the Group in the PRC. Following the Reorganisation, Million Hope Industries (HK) became an indirect wholly-owned subsidiary of the Company.

Increase of authorised share capital

On 22 February 2019, the authorised share capital of the Company was increased from HK$380,000 divided into 3,800,000 Shares of HK$0.10 each to HK$**[REDACTED]** divided into **[REDACTED]** Shares of HK$0.10 each, by the creation of **[REDACTED]** Shares of HK$0.10 each.

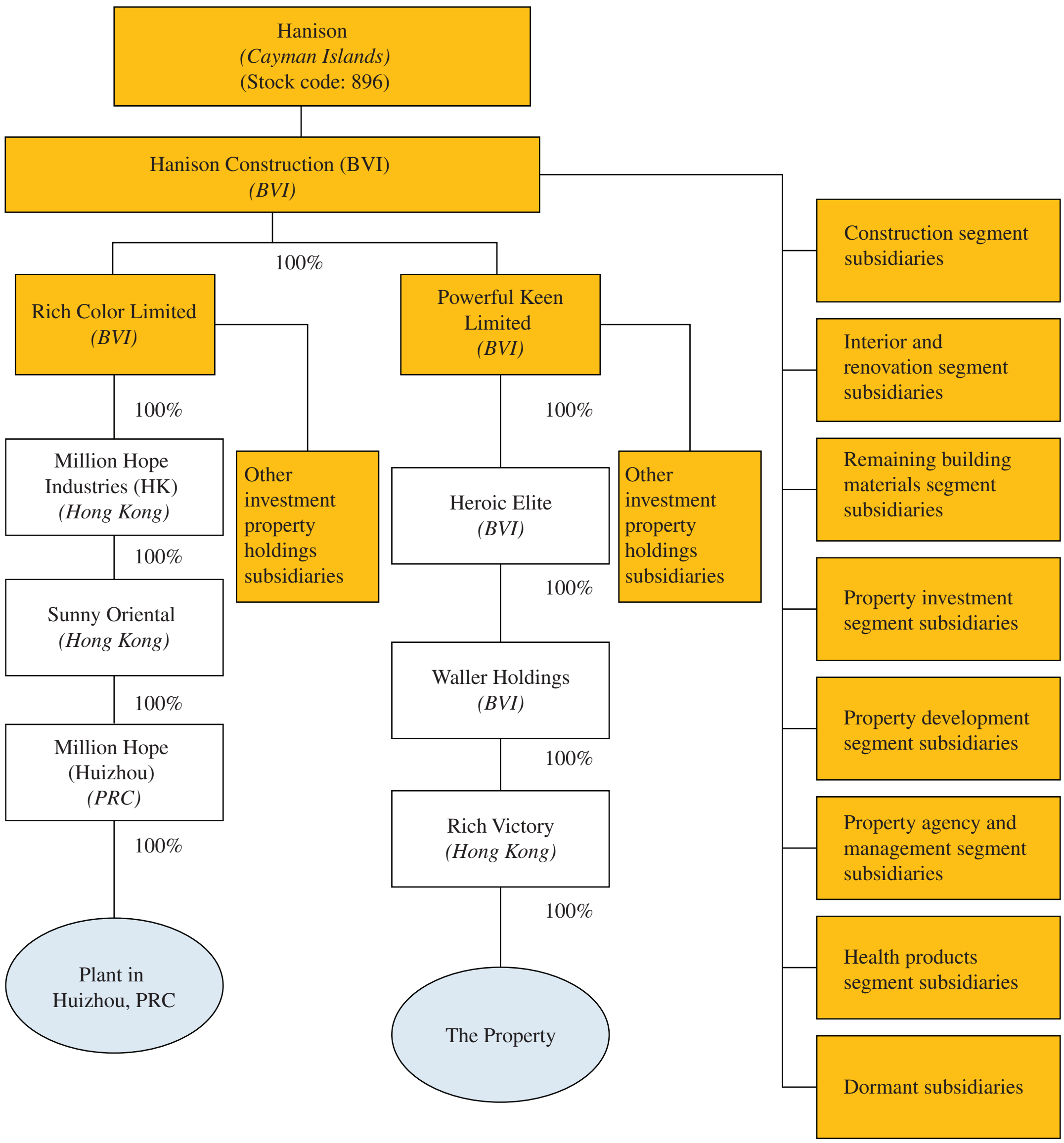
Allotment and issue of Shares, contribution on Shares and the Distribution

After the Record Date and prior to effecting the Distribution, the Company will allot and issue such number of new Shares as will ultimately enable Hanison to effect the Distribution on the basis of two Shares for every five Hanison Shares held on the Record Date. Assuming Hanison's issued share capital remains the same on the Record Date as it was on the Latest Practicable Date, the Company will allot and issue **[REDACTED]** Shares to Hanison Construction (BVI) at nominal value, for cash (total amount payable: HK$**[REDACTED]** Shares). Following such issue of Shares, the issued share capital of the Company would be **[REDACTED]** Shares. In addition, on the same date, Hanison Construction (BVI) will contribute such further cash sum, on the issued share capital of the Company, as will, after contribution, increase the net asset value of the Group to an amount of not less than HK$500 million. From the cash sums subscribed and contributed, the Company will, prior to the Listing, settle the net outstanding inter-company balance owing by the Company to Hanison Construction (BVI).

The Distribution involves the distribution in specie of the entire issued capital of the Company by Hanison Construction (BVI) to its shareholder, namely Hanison, followed immediately by a second distribution in specie of the entire issued share capital of the Company by Hanison to the Distribution Qualifying Shareholders. Subsequent to the allotment and issue of Shares as mentioned above and based on the amount of issued share capital of Hanison as at the Latest Practicable Date, and assuming that it will remain unchanged on the Record Date, **[REDACTED]** Shares will be the subject of the Distribution.

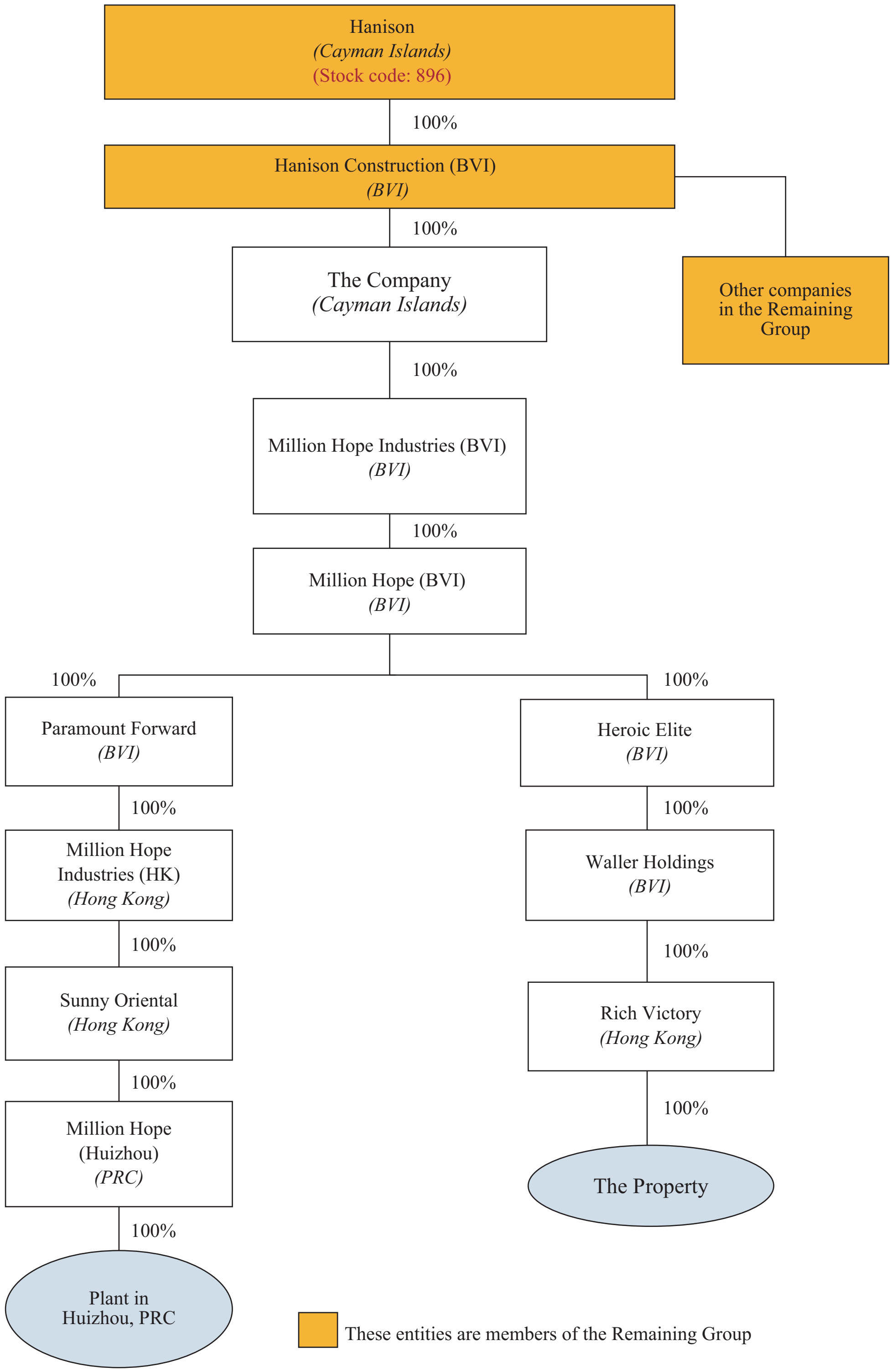
CORPORATE STRUCTURE

Prior to the Reorganisation, the simplified shareholding structure of the Group was as follows:

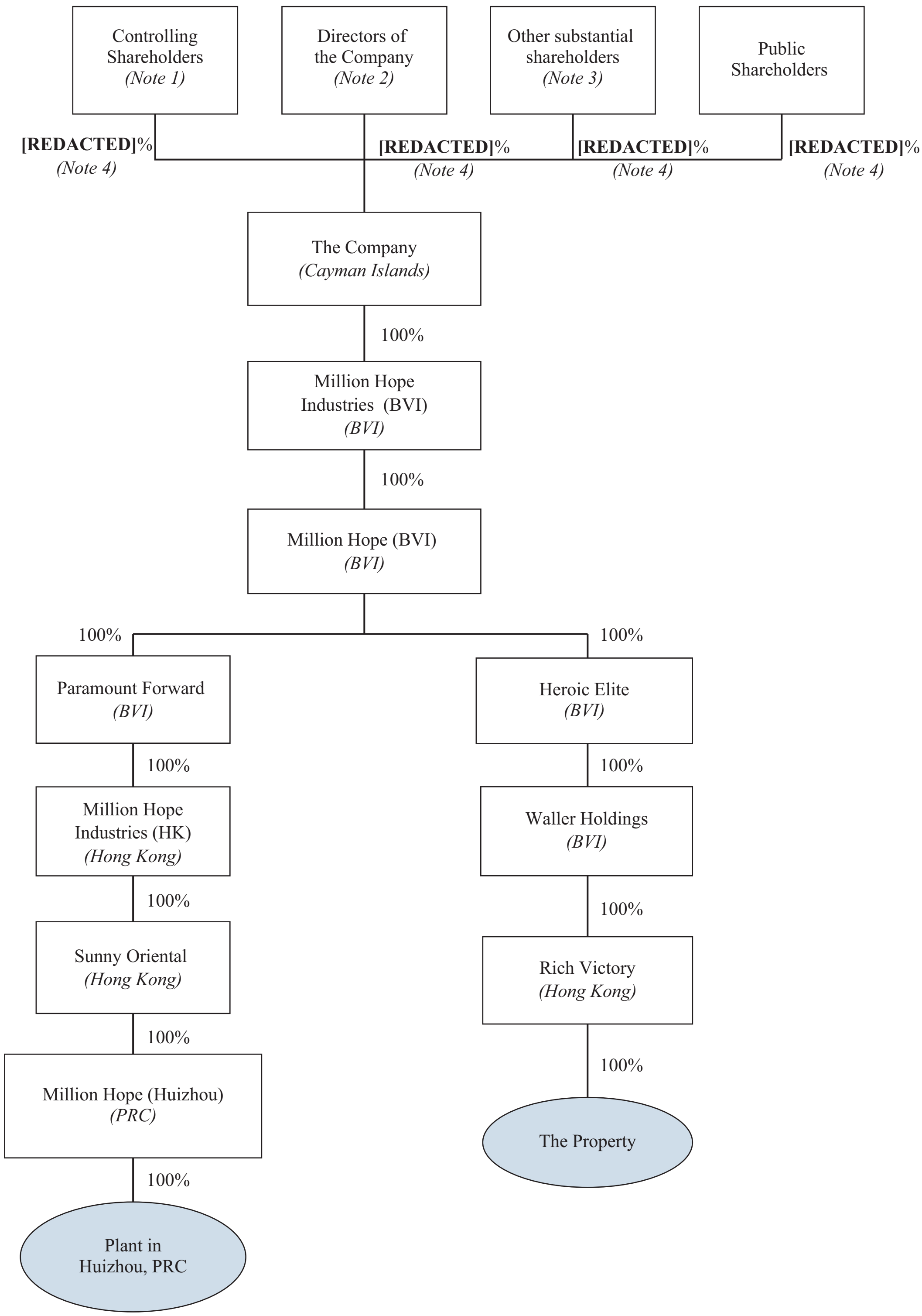


These entities are members of the Remaining Group.

The simplified shareholding structure of the Group immediately after the Reorganisation but prior to the completion of the Spin-off and Listing is as follows:



The shareholding structure of the Group immediately following the completion of the Spin-off (assuming there is no change in the shareholding in Hanison from the shareholding as at the Latest Practicable Date) is as follows:



Notes:

1. **[REDACTED]**
2. **[REDACTED]**
3. **[REDACTED]**
4. The percentage figures are based on the assumption that all Shareholders are Distribution Qualifying Shareholders, and do not take into account the exercise of any outstanding share options pursuant to the share option scheme of Hanison adopted on 21 September 2011 on or before the Record Date.

OVERVIEW

The Group is a subcontractor principally engaged in the design, supply and installation of facade and curtain wall systems, with a focus on curtain walls, aluminium windows and doors. The Group provides one-stop design, supply and installation services for curtain walls, aluminium windows and doors, and works closely with customers and architects in its design, supply and installation projects for new buildings to offer tailor-made designs and products to suit the project requirements. On a much smaller scale, the Group is also engaged in the provision of design, supply and installation for renovation service for facade and curtain walls on existing buildings, and repair, maintenance and others. The Group's principal customers are main contractors and property developers. Please refer to the sub-section headed "Services of the Group" in this section for details of the services and products offered by the Group.

The Group owns and operates its own fabrication plant in Huizhou, the PRC, which serves as the production base for products used in the Group's Design, Supply and Installation Projects, including customer-specified products and "Schüco" products. The products fabricated at the fabrication plant in Huizhou, the PRC, include curtain walls – stick system, aluminium windows, doors, balustrades, louvres, grilles, canopies, claddings and aluminium features. The fabrication plant is accredited with the ISO 9001 quality management system and the ISO 14001 environmental management system.

During the Track Record Period, the Group's revenue derived from projects in Hong Kong and the PRC principally involved the Group's design, supply and installation of curtain walls, aluminium windows and doors. The following table sets forth a breakdown of the Group's revenue during the Track Record Period by contract type. Please refer to the sub-section headed "Financial Information – Principal components of results of operations" for further information regarding the Group's revenue during the Track Record Period.

	Year ended 31 March						Five months ended 31 August			
	2016		2017		2018		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (*unaudited*)	*%*	*HK$'000*	*%*
Design, supply and installation for curtain walls, aluminium windows, doors and other products for new buildings *(notes i and ii)*	245,410	66.7	347,555	69.2	242,888	57.7	141,623	65.8	68,308	43.5
Design, supply and installation for aluminium windows, doors and other products for new buildings *(note ii)*	116,913	31.8	153,869	30.7	162,161	38.5	72,885	33.9	87,000	55.4
Design, supply and installation for renovation works for existing buildings	2,435	0.7	191	–	14,737	3.5	–	–	892	0.6
Repairing, maintenance and others *(note iii)*	3,010	0.8	323	0.1	1,360	0.3	621	0.3	872	0.6
Total	367,768	100.0	501,938	100.0	421,146	100.0	215,129	100.0	157,072	100.0

Notes:

i The contract type involves aluminium windows, doors and other products in addition to curtain walls. The curtain walls are the principal products for the contract type and the principal revenue from this contract type is also from curtain walls.

ii Other products represent balustrade, louvre, cladding, window wall, canopy and grille.

iii Others mainly represent mock up.

During the Track Record Period, most of the Group's projects were located in Hong Kong. The following table sets forth a breakdown of the Group's revenue during the Track Record Period by geographical location of the projects:

	Year ended 31 March						Five months ended 31 August			
	2016		2017		2018		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Hong Kong	342,941	93.2	483,397	96.3	377,094	89.5	173,304	80.6	152,181	96.9
PRC	24,827	6.8	18,541	3.7	44,052	10.5	41,825	19.4	1,631	1.0
Other (Saipan)	–	–	–	–	–	–	–	–	3,260	2.1
Total	367,768	100.0	501,938	100.0	421,146	100.0	215,129	100.0	157,072	100.0

One-stop design, supply and installation service for new buildings

The Group provides one-stop design, supply and installation services for facade and curtain wall systems, with a focus on curtain walls, aluminium windows and doors. The services undertaken by the Group in a typical design, supply and installation project for new buildings mainly include development of design, shop drawings, structural calculation, method statements, sourcing and procurement of materials, material fabrication and processing, arranging for installation works and post completion maintenance service 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. Please refer to the sub-section headed "Operating procedures – Design, supply and installation projects for new buildings" in this section for details of the major steps involved in a typical design, supply and installation project for new buildings.

Million Hope Industries (HK), the principal operating subsidiary in Hong Kong, is a Registered Minor Works Contractor with the Buildings Department and a Registered Subcontractor with the Construction Industry Council. Million Hope (Huizhou), the principal operating subsidiary in the PRC, owns and operates the Group's fabrication plant in Huizhou, the PRC, which fabricates the majority of the products used in the design, supply and installation projects for new buildings undertaken by the Group. For further details about the Group's fabrication plant, please refer to the sub-section headed "Services of the Group – Fabrication facilities". For Design, Supply and Installation Projects which involve the use of curtain walls – unitised system, the Group outsources the fabrication and assembly of the curtain wall – unitised system units to external suppliers, as the Group's fabrication plant in Huizhou, the PRC, has insufficient space to handle such products. Please refer to the sub-section headed "Services of the Group – Components supplied by the Group" for further information on the various components supplied by the Group in a typical design, supply and installation project for new buildings.

The following table sets forth a breakdown of the Group's design, supply and installation projects for new buildings based on a scale of revenue recognition during the Track Record Period:

	Year ended 31 March			Five months ended
	2016	2017	2018	31 August 2018
	Number of projects	*Number of projects*	*Number of projects*	*Number of projects*
Revenue recognised				
Above HK$30.0 million	3	5	5	2
Above HK$10.0 million to HK$30.0 million	6	3	2	1
Above HK$1.0 million to HK$10.0 million	15	10	9	11
HK$1.0 million and below	13	14	17	6
Total	37	32	33	20

During the Track Record Period, the Group completed a total of 41 design, supply and installation projects for new buildings. As at the Latest Practicable Date, the Group had a total of 31 design, supply and installation projects for new buildings on hand, representing projects commenced but yet to complete and projects where engagement has been confirmed but which has yet to commence, with an aggregate outstanding contract sum on hand of approximately HK$623.2 million. For details on the Group's latest development, please refer to the section headed "Summary – Recent developments" in this listing document.

One-stop design, supply and installation services for renovation works of existing buildings

On a much smaller scale, the Group provides renovation works for facade and curtain walls in Hong Kong. Such works generally include the design, supply and installation of curtain walls, aluminium windows and doors and other components in refurbishment works for existing buildings.

During the Track Record Period, the Group's revenue generated from design, supply and installation services for renovation works of existing buildings for each of the three years ended 31 March 2018 and the five months ended 31 August 2018 amounted to approximately HK$2.4 million, HK$0.2 million, HK$14.7 million and HK$0.9 million, respectively, representing approximately 0.7%, 0.04%, 3.5% and 0.6% of the Group's total revenue respectively.

Repair, maintenance and others

Also on a much smaller scale, the Group provides repair and maintenance services in Hong Kong. Such repair and maintenance work typically involves repair or replacement of aluminium windows and sliding doors, repair or replacement of damaged components such as aged sealant, window and door hardware, normally in respect of property development projects where the Group had previously acted as a subcontractor. Others mainly represented mock-up.

During the Track Record Period, the Group's revenue generated from repairing, maintenance and others for each of the three years ended 31 March 2018 and the five months ended 31 August 2018 amounted to approximately HK$3.0 million, HK$0.3 million, HK$1.4 million and HK$0.9 million, respectively, representing approximately 0.8%, 0.1%, 0.3% and 0.6% of the Group's total revenue respectively.

COMPETITIVE STRENGTHS

The Directors believe that there are several competitive strengths that set the Group apart from its competitors and that will enable the Group to continue its growth and enhance its profitability. These competitive strengths comprise:

Well-established in the facade and curtain wall works industry in Hong Kong

The Group has considerable experience in the facade and curtain wall works industry, having operated in the Hong Kong market for over 20 years. Million Hope Industries (HK) is a Registered Minor Works Contractor with the Buildings Department and a Registered Subcontractor with the Construction Industry Council, and has been awarded the ISO9001 certificate by the Hong Kong Quality Assurance Agency in relation to design, manufacture and installation project management of aluminium curtain wall and window since 1998. Since the acquisition of Million Hope Industries (HK) by the Hanison Group in 2007, the business of the Group has expanded over the years, and the annual revenue of the Group has increased from approximately HK$59.0 million for the year ended 31 March 2008 to HK$342.9 million for the year ended 31 March 2016, HK$483.4 million for the year ended 31 March 2017, and HK$377.1 million for the year ended 31 March 2018 in respect of revenue derived from projects in Hong Kong. During the Track Record Period, the Group had completed 41 design, supply and installation projects for new buildings, and as at 31 August 2018, the Group had a total of 29 design, supply and installation projects for new buildings on hand representing an aggregate outstanding contract sum of approximately HK$681.8 million.

The Group's principal customers are main contractors and property developers. When selecting a facade and curtain wall works contractor, the developer or main contractor will consider the track record and reputation of the facade and curtain wall works contractor in terms of quality of works, design capability, project management and timeliness of project completion. Over the years, the Group has established stable relationships with some of its major customers, ranging from two to 13 years. The Directors believe that this stands testament to the Group's work and reputation within the facade and curtain wall works industry.

Based on the above, the Directors are of the view that the Group has, over the years, established a solid reputation and proven track record in the facade and curtain wall works industry in Hong Kong, which has enabled the Group to expand and develop its business and will continue to drive the Group's growth in the future.

Self-owned fabrication plant

The Group owns and operates its own fabrication plant in Huizhou, the PRC. The fabrication plant is equipped with the necessary facilities, machines and equipment to produce customer-specified products and "Schüco" products used in the Group's Design, Supply and Installation Projects. Other than curtain walls – unitised system, the fabrication and assembly of which are outsourced to external suppliers due to insufficient space at the Group's fabrication plant, nearly all of the customer-specified products and "Schüco" products are fabricated and processed at the Group's fabrication plant. The Group places a high emphasis on the quality of its products, and its fabrication plant has been accredited with the ISO 9001 quality management system since 2009 and the ISO 14001 environmental management system since 2010. As the fabrication plant is self-owned and self-operated, the Group is in control of the production process and is thus better able to manage the quality of the products and the timing of production and delivery. The Directors believe that having its own fabrication plant and being able to control the production process also creates higher customer confidence in the Group's products and services, and better enables the Group to respond effectively to the demands of its customers.

The following table sets forth a breakdown of the revenue contribution from the Group's contracts where the products used for the contracts were mainly produced by the Group's fabrication plant (including curtain walls – stick system, aluminium windows and doors products) and contracts where the products used were mainly produced by the Group's external suppliers (namely curtain walls – unitised system) during the Track Record Period:

	Year ended 31 March			Five months ended 31 August	
Revenue contribution from	**2016**	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Contracts with products mainly produced by the Group's fabrication plant	169,372	236,426	331,771	179,316	99,316
Contracts with products mainly produced by the Group's external suppliers	198,396	265,512	89,375	35,813	57,756
Total	367,768	501,938	421,146	215,129	157,072

For further details about the Group's fabrication plant, please refer to the sub-section headed "Services of the Group – Fabrication facilities".

Business cooperation with Schüco as its working partner in Hong Kong and southern China

The Group has been appointed as a working partner of Schüco and an authorised manufacturer of "Schüco" products in Hong Kong and southern China since 2004. Schüco is a leading specialist in multi-functional building envelopes with expertise in windows, doors and facades. Schüco supplies the Group with the raw materials and hardware accessories used in "Schüco" systems, which the Group will process at its fabrication plant in accordance with Schüco-specified processes. The Group also works closely with Schüco during the course of its Design, Supply and Installation Projects to develop customised solutions where "Schüco" products are used. For each of the three years ended 31 March 2018 and the five months ended 31 August 2018, revenue contribution from contracts where Schüco products were used represented approximately 9.9%, 5.2%, 11.7%, and 3.3% of the Group's total revenue, respectively. The percentage increase from 5.2% for the year ended 31 March 2017 to 11.7% for the year ended 31 March 2018 was primarily attributable to the Group's project located in the PRC, which contract represented a revenue contribution of approximately 0%, 3.6%, 10.4%, and 0%, respectively, to the total revenue of the Group for each of the three years ended 31 March 2018 and the five months ended 31 August 2018. Although the Group considers that the amount of revenue generated from Schüco products did not represent a significant portion of the Group's total revenue during the Track Record Period, the Group believes that through the Group's working partnership with Schüco, the Group has developed an extensive knowledge base in the design and fabrication of quality aluminium facades and fixtures, and this has enabled the Group to improve and enhance its product offerings.

Professional operation by experienced management team, design team and project management team

The Group is led by an experienced management team in the facade and curtain wall works industry. Mr. Chuk Kin Lun and Mr. Lee Cheuk Hung, the executive Directors and Joint Managing Directors of the Company, have been working with the Group for over 10 years and 20 years (Mr. Lee Cheuk Hung having worked in Million Hope Industries (HK) prior to its acquisition by the Hanison Group) respectively and both of them have over 20 years experience in the building industry in Hong Kong. Please refer to the section headed "Directors and Senior Management" of this listing document for further details of their biographies and relevant industry experience.

As at the Latest Practicable Date, the Group's design team consisted of 17 members, and the project management team consisted of 63 members. Excluding site supervisors, the majority of the Group's design and project management teams possess higher diplomas or above in relevant disciplines and have been working with the Group for over three years on average. The Directors believe that the experience and knowledge of the management team, together with the expertise of the design and project management teams, has enabled the Group to deliver quality and satisfactory services to the Group's customers, and will continue to enable the Group to deliver high quality products and services to its customers.

Stable business relationships with the Group's major suppliers and subcontractors

The Group has over 20 years' of operating history in the facade and curtain wall works industry in Hong Kong. Throughout this period, the Group has built contacts with a stable pool of suppliers and subcontractors and has maintained business relationships with some of its major suppliers and subcontractors for over 10 years. For further details of the Group's major suppliers and subcontractors, please refer to the sub-sections headed "Suppliers" and "Subcontractors" in this section. The Group maintains internal lists of approved suppliers and subcontractors, which are updated on a continual basis. For further details of the basis for selection of suppliers and subcontractors, please refer to the sub-sections headed "Suppliers – Basis of selection of suppliers" and "Subcontractors – Basis of selection of subcontractors" in this section.

The Directors consider that having a stable supply of materials, and labour for installation purposes, allows the Group to effectively maintain the quality of its work, including the materials and products used and the on-site installation activity, which is a crucial factor for the Group in securing new business opportunities and maintaining a good reputation within the industry.

One-stop design, supply and installation services provider for facade and curtain wall systems

The Group provides one-stop design, supply and installation services to its customers, ranging from developing the design, structural calculations and shop drawings, sourcing and procurement of materials, materials 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 overall project management.

In order to ensure the quality of the Group's works, a project management team will be formed for each Design, Supply and Installation Project of the Group and a project manager will be assigned to oversee the project. The assigned project manager will communicate with the customer from time to time throughout the project. The Directors consider that since the Group is involved in every stage of a Design, Supply and Installation Project, the Group can effectively monitor the progress of the projects and minimise the possibility of having significant deviation from the original design provided to its customers. For the Group's customers, this is designed to save them time and cost in terms of searching for and engaging different parties to provide the different types of service at each stage of a project.

BUSINESS STRATEGIES

The Group's overall business objective is to strengthen further its market position and competitiveness in the facade and curtain wall works industry in Hong Kong and the PRC. The Directors intend to pursue the following key strategies to achieve the Group's future expansion plans:

Further increasing market awareness and recognition of the Group

The Group generally relies on its connections and relationships with existing customers and customer referrals to secure new projects. The Directors consider that the Group can broaden its client base and attract more invitations from potential customers by increasing marketing efforts to promote market awareness and recognition. The Group's planned marketing efforts include (i) organising and attending trade exhibitions in Hong Kong and the PRC to showcase its products and capabilities, such as the China International Fenestration Exhibition and FENESTRATION BAU China; (ii) recruiting additional research and marketing staff to strengthen the Group's marketing capabilities; and (iii) engaging a marketing agency firm to perform periodic market research on the trends and developments in facade and curtain wall products in Hong Kong and the PRC.

During the Track Record Period, the Group secured new projects mainly through direct invitations for quotation or tendering by customers, but the Group did not have a dedicated sales and marketing team in Hong Kong. In order to implement the Group's plan to increase its market awareness and recognition as mentioned above, the Directors consider that it would be necessary to recruit up to three additional research and marketing staff to enhance the research and marketing capabilities of the Group and assist in the development of the Group's self-designed products based on market preferences. The Directors also consider that the engagement of a marketing agency firm to provide market research information on trends and developments in the facade and curtain wall works industry and products would serve to enable the Group to keep up to date with the latest industry trends and support and complement the Group's marketing efforts, and facilitate the Group's continuing efforts to provide its customers with innovative solutions and remain competitive.

The costs of organising and participating in trade exhibitions are estimated to be approximately HK$1.5 million per annum for each of the three years after the Listing. The annual staff cost for research and marketing is estimated to be approximately HK$1.5 million for each of the three years after the Listing. The cost of engaging a marketing agency firm is estimated to be approximately HK$1.0 million per annum for each of the three years after the Listing. The aforementioned costs are expected to be financed from the cash injection from Remaining Group to the Group prior to the completion of the Spin-off.

Further enhancing the Group's production capacity and efficiency

For each of the three years ended 31 March 2018, the Group recorded revenue growth from approximately HK$367.8 million for the year ended 31 March 2016 to HK$421.1 million for the year ended 31 March 2018, and as at the Latest Practicable Date, the Group had 31 design, supply and installation projects for new buildings on hand. During the Track Record Period, the utilisation rate of the Group's fabrication plant for window wall and curtain wall systems increased from approximately 92% for the year ended 31 March 2016 to approximately 98% for the year ended 31 March 2018, and the utilisation rate for window and door systems increased from approximately 51% for the year ended 31 March 2016 to approximately 98% for the year ended 31 March 2018 and 99% for the five months ended 31 August 2018. Further details are set out in the sub-section headed "Services of the Group – Fabrication facilities" in this section below.

To support the continued growth of the Group's business and to enhance the production capacity of the Group, the Group plans to acquire new machinery and equipment for use in the Group's fabrication plant in Huizhou, the PRC, including double head rising up cutting off machines, a four axis aluminium machining center, and automatic notching machines, to replace certain aged machinery and equipment (some of which were acquired by the Group as early as 2009 and were fully depreciated as at the Latest Practicable Date). It is expected that the acquisition of new machinery and equipment will enhance the Group's production capacity and efficiency. The expected increase in the Group's theoretical production capacity after the purchase of new machinery and equipment is set out in the table below:

Product	**Existing annual production capacity**	**Expected annual production capacity**
	(m^2) *(Note 1)*	*(m^2)*
Curtain walls and window walls (excluding curtain walls — unitised systems)	28,000	32,000
Windows and doors systems	70,000	81,000
Curtain walls — unitised system	–	76,000

Notes:

1. The production capacity was measured in m^2 based on the production floor area and production workers assuming that the fabrication plant operates for 10 hours per day and 300 days per year. The annual capacity per square metre was assumed to be:
   (i) Curtain walls and window walls (excluding curtain walls – unitised systems) – 28,000 m^2
   (ii) Windows and doors systems – 70,000 m^2

The Directors believe that the acquisition of new machinery and equipment will allow the Group to (i) enhance its operational efficiency and technical capability; (ii) cope with its business development plan to undertake more projects; and (iii) manage its production process more efficiently. The expected capital expenditure for the acquisition of the new machinery and equipment will be approximately HK$25.0 million, which is expected to be financed from the cash injection from Remaining Group to the Group prior to the completion of the Spin-off.

Expanding the Group's capacity to undertake more projects

The Group plans to further expand its capacity to undertake more Design, Supply and Installation Projects to expand its curtain walls, aluminium windows and doors businesses. According to the Ipsos Report, the facade and curtain wall works industry in Hong Kong has experienced considerable growth, with the gross output value of the facade and curtain wall works industry increasing from HK$4,699.5 million in 2013 to HK$5,445.7 million in 2017, at a CAGR of approximately 3.8%, while in the PRC, the gross output value of the facade and curtain wall works industry increased from RMB573.8 billion in 2013 to RMB737.7 billion in 2017, rising at a CAGR of approximately 6.5%. The facade and curtain wall works industry in Hong Kong is expected to continue its growth, driven by demand arising from infrastructure projects, new commercial buildings and new residential buildings, while the continued growth of the facade and curtain wall works industry in PRC is expected to be driven by the promotion of green buildings initiated by the PRC government. The Directors are of the view that these industry developments will present the Group with business opportunities for potential new projects.

The Directors believe that the Group's capacity to undertake projects depends on the amount of available working capital and cash flow. It is common in the construction industry that the Group incurs net cash outflows at the early stage of any project since the Group is typically required to pay certain upfront costs, such as cost of materials, subcontracting and other charges and insurance expenses, in advance of payment from its customers, whereas the customers normally make progress payments to the Group after the works have commenced and/or are completed. Customers generally make the first progress payment to the Group approximately three to six months after commencement of the relevant projects. Furthermore, customers typically withhold 10% of each interim payment up to an aggregate of 5% of the total contract sum as retention money, which will only be fully released to the Group subsequent to the expiry of the defects liability period.

During the Track Record Period, the Group utilised certain banking facilities which were shared with other subsidiaries of the Remaining Group and internal resources to finance the upfront payments. The Directors consider that the number of projects that the Group is able to undertake is, in large part, driven by the availability of working capital. Prior to the completion of the Spin-off, the Remaining Group will inject an amount into the Group to increase the net asset value of the Group to an amount of not less than HK$500 million upon Listing. For reference only, based on the audited consolidated net asset value of the Group as at 31 August 2018 and taking into account the expected listing expenses to be incurred, the estimated reference amount to be injected is approximately HK$379.7 million in aggregate. Such cash injection will increase the available working capital of the Group as the Group intends to apply part of the cash injection to finance its projects, hence expanding the Group's capacity to undertake more projects.

Further strengthening the Group's capital base

For construction projects in Hong Kong, it is not unusual for customers to require contractors to take out performance bonds which usually amount to approximately 10% of the total contract sum to ensure a contractor's due performance. The performance bond requirement may result in the lock-up of a portion of the Group's capital during the term of the performance bond and therefore affects its liquidity position.

During the Track Record Period, the Group undertook multiple projects requiring the provision of performance bonds. As at 31 March 2016, 2017, 2018 and 31 August 2018, the Group's outstanding performance bonds in respect of the Group's construction contracts with customers amounted to approximately HK$62.6 million, HK$100.8 million, HK$87.2 million and HK$109.1 million, respectively. These banking facilities are shared with other subsidiaries of the Remaining Group. The Group has arranged for banking facilities with three banks in Hong Kong for an aggregate amount of HK$220 million, of which HK$120 million is available to the Group as at the Latest Practicable Date, and the remaining HK$100 million will be available upon the Listing.

Establishing a new fabrication plant in the PRC

As discussed in the sub-section "Competitive Strengths – Self-owned fabrication plant" above, while the majority of products used in the Group's Design, Supply and Installation Projects are fabricated and processed at the Group's self-owned fabrication plant, the Group generally outsources the fabrication and assembly of curtain wall – unitised system products to external suppliers, as the Group's fabrication plant in Huizhou, the PRC, has insufficient space to handle such products.

Based on the experience of the Group, the curtain wall – unitised system is popular with developers. According to the Ipsos Report, as curtain wall – stick systems are installed piece by piece at the construction site and the installation process requires a large number of labourers, the installation process is generally slower and the quality of the on-site installation may vary as it is carried out by different workers, and thus it is more difficult to address quality control on stick wall systems. In comparison, as the curtain wall – unitised system is pre-fabricated in modules off-site and delivered in panels to the construction site, the installation process requires fewer labourers, and quality control is also comparatively easier since the curtain wall units are fabricated in a controlled environment.

In view of the foregoing, the Directors consider that curtain wall – unitised systems will be an important area of growth for the business of the Group.

To support the business expansion of the Group and in light of the expected increase in demand for curtain wall – unitised systems, the Directors consider that there is a business need for a larger fabrication plant, which would enable the Group to undertake the fabrication process of curtain wall – unitised systems products and reduce the Group's reliance on external suppliers in this regard. The Group has been seeking to acquire land in the PRC for a larger fabrication plant, but as at the Latest Practicable Date, the Group has yet to identify a suitable parcel of land that meets the criteria of the Group. In selecting a suitable property, the Group will consider the following criteria: (i) having a gross floor area of approximately 60,000 to 100,000 square meters; (ii) being located in an area close to the location of the Group's existing fabrication plant or otherwise suitable for the Group's operational needs; (iii) being suitable for use as a fabrication facility; and (iv) the costs of establishing the new fabrication plant being within HK$150.0 million (for the acquisition of land and building, construction costs or renovation costs). The Group intends to identify a suitable property for the new fabrication plant within three years of Listing. Once a suitable property is identified based on the Group's criteria, the Directors will make a final decision after having regard to, among other things, its pipeline of future projects and projected capacity requirements, including the number of projects requiring curtain walls – unitised system, and the prevailing market conditions generally. The costs of establishing a new fabrication plant are expected to be financed from the cash injection from Remaining Group to the Group prior to the completion of the Spin-off.

Further strengthening the Group's manpower

In considering whether to submit a tender or undertake a new project, the Group will take into account, amongst others, the Group's projects on hand, the availability of the Group's financial and human resources, and the scale of projects as factors. The Directors believe that a team of skilled staff members with appropriate knowledge and experience is crucial to the Group's continuing success. In addition to recruiting additional marketing staff to enhance the Group's marketing efforts, as discussed in the sub-section headed "Further increasing market awareness and recognition of the Group" above, the Group intends to strengthen its manpower by recruiting additional staff including tendering, project, and factory staff to (i) increase the Group's in-house capacity and project capabilities; and (ii) support the Group's business development and expansion plan.

SERVICES OF THE GROUP

The Group is a subcontractor principally engaged in the design, supply and installation of facade and curtain wall systems, with a focus on curtain walls, aluminium windows and doors. The Group provides one-stop design, supply and installation services for curtain walls, aluminium windows and doors, and works closely with customers and architects in its design, supply and installation projects for new buildings to offer tailor-made designs and products to suit the project requirements. On a much smaller scale, the Group is also engaged in the provision of renovation works for facade and curtain walls on existing buildings, and repair and maintenance services. The Group's principal customers are main contractors and property developers.

During the Track Record Period, the Group's revenue was substantially derived from the Group's design, supply and installation of curtain walls, aluminium windows, doors and other products projects for new buildings located in Hong Kong and the PRC, which accounted for approximately 98.5%, 99.9%, 96.2% and 98.9% of the Group's revenue for each of the three years ended 31 March 2018 and the five months ended 31 August 2018, respectively. Most of the Group's projects are located in Hong Kong, which accounted for approximately 93.2%, 96.3%, 89.5% and 96.9% of the Group's total revenue for each of the three years ended 31 March 2018 and the five months ended 31 August 2018, respectively.

In a typical new building project, facade and curtain wall works are considered as part of the building construction works. In Hong Kong, generally, the property developer (for private construction projects) or the government (for public sector projects) will engage an architect to develop the overall building design and produce the design and construction documents, and choose a main contractor which will be responsible for overall project management and on-site construction. After a main contractor is selected, the main contractor will further obtain tenders from different subcontractors based on the services required, such as foundation, site formation, building works as well as facade and curtain wall works. According to the Ipsos Report, subcontractors can be mainly classified as nominated subcontractors or domestic subcontractors. A nominated subcontractor refers to a subcontractor that is chosen and nominated by the property developer to perform the specialist works in respect of the project, and the main contractor does not have control over the property developer's selection of the nominated subcontractor. A domestic subcontractor refers to a subcontractor that is chosen by the main contractor to perform certain works on the project. For the projects in Hong Kong, regardless of whether the Group is acting as a nominated subcontractor or a domestic subcontractor, the subcontracting agreement is generally signed with the main contractor and the main contractor will be responsible for the administration of the subcontractor's work. There is no material difference between the operating procedures for a nominated subcontractor and a domestic subcontractor.

During the Track Record Period, the Group acted as a nominated subcontractor in the majority of its projects in Hong Kong. Included in the revenue from Hong Kong, there was revenue of approximately HK$316.8 million, HK$427.8 million, HK$331.8 million and HK$102.5 million derived from projects which the Group acted as a nominated subcontractor for the year ended 31 March 2016, 2017 and 2018 and the five months ended 31 August 2018, respectively.

According to the Ipsos Report, for facade and curtain wall works projects in the PRC, real estate developers, the Government of China and their appointed main contractors will be the major customers in the facade and curtain wall works segment. Before the commencement of a facade and curtain wall works project, customers may select facade and curtain wall works contractors through open tender (for public projects) or invitation tender (for private projects). In most cases, the developers will invite main contractors and subcontractors to submit tenders. In other cases, the developers will only select the main contractor, and then the main contractor will further select subcontractors through tendering. During the Track Record Period, for the Group's newly awarded project in the PRC, the contract was signed with the developers directly.

One-stop design, supply and installation services for new buildings

The Group provides one-stop design, supply and installation services for facade and curtain walls systems of new buildings. Services undertaken by the Group in a typical design, supply and installation project for new buildings project mainly include preliminary design and site analysis, shop drawings, structural calculations, sourcing and procurement of materials, material fabrication and processing, arranging for installation works and post completion maintenance service 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.

One stop design, supply and installation for renovation services of existing buildings

On a much smaller scale, the Group provides renovation works for facade and curtain walls on existing buildings in Hong Kong. Such works generally include the design, supply and installation of curtain walls, aluminium windows, doors and other components in refurbishment works for existing buildings.

Repair, maintenance and others

Also on a much smaller scale, the Group provides repair and maintenance services for curtain walls, aluminium windows and doors projects in Hong Kong. Such repair and maintenance work undertaken by the Group mainly include repair or replacement of aluminium windows and sliding doors, repair or replacement of damaged components such as aged sealant, window and door hardware, normally in relation to property development projects where the Group had previously acted as a subcontractor. Others mainly represented mock up.

Components supplied by the Group

A brief description of the various components supplied by the Group in a typical Design, Supply and Installation Project is set out below:

Curtain walls

A curtain wall is an external building envelope that is intended to support only its own weight and withstand the effects of environmental forces such as wind and rain, and is a non-load bearing structure of a building. As such, it can be made of lightweight materials, thereby reducing construction costs.

The common materials used for curtain walls include glass, aluminium plate and various types of stone. The curtain wall is typically supported by extruded aluminium frames that are attached on to the beam edge of the building, and is designed to resist air and water infiltration, absorb sway induced by wind and seismic forces acting on the building, withstand wind loads, and support its own dead load weight forces.

The main categories of curtain wall systems include the stick system and the unitised system. For the stick system, the assembly and installation of the curtain wall frame and the glazing is mainly done on-site, whereas unitised systems are generally pre-fabricated in modules and the glazing is done in a factory off-site, and the finished panels are transported to the construction site for installation. Since unitised curtain wall modules are pre-fabricated at a processing factory (rather than being assembled at the construction site), a spacious area is required for the fabrication process. According to the Ipsos Report, while it is common for facade and curtain wall contractors to have their own factories for the fabrication of windows and curtain wall – stick systems, the fabrication of curtain wall – unitised systems may be outsourced to other factories due to the space demand and the advanced equipment required for such fabrication.

Curtain walls are typically installed from the outside of the building, and panels are lifted for installation by cranes or hoisting rigs. According to the Ipsos Report, it is common in the industry for facade and curtain wall works contractors to further engage a subcontractor which has its own team of direct labour to carry out the on-site installation. In such cases, the facade and curtain wall works contractor will be responsible for overseeing and managing the quality of the work conducted by the subcontractor for installation works. Compared with the curtain wall – stick system, the installation work for the curtain wall – unitised system can be faster as no on-site glazing work is required, and requires fewer labourers. In general, developers will decide which curtain wall system to use in the building project depending on the project design, budget and time schedule.

Aluminium windows and doors

The Group designs and supplies aluminium windows and doors solutions based on the specific requirements of each Design, Supply and Installation Project.

Other products

Other components supplied by the Group in a typical Design, Supply and Installation Project also include the following:

- balustrade: balustrades are used in balconies, along stairs, decks or galleries to provide a protection barrier for separation, support and safety;

- louvre: a blind or shutter with horizontal slats that are angled for air ventilation and admission of light; the angle of slats are adjustable manually or by an actuator. It is regarded as an accessory installed on top of a window, or inside a bathroom that helps to block out direct sunlight, rain and noise and for better ventilation;

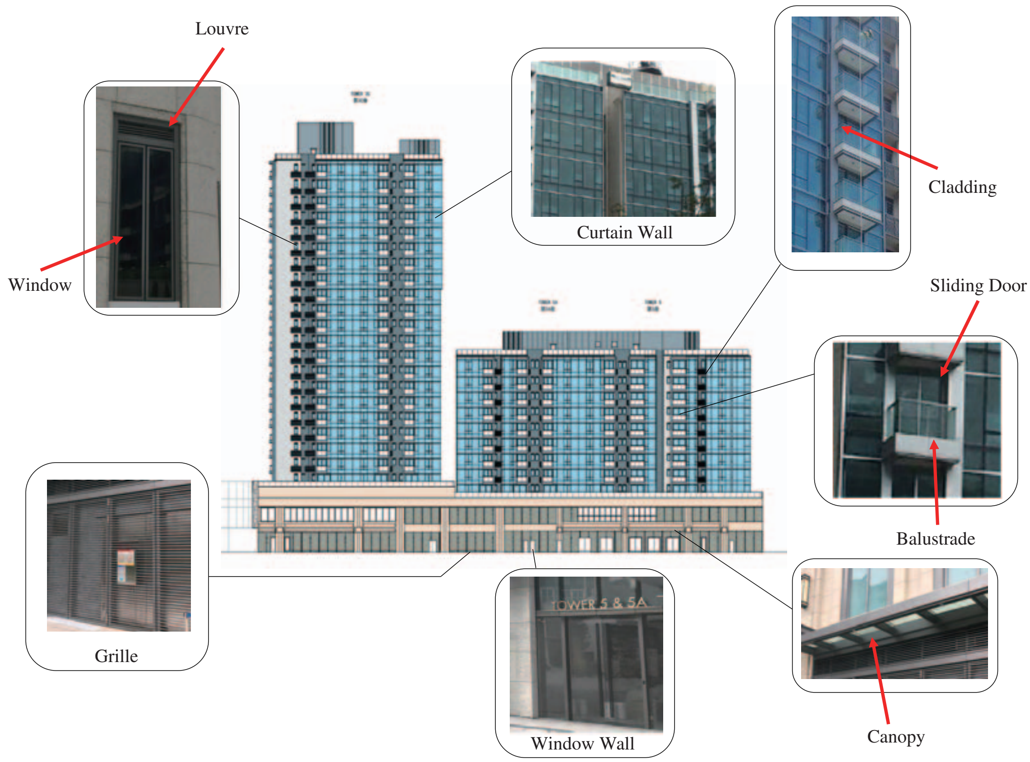
- cladding: an architectural decoration attached to the primary structure of a tower to form non-structural, external surfaces;

- window wall: a window wall is achieved by placing glazing between a building's floor slabs, using the floor slabs as structural support. The distinctive feature of the window wall is that it spans between the floor slabs. At the base of the system on each floor, the window wall units are laterally fastened to an aluminium angle, which, in turn, is fastened to the floor slab. The floor slab directly supports the vertical load of the unit. The top of the unit is fastened with aluminium straps on the underside of the slab overhead;

- canopy: an overhead roofing structure that has an open end, which is typically installed to provide shelter from the rain and sunlight. It is generally suspended from a fixed structure at the podium section that incorporates glass or metal covering. It can be transparent, translucent or opaque; and

- grille: an opening structure with several splits to provide a frame or barrier to a window. Similar to the louvre, a grille is often regarded as an accessory installed on top of a window, to avoid access by incoming objects or the prospect of people or objects falling from the apartments or balconies.

The following picture illustrates the positions of the various components supplied by the Group in a typical Design, Supply and Installation Project:



Fabrication facilities

The Group owns and operates its own fabrication plant in Huizhou, the PRC, which serves as the production base for customer-specified products and "Schüco" products used in its Design, Supply and Installation Projects. The fabrication plant is on an industrial complex located in the Shangxia Development Zone, Shuikou, Huizhou, Guangdong Province, the PRC and has a gross floor area of approximately 8,567.1 m^2, and as at the Latest Practicable Date, has approximately 146 staff. The fabrication plant is accredited with the ISO 9001 quality management system and the ISO 14001 environmental management system. The products fabricated at the fabrication plant include curtain walls – stick system, aluminium windows, doors, balustrades, louvres, grilles, canopies, claddings and aluminium features, and "Schüco" products such as window and door systems. The Group's products are tailor-made to suit the specific requirements of each Design, Supply and Installation Project. The design intent and specifications of the relevant project are generally set out in the tender documents, and customer-specified aspects include (but are not limited to) material requirements, size, shape, and external appearance of the final product. The Group generally outsources the fabrication of curtain wall – unitised system products to external suppliers as the Group's fabrication plant has insufficient space to process such products.

The following table sets out further information of the major equipment in use and owned by the Group as at 31 August 2018. The Group does not lease any equipment for the fabrication of its products.

Type of equipment	Number of units	Function and usage	Average approximate age	Average remaining useful life
			(years)	*(years)*
Cutting machines	10	Cutting extrusions profile to designated size	10	4
Profile machining centers	5	Processing extrusions profile, including drilling, milling, tapping and cutting	10	5
Notching machines	4	Cutting profile and recess notch and tenon joint	10	3
Bending machines	3	Precision bending of profile to required shape and curvature	10	4
Crimping machines	3	To join segments of metal together	10	5

As per the applicable accounting policies adopted by the Group, depreciation of the Group's equipment is calculated using the straight line method to allocate their costs to their residual values over their estimated useful lives, which is 10 years. The estimated residual values, useful lives and depreciation method are reviewed at the end of each reporting period.

The Group does not have a fixed replacement cycle policy. The equipment, when maintained properly, can be used for around 10 years. Maintenance and repair works of the Group's equipment is generally conducted on a monthly basis. There is generally no pre-determined period of use for the Group's equipment but instead it is assessed based on wear-and-tear of individual equipment.

Set out below is the theoretical production capacity and the utilisation rate of the Group's fabrication plant for the periods indicated:

Product	Annual production capacity	Approximate utilisation rate for year ended 31 March 2016	Approximate utilisation rate for year ended 31 March 2017	Approximate utilisation rate for year ended 31 March 2018	Approximate utilisation rate for the five months ended 31 August 2018
	(m^2) *(Note 1)*	*(%)* *(Note 2)*	*(%)* *(Note 2)*	*(%)* *(Note 2)*	*(%)* *(Note 2)*
Curtain walls and window walls *(Note 3)*	28,000	92	90	98	0 *(Note 4)*
Windows and doors systems	70,000	51	64	98	99

Notes:

1. The production capacity was measured in m^2 based on the production floor area and production workers assuming that the fabrication plant operates for 10 hours per day and 300 days per year. The annual capacity per square metre was assumed to be:
   i) Curtain walls and window walls – 28,000 m^2
   ii) Windows and doors systems – 70,000 m^2
2. The utilisation rate for the fabrication plant for each financial year/period during the Track Record Period was calculated by dividing the total actual output for the whole of the financial year/period by the production capacity.
3. Curtain walls refer to curtain walls-stick system only. The Group's fabrication plant does not fabricate curtain wall-unitised systems as the fabrication plant does not have sufficient space to process such products.
4. The utilisation rate for curtain walls and window walls for the five months ended 31 August 2018 was 0% as there was no production work for curtain walls and window walls required for the Group's projects during that period. Production for projects which required curtain walls and window walls were either finished before 31 March 2018 or not yet started as at 31 August 2018.

The actual production capacity of the fabrication plant will vary according to the following factors:

- Number and scale of the Design, Supply and Installation Projects – the quantities of product required and therefore the actual production of the fabrication plant will depend on the number of ongoing Design, Supply and Installation Projects at the time, the timetable for each project, as well as the scale of each project. There is no seasonality for the Group's projects.

- Specifications of the curtain wall, aluminium windows and doors products – the curtain wall, aluminium windows and doors products are designed and tailor-made for each project in accordance with the requirements of the customers, and therefore the specifications of the products and quantities required will vary depending on the Design, Supply and Installation Projects.

- Use of different machines – the fabrication production line comprises a number of different machines for various purposes. The specifications of each machine will therefore have an impact on the overall production capacity.

- Efficiency of production – the Group's processing capability including the level of skill and experience of the relevant workers handling such fabrication process will affect the overall production capacity.

DESIGN, SUPPLY AND INSTALLATION PROJECTS FOR NEW BUILDINGS OF THE GROUP

Design, supply and installation projects for new buildings awarded to the Group during the Track Record Period and up to the Latest Practicable Date

During each of the three years ended 31 March 2018 and the five months ended 31 August 2018, and the period from 1 September 2018 up to the Latest Practicable Date, the Group was awarded 8, 7, 6, 3 and 3 design, supply and installation projects for new buildings, respectively.

The following table sets forth a breakdown of the projects awarded to the Group during the Track Record Period and up to the Latest Practicable Date by ranges of awarded contract sum:

	Year ended 31 March			Five months ended 31 August 2018	From 1 September 2018 up to the Latest Practicable Date
	2016	2017	2018		
	Number of projects awarded	*Number of projects awarded*	*Number of projects awarded*	*Number of projects awarded*	*Number of projects awarded*
Awarded contract sum					
HK$100.0 million or above	3	0	1	1	0
Above HK$50.0 million to HK$100.0 million	1	4	2	0	1
HK$50.0 million or below	4	3	3	2	2
Total	8	7	6	3	3

Design, supply and installation projects for new buildings with revenue recognition during the Track Record Period and up to the Latest Practicable Date

During each of the three years ended 31 March 2018 and the five months ended 31 August 2018, and the period from 1 September 2018 up to the Latest Practicable Date, there were 37, 32, 33, 20 and 20 design, supply and installation projects for new buildings that contributed to the Group's revenue, respectively.

The following table sets forth a breakdown of the projects worked on, with revenue recognition during the Track Record Period by ranges of revenue recognition during the relevant period:

	Year ended 31 March			Five months ended	From 1 September 2018 up to the Latest
	2016	2017	2018	31 August 2018	Practicable Date
	Number of projects	*Number of projects*	*Number of projects*	*Number of projects*	*Number of projects*
Revenue recognition during the period					
HK$30.0 million or above	3	5	5	2	1
Above HK$10.0 million to HK$30.0 million	6	3	2	1	4
Above HK$1.0 million to HK$10.0 million	15	10	9	11	6
HK$1.0 million or below	13	14	17	6	9
Total	37	32	33	20	20

Design, supply and installation projects for new buildings completed by the Group during the Track Record Period and up to the Latest Practicable Date

During each of the three years ended 31 March 2018 and the five months ended 31 August 2018, and the period from 1 September 2018 up to the Latest Practicable Date, the Group completed 13, 10, 12, 6 and 1 design, supply and installation projects for new buildings, respectively.

The following table sets forth a breakdown of the projects completed during the relevant period by ranges of revenue recognised:

	Year ended 31 March			Five months ended 31 August 2018	From 1 September 2018 up to the Latest Practicable Date
	2016	**2017**	**2018**		
	Number of projects	*Number of projects*	*Number of projects*	*Number of projects*	*Number of projects*
Revenue recognition during the year					
HK$10.0 million or above	1	0	0	0	0
Above HK$1.0 million to HK$10.0 million	5	3	1	2	0
HK$1.0 million or below	7	7	11	4	1
Total	13	10	12	6	1

Design, supply and installation projects for new buildings on hand during the Track Record Period and up to the Latest Practicable Date

As at 31 March 2016, 2017 and 2018, 31 August 2018 and the Latest Practicable Date, the Group had 41, 38, 32, 29 and 31 design, supply and installation projects for new buildings on hand, respectively. The following table sets forth the movement of the Group's design, supply and installation projects for new buildings during the Track Record Period and up to the Latest Practicable Date:

	Year ended 31 March			Five months ended 31 August	From 1 September 2018 up to the Latest Practicable Date
	2016	2017	2018	2018	
Opening number of design, supply and installation projects for new buildings *(Note 1)*	46	41	38	32	29
Number of design, supply and installation projects for new buildings awarded *(Note 2)*	8	7	6	3	3
Number of design, supply and installation projects for new buildings completed *(Note 3)*	(13)	(10)	(12)	(6)	(1)
Closing number of design, supply and installation projects for new buildings *(Note 4)*	41	38	32	29	31

Notes:

1. Opening number of design, supply and installation projects for new buildings refers to design, supply and installation projects for new buildings with engagement confirmed and not yet completed as at the beginning date of the relevant year/period indicated.
2. Number of design, supply and installation projects for new buildings awarded refers to design, supply and installation projects for new buildings awarded to the Group during the relevant year/period indicated.
3. Number of design, supply and installation projects for new buildings completed refers to design, supply and installation projects for new buildings completed by the Group during the relevant year/period indicated.
4. Closing number of design, supply and installation projects for new buildings refers to design, supply and installation projects for new buildings with engagement confirmed and not yet completed as at the end of the relevant year/period indicated.

As at 31 March 2016, 2017 and 2018, 31 August 2018 and the Latest Practicable Date, the value of the Group's design, supply and installation projects for new buildings on hand amounted to approximately HK$689.6 million, HK$575.3 million, HK$634.7 million, HK$681.8 million, and HK$623.2 million, respectively. The following table sets forth the movement of the value of the Group's design, supply and installation projects for new buildings during the relevant period:

	Year ended 31 March			Five months ended 31 August	From 1 September 2018 up to the Latest Practicable Date
	2016	**2017**	**2018**	**2018**	
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Opening value of design, supply and installation projects for new buildings on hand *(Note 1)*	479.4	689.6	575.3	634.7	681.8
Total value new design, supply and installation projects for new buildings awarded *(Note 2)*	572.5	387.1	464.4	202.4	83.1
Revenue recognised *(Note 3)*	(362.3)	(501.4)	(405.0)	(155.3)	(141.7)
Closing value of design, supply and installation projects for new buildings on hand *(Note 4)*	689.6	575.3	634.7	681.8	623.2

Notes:

1. Opening value of design, supply and installation projects for new buildings on hand refers to the aggregate outstanding contract sum of the design, supply and installation projects for new buildings on hand as at the beginning of the relevant year/period indicated.
2. Total value of new design, supply and installation projects for new buildings awarded refers to the aggregate awarded contract sum of the design, supply and installation projects for new buildings awarded to the Group during the relevant year/period indicated.
3. Revenue recognised refers to the aggregated revenue recognised from design, supply and installation projects for new buildings during the relevant year/period indicated.
4. Closing value of design, supply and installation projects for new buildings on hand refers to the aggregate contract sum of the design, supply and installation projects for new buildings on hand as at the beginning of the relevant year/period indicated, plus the aggregate awarded contract sum of the newly awarded design, supply and installation projects for new buildings during the relevant year/period indicated less the revenue derived from design, supply and installation projects for new buildings during the relevant year/period indicated.

RENOVATION WORKS ORDERS OF THE GROUP

During the Track Record Period, the Group received a total of three renovation works orders, and as at the Latest Practicable Date, the Group had one renovation works order on hand. Details are set out below:

	Year ended 31 March			Five months ended 31 August	From 1 September 2018 up to the Latest
	2016	2017	2018	2018	Practicable Date
Number of renovation works orders received by the Group	1	0	2	0	0
Number of renovation works orders completed by the Group	0	0	0	2	0

The Group's renovation works orders generally take about 12 to 24 months to complete. As at 31 March 2015, the Group had completed all its renovation works orders received prior to the Track Record Period, and as at the Latest Practicable Date, the Group has completed two renovation works orders received during the Track Record Period.

REPAIR AND MAINTENANCE WORKS ORDERS OF THE GROUP

During the Track Record Period, the Group received a total of nine repair and maintenance works orders, and completed a total of 15 repair and maintenance works orders, details of which are set out below. As at the Latest Practicable Date, the Group had one repair and maintenance works order on hand.

	Year ended 31 March			Five months ended 31 August	From 1 September 2018 up to the Latest
	2016	2017	2018	2018	Practicable Date
Number of repair and maintenance works orders received by the Group	4	3	2	0	1
Number of repair and maintenance works orders completed by the Group	7	1	7	0	1

DESIGN, SUPPLY AND INSTALLATION PROJECTS ON HAND AS AT THE LATEST PRACTICABLE DATE

Further information of the Group's projects contributing to the revenue during the Track Record Period are set out in the section headed "Financial Information — Revenue" of this listing document.

As at the Latest Practicable Date, the Group had 32 Design, Supply and Installation Projects on hand, representing projects that have commenced but not yet completed and projects that have engagement confirmed but not yet commenced. A summary of significant projects is set out below:

No.	Location	Types of contracts	Awarded time *(Note 1)*	Original contract sum awarded	Accumulated revenue recognised during the Track Record Period *(Note 1)*	Revenue expected to be recognised from 1 September 2018 to 31 March 2019 *(Note 1)*	Revenue expected to be recognised from 1 April 2019 to 31 March 2020 *(Note 1)*	Revenue expected to be recognised from 1 April 2020 to 31 March 2021 *(Note 1)*
				HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
1	Lohas Park–Package 6	Type B *(note 3)*	December 2016 & August 2017	165.8	105.0	28.0	40.3	-
2	Pak Shek Kok	Type A *(note 2)*	December 2016	77.4	55.1	43.8	19.1	-
3	Lohas Park–Package 7	Type A *(note 2)*	November 2017	190.0	8.2	14.9	119.0	47.9
4	New Town Plaza	Type C *(note 4)*	September 2017	25.6	14.0	5.6	6.0	-
5	Tuen Mun, So Kwun Wat	Type B *(note 3)*	January 2018	23.4	3.7	8.7	11.6	-
6	Lok Wo Sha	Type B *(note 3)*	October 2017	50.0	6.6	25.4	18.0	-
7	Area 115, Tin Shui Wai	Type A *(note 2)*	January 2018	86.5	5.3	15.4	60.0	5.8
8	Lohas Park–Package 10	Type A *(note 2)*	July 2018	138.6	–	2.4	83.5	52.7
9	Plantation Road	Type B *(note 3)*	July 2018	34.1	–	2.0	20.0	12.1
10	Lockhart Road	Type A *(note 2)*	September 2018	58.2	–	0.6	33.0	24.6

Notes:

1. Based on the respective latest programme of the projects.
2. Type A represents "Design, supply and installation for curtain walls, aluminium windows, doors and other products for new buildings".
3. Type B represents "Design, supply and installation for aluminium windows, doors and other products for new buildings".
4. Type C represents "Design, supply and installation for renovation works for existing buildings".

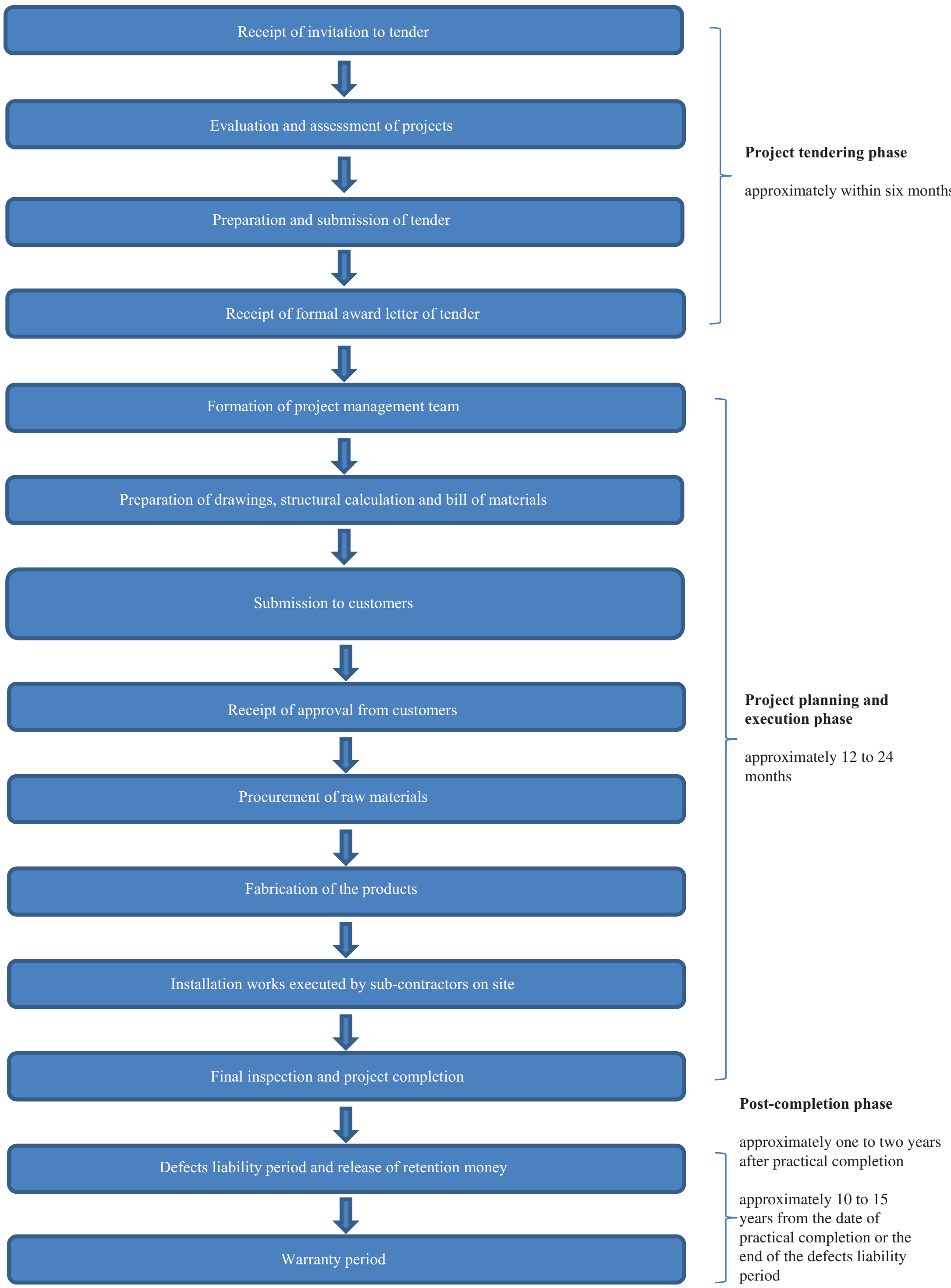
Following are detailed locations for the above projects as stated in the contracts:

Lohas Park–Package 6	Site N of TKOTL 70 RP Lohas Park Package 6
Pak Shek Kok	TPTL 225, Pak Shek Kok, Tai Po, N.T.
Lohas Park–Package 7	Lohas Park Seven at TKOTL 70 RP, Site C1, New Territories
New Town Plaza	STTL 316, New Town Plaza Phase III Sha Tin, N.T.
Tuen Mun, So Kwun Wat	TMTL 541, So Kwun Wat Road, Area 56, Tuen Mun, N.T.
Lok Wo Sha	STTL 605 Lok Wo Sha Lane at Ma On Shan, Sha Tin
Area 115, Tin Shui Wai	TSWTL 34, Area 115, Tin Shui Wai, N.T.
Lohas Park–Package 10	Tseung Kwan O Area 86, Site I, Tseung Kwan O, N.T. — TKOTL 70 RP, Lohas Park–Package 10
Plantation Road	No. 1 Plantation Road, Hong Kong
Lockhart Road	No. 75–85 Lockhart Road, Wan Chai, Hong Kong

OPERATING PROCEDURES

Principal Steps in a Design, Supply and Installation Project

Set out below is a flow chart summarising the principal steps of the Group's workflow in a typical Design, Supply and Installation Project:



Design, supply and installation projects for new buildings

Project tendering phase

Depending on the scale of the development projects and the requirements of the project owners (i.e. property developers), the Group may be selected as a nominated subcontractor by property developers, or invited by its customers directly to submit a tender for potential design, supply and installation projects for new buildings. During the Track Record Period, the Group mainly acted as a nominated subcontractor in its design, supply and installation projects for new buildings.

Upon receipt of an invitation to tender, the tendering team collaborates with the design team and project team to prepare project budgets and tender submission according to the requirements stated in the tender invitations and Schedule of Rates, if any. The tendering team will review the tender requirements and conduct an internal evaluation of the feasibility of undertaking the project, taking into account various factors such as technical requirements, costs budget, project scale, the Group's projects on hand, and the availability of the Group's resources. The Group may conduct a site visit to the place at which the project is to be undertaken, if necessary, to assess the level of difficulty of the project and to facilitate the Group's assessment on its own capabilities and the workforce required.

The Group is generally required to submit the tender approximately four to five weeks upon receipt of the tender document. In accordance with the specifications provided by the Group's customer, the tender for a typical design, supply and installation project for new buildings generally includes (i) the offer price with breakdown of work items and materials required with rate and estimated quantities (i.e. the Schedule of Rates); (ii) construction methodology; (iii) programme with estimation of time required for completing each stage of work to be provided; (iv) tender drawings; and (v) materials offer list. The tender is approved by the executive Directors before submission to the customer.

Project owners/customers may arrange interviews with the Group after receiving the tender submission or quotation from the Group in order to have a better understanding of the Group's expertise and experience. If the Group's tender submission is accepted, the Group will receive a letter of acceptance or letter of award issued by the project owner/customer. The Group subsequently enters into a formal contract with the customer.

Tendering strategy

During the Track Record Period, the Group received invitations for tenders or quotation for facade and curtain walls works mainly for private sector residential projects. In considering the submission of tenders or quotations, the Group takes into account, among other things, (i) the projects on hand and the availability of the Group's resources; (ii) the level of the Group's interest in the relevant project in terms of expected profitability; and (iii) the marketing effects in undertaking the project. The Group generally does not turn down invitations to submit tenders or quotations, as the Group believes that it is important for the Group to participate in tenders or quotations in order to (i) maintain its relationship with customers; (ii) maintain its presence in the market; and (iii) be informed of the latest market developments and pricing trends. The following table sets forth a summary of the number of tenders submitted, number of design, supply and installation projects for new buildings awarded and the tender success rate of the Group during the Track Record Period:

	Year ended 31 March			Five months ended 31 August
	2016	2017	2018	2018
Number of tenders submitted for design, supply and installation projects for new buildings	30	21	23	15
Number of design, supply and installation projects for new buildings awarded	8	7	6	3
Tender success rate *(%)*	27	33	26	20

Given the Group's tender strategy and in view of the Group's performance over the Track Record Period, the Directors consider that the overall tender success rate during the Track Record Period has been satisfactory in general.

Project planning and execution phase

Upon the award of a contract, the Group will form a project management team to oversee and manage the design, supply and installation project for new buildings. The core project team comprises, in general, a senior project manager, a project manager, project coordinators, foremen, a safety supervisor and a safety officer, but could vary depending on the project complexity and project size. The project management team is led by the project manager, who is responsible for all aspects of the project including general project management, communicating with other team members, determining the works to be subcontracted and materials required, preparing the production planning schedule in respect of products to be fabricated in the Group's fabrication plant in Huizhou, the PRC, coordinating with customers and subcontractors, supervising the work progress, and budget monitoring. The project management team will liaise with the procurement team in relation to the procurement of materials and will directly report to the executive Directors on the work progress.

The Group's in-house design team, which comprises design managers, design engineers, draftsman, and structural engineering manager, is responsible for formulating the design plan according to the contracts specification and design intent. The design engineer has the overall responsibility for preparing shop drawings, structural calculations and bill of materials according to the specifications stated in the contracts. The shop drawings are reviewed and approved by the design manager before they are submitted to architects appointed by the project owner/customers for approval. The shop drawings with design and structural calculations are submitted to the architect for the building project and the Registered Structural Engineer for their respective approval, and once such approvals are obtained, approval will be sought from the Buildings Department for execution.

Once the Group has obtained approval on the materials submissions from the appointed architects of the project owners/customers, the Group's procurement team will procure the raw materials required. Raw materials used in the Group's design, supply and installation projects for new buildings mainly comprise aluminium, steel and glass. The Group maintains a list of approved suppliers, which is reviewed by the project team, the contracting team and the procurement team on an annual basis. For further details about the Group's suppliers, please refer to the sub-section headed "Suppliers" in this section. Depending on the purchase amounts, the Group will typically obtain three quotations from its approved suppliers for each main category of materials and services required, unless a supplier is selected and specified by the customer or architect.

Materials are fabricated and processed in the Group's fabrication plant in Huizhou, the PRC. The project management team is responsible for preparing the production planning schedule as an overview of the fabricated products to be produced and delivered through the entire phase of the project, and for sending the production instruction to the fabrication plant to initiate production. Prior to mass fabrication, the Group will produce a mock-up of the product for its internal verification to ensure that the finished product will comply with the required specifications. The finished products are checked by the quality assurance supervisor at the fabrication plant before delivery to the construction site.

For curtain wall – unitised system products, which fabrication and processing are outsourced to external suppliers, the Group will purchase the necessary materials for the external suppliers' fabrication and processing, and the finished products are usually sent directly to the construction site by the external processing factories. To ensure that the quality of the fabricated products produced by the external suppliers complies with the required standards and contract specifications, the Group will assign a team of quality control staff to be stationed at the processing factories of these external suppliers to assist in monitoring the fabrication process and checking that the quality of the finished products meets the standards required by the Group. For further details on the Group's control over the quality of its suppliers' products, please refer to sub-section headed "Quality Control" in this section.

In accordance with the requirements of the Buildings Department, the curtain wall systems will be subject to a series of tests by independent laboratories at various stages of the building project, such as performance tests and welding tests. Depending on the contract terms, project owners/customers may also require testing to be carried out on curtain wall systems, such as on-site water tests to check for water leakages.

As the Group does not employ direct labour to execute the installation works on site, it will procure subcontractors from its approved list to carry out the installation works. For further details on the Group's subcontractors, please refer to the sub-section headed "Subcontractors" in this section.

Although the installation works will be carried out by the Group's subcontractors, the Group is liable for the work of its subcontractors. In order to maintain the quality of the work of the subcontractors, the Group typically conducts on-site inspection of the work done, to ensure that any identified non-conformity is resolved and to evaluate their performance generally. For further details on the Group's subcontractors, please refer to sub-section headed "Subcontractors – Control on subcontractors" in this section. In respect of work safety, the Group will appoint a safety officer or a safety supervisor for each construction site to oversee work safety and monitor the implementation of work safety measures at the construction site. A site inspection is conducted by the project manager on a weekly basis to ensure that work safety measures are implemented as required, and the Group will also appoint external consultants to perform safety audits on a regular basis. Pursuant to section 6BA of the Factories and Industrial Undertakings Ordinance, any workers who work on the construction site of the Group's projects, regardless of whether he is an employee of the Group or the Group's subcontractors, should have received safety training (referred to as mandatory basic safety training) and hold a valid construction industry safety training certificate (commonly known as a Green Card) before he can be employed to carry out construction work. The Group also conducts safety training on a regular basis to ensure that workers are aware of and refreshed about the safety requirements. Some of the Group's customers may also offer extra safety training for the Group's workers.

During the course of a project, customers of the Group may require additional services or amendments to the specifications, which will result in extra work to be performed by the Group. The Group generally confirms the variation orders with its customers by way of written confirmation. The quotation for variation orders will generally be further agreed upon between the Group and the customers.

The following table sets forth a breakdown of the revenue contribution during the Track Record Period in terms of the original contract sum and amount of variation orders:

	Year ended 31 March						Five months ended 31 August			
	2016		2017		2018		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Revenue recognised										
– under original contract	350,404	95.3	475,713	94.8	401,336	95.3	208,647	97.0	138,704	88.3
– under variation order	17,364	4.7	26,225	5.2	19,810	4.7	6,482	3.0	18,368	11.7
Total	367,768	100.0	501,938	100.0	421,146	100.0	215,129	100.0	157,072	100.0

For most of the Group's design, supply and installation projects for new buildings, the Group generally receives monthly interim payments based on work undertaken during that month. In general, the Group will normally make an application for interim payment for the work done, and the appointed architects of the project owner/customer will examine the work done and issue a payment certificate to the Group. The Group will issue an invoice to the customer according to the payment certificate. Some of the Group's customers will withhold usually 10% of each interim payment as retention money until the accumulated retention money reaches 5% of the total contract sum.

Upon satisfactory completion of the installation works of whole project as set out in the contract, the architect for the building project will issue a Practical Completion Certificate. Generally, upon the issuance of the Practical Completion Certificate, half of the retention money of such project will be released to the Group, while the remaining half will be released to the Group upon the issuance of the certificate that identified defects in respect of the entire building project have been made good.

Post-project completion phase

The Group generally provides a defects liability period to its customers, which begins on the date of the Practical Completion Certificate and normally ranges from 12 to 24 months, subject to the relevant terms of the contracts. During the defects liability period, the Group is responsible, at its own cost, for remedial works that may arise from defective works or materials used. In order to protect the Group's interest, the Group generally withholds 10% of each payment to its subcontractors as retention money. In general, the total amount of the retention money will not exceed 5% of the subcontracting fee. Subject to the terms of the relevant contract, the retention money will generally be released after the end of the defects liability period. At the end of the defects liability period, subject to identified defects or other faults in the building works having been rectified to the satisfaction of the architect for the building project, a certificate of completion of making good defects will be issued, which signifies that all works in respect of the project have been satisfactorily completed.

Apart from the defects liability period, the Group generally also provides a warranty on certain aspects, including but not limited to glazing and watertightness, for a period of approximately 10 to 15 years from the date of the Practical Completion Certificate or the end of the defects liability period, depending on the relevant terms of the contract.

Design, supply and installation projects for renovation works of existing buildings

The typical workflow of a renovation works project is similar to that of a design, supply and installation project for new buildings. Please refer to the flowchart set out in the section "Operating procedures – Principal Steps in a Design, Supply and Installation Project".

Project tendering stage

The Group is generally invited by the project owners (i.e. property developers) or customers to submit a tender or provide a quotation for renovation works on existing buildings. Details of the renovation works required, such as the location of the works, scope of works and material specification will generally be set out in the invitation. Such works include the design, supply and installation of aluminium windows and doors, curtain walls, glass walls, aluminium cladding, louvres, balustrade, and the necessary component parts. If necessary, the Group may conduct a site inspection. The Group is generally required to submit the tender or quotation within two to five weeks upon the receipt of the invitation. Upon confirmation of the engagement, the project owners/customers will issue an official works order or subcontract to confirm the engagement with the Group.

Planning and execution stage

In respect of renovation works projects, the Group will generally be responsible for the design, supply and installation of the required works. Similar to design, supply and installation projects for new buildings, the Group will form a project management team to oversee and manage the renovation works project. Once the materials and specifications are approved by the customer, the Group will procure the necessary materials and carry out the fabrication and processing works. The installation works at the site will be carried out by the Group's subcontractors while the Group's project management team will be responsible for overseeing and supervising the installation works.

Once the installation works are completed, the project owner/customers typically, via the appointed architects, will confirm that the renovation works have been duly completed by the Group.

Post-project completion stage

The Group generally provides a defects liability period to its customers, which begins on the date of the Practical Completion Certificate and normally ranges from 12 to 24 months, subject to the relevant terms of the contracts. During the defects liability period, the Group is responsible, at its own cost, for remedial works that may arise from defective works or materials used. In order to protect the Group's interest, the Group generally withholds 10% of each payment to its subcontractors as retention money. In general, the total amount of the retention money will not exceed 5% of the subcontracting fee. Subject to the terms of the relevant contract, the retention money will generally be released after the end of the defects liability period. At the end of the defects liability period, subject to identified defects or other faults in the building works having been rectified to the satisfaction of the architect for the building project, a certificate of completion of making good defects will be issued, which signifies that all works in respect of the project have been satisfactorily completed.

Apart from the defects liability period, the Group generally also provides a warranty on certain aspects, including but not limited to glazing and watertightness, for a period of approximately 10 to 15 years from the date of the Practical Completion Certificate or the end of the defects liability period, depending on the relevant terms of the contract.

Repair, maintenance and others

Repair and maintenance services of the Group are provided on a one-off basis and the customers are typically individual unit owners in respect of property development projects where the Group had previously acted as a subcontractor. The customer would generally request the Group to provide a quotation for the repair and maintenance service required, which mainly include repair or replacement of aluminium windows and sliding doors, repair or replacement of damaged components such as aged sealant, window and door hardware. Once the quotation is accepted by the customer, the Group will provide the relevant services and parts, and will issue an invoice to the customer upon completion of the works. The Group does not provide any warranty in respect of its repair and maintenance services. Others mainly represented mock-up.

CUSTOMERS

Profile of the Group's customers

The Group's customers are generally main contractors and property developers. During the Track Record Period, most of the geographical location of the projects from the Group's customers were located in Hong Kong and represented 93.2%, 96.3%, 89.5% and 96.9% of the Group's total revenue for the year ended 31 March 2016, 2017 and 2018 and the five months ended 31 August 2018, respectively. The remaining portion of the Group's revenue was mainly derived from customers in the PRC. The Group's revenue derived from customers in Hong Kong was denominated in Hong Kong dollars, while the Group's revenue derived from customers in the PRC was denominated in RMB.

Major customers

For each of the three years ended 31 March 2018 and the five months ended 31 August 2018, the percentage of the Group's total revenue attributable to the Group's largest customer amounted to approximately 42.7%, 29.9%, 36.0% and 30.5%, respectively, while the percentage of the Group's total revenue attributable to the Group's five largest customers, in aggregate, amounted to approximately 84.6%, 91.8%, 92.6% and 90.3%, respectively.

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

For the year ended 31 March 2016

	Revenue for the year	Approximate % of the Group's total revenue for the year	Services rendered by the Group	Background and principal business	Years of business relationship	Typical credit terms and payment method
	HK$'000				*(approximately)*	*(approximately)*
Customer A	156,984	42.7	Design, supply and installation of curtain walls, aluminium windows, doors and other products	A construction and engineering contractor and part of a building and construction, engineering design, and construction services group headquartered in Hong Kong, which has operations in Hong Kong, the PRC, and various countries in Southeast Asia, and is a joint venture which ultimate shareholders are both listed companies and their businesses include (but are not limited to) engineering and construction. Based on the 2017 annual report of one of the shareholders (with a standard listing on the London Stock Exchange), for the year ended 31 December 2017, such shareholder recorded revenue including revenue from associates and joint ventures, of approximately US$83.8 billion. In respect of the other shareholder (which shares are listed on the London Stock Exchange), based on the 2017 annual report of such shareholder, for the year ended 31 December 2017, such shareholder recorded revenue including share of joint ventures and associates of approximately GBP8,264 million	5	44 days from certification by the quantity surveyor (representing 30 days for the developer to pay the main contractor, and 14 days for payment by the main contractor) and paid by bank transfer or by cheque

	Revenue for the year	Approximate % of the Group's total revenue for the year	Services rendered by the Group	Background and principal business	Years of business relationship	Typical credit terms and payment method
	HK$'000				*(approximately)*	*(approximately)*
Hip Hing Construction Company Limited	96,315	26.2	Design, supply and installation of curtain walls, aluminium windows, doors and other products	A contractor and construction services company located in Hong Kong, and is a subsidiary of NWS Holdings Limited (Hong Kong stock code: 659), which is the infrastructure and services arm of New World Development Company Limited (Hong Kong stock code: 0017)	11	44 days (as above) and paid by bank transfer or by cheque
Hanison Construction Company Limited ("**Hanison Construction Company**")	25,850	7.0	Design, supply and installation of curtain walls, aluminium windows, doors and other products	A property developer and building contractor in Hong Kong, and is a subsidiary of Hanison	13	44 days (as above) and paid by bank transfer or by cheque
Customer D	17,017	4.6	Design, supply and installation of curtain walls, aluminium windows, doors and other products	A building construction, project management and investment holding company, and is a subsidiary of a construction contractor listed in Hong Kong which is principally engaged in building construction, civil engineering works, infrastructure investment and project consultancy business in the PRC, Hong Kong, and Macau. Based on the 2017 annual report of the listed group, the listed group's revenue for the year ended 31 December 2017 was approximately HK$50 billion	11	44 days (as above) and paid by bank transfer or by cheque
Haining Fusheng Real Estate Development Limited ("**Haining Fusheng**")	15,020	4.1	Provision of aluminium windows and doors works	A company established in the PRC and is principally engaged in the business of holding of the land use rights of the lands for an integrated property development project in Haining City, PRC	3	30 days and paid by bank transfer
Five largest customers in aggregate	**311,186**	**84.6**				

For the year ended 31 March 2017

	Revenue for the year	Approximate % of the Group's total revenue for the year	Services rendered by the Group	Background and principal business	Years of business relationship	Typical credit terms and payment method
	HK$'000				*(approximately)*	*(approximately)*
Hip Hing Construction Company Limited	149,973	29.9	Design, supply and installation of curtain walls, aluminium windows, doors and other products	A contractor and construction services company located in Hong Kong, and is a subsidiary of NWS Holdings Limited (Hong Kong stock code: 659), which is the infrastructure and services arm of New World Development Company Limited (Hong Kong stock code: 0017)	11	44 days from certification by the quantity surveyor (representing 30 days for the developer to pay the main contractor, and 14 days for payment by the main contractor) and paid by bank transfer or by cheque
Customer A	145,414	29.0	Design, supply and installation of curtain walls, aluminium windows, doors and other products	A construction and engineering contractor and part of building and construction, engineering design, and construction services group headquartered in Hong Kong, which has operations in Hong Kong, the PRC, and various countries in Southeast Asia, and is a joint venture which ultimate shareholders are both listed companies and their businesses include (but are not limited to) engineering and construction. Based on the 2017 annual report of one of the shareholders (with a standard listing on the London Stock Exchange), for the year ended 31 December 2017, such shareholder recorded revenue including revenue from associates and joint ventures, of approximately US$83.8 billion. In respect of the other shareholder (which shares are listed on the London Stock Exchange), based on the 2017 annual report of such shareholder, for the year ended 31 December 2017, such shareholder recorded revenue including share of joint ventures and associates of approximately GBP8,264 million	5	44 days (as above) and paid by bank transfer or by cheque

	Revenue for the year	Approximate % of the Group's total revenue for the year	Services rendered by the Group	Background and principal business	Years of business relationship	Typical credit terms and payment method
	HK$'000				*(approximately)*	*(approximately)*
Customer D	78,071	15.6	Design, supply and installation of curtain walls, aluminium windows, doors and other products	A building construction, project management and investment holding company, and is a subsidiary of a construction contractor listed in Hong Kong which is principally engaged in building construction, civil engineering works, infrastructure investment and project consultancy business in the PRC, Hong Kong, and Macau. Based on the 2017 annual report of the listed group, the listed group's revenue for the year ended 31 December 2017 was approximately HK$50 billion	11	44 days (as above) and paid by bank transfer or by cheque
Customer F	50,478	10.1	Design, supply and installation of curtain walls, aluminium windows, doors and other products	A private contractor company located in Hong Kong. Based on information available to the Company, Customer F was incorporated in Hong Kong in 1973 and is registered as a general building contractor with the Buildings Department in Hong Kong, and is on the list of approved contractors for public works under Group B (for contracts of value up to HK$300 million)	12	44 days (as above) and paid by bank transfer or by cheque
Sanfield (Management) Limited	36,763	7.3	Design, supply and installation of curtain walls, aluminium windows, doors and other products	A company engaged in building construction, and is a subsidiary of Sun Hung Kai Properties Limited (Hong Kong stock code: 0016), a property developer listed in Hong Kong	6	30 days upon issue of invoice and paid by cheque
Five largest customers in aggregate	**460,699**	**91.8**				

For the year ended 31 March 2018

	Revenue for the year	Approximate % of the Group's total revenue for the year	Services rendered by the Group	Background and principal business	Years of business relationship	Typical credit terms and payment method
	HK$'000				*(approximately)*	*(approximately)*
Customer F	151,547	36.0	Design, supply and installation of curtain walls, aluminium windows, doors and other products	A private contractor company located in Hong Kong. Based on information available to the Company, Customer F was incorporated in Hong Kong in 1973 and is registered as a general building contractor with the Buildings Department in Hong Kong, and is on the list of approved contractors for public works under Group B (for contracts of value up to HK$300 million).	12	44 days from certification by the quantity surveyor (representing 30 days for the developer to pay the main contractor, and 14 days for payment by the main contractor) and paid by bank transfer or by cheque
Hip Hing Construction Company Limited	94,173	22.4	Design, supply and installation of curtain walls, aluminium windows, doors and other products	A contractor and construction services company located in Hong Kong, and is a subsidiary of NWS Holdings Limited (Hong Kong stock code: 659), which is the infrastructure and services arm of New World Development Company Limited (Hong Kong stock code: 0017)	11	44 days (as above) and paid by bank transfer or by cheque
Customer H	63,398	15.1	Design, supply and installation of curtain walls, aluminium windows, doors and other products	A building contractor based in Hong Kong, which ultimate parent company is a PRC state-owned construction enterprise principally engaged in building construction, manufacturing and leasing of mechanical equipment, financial leasing, trading of commercial goods, real estate leasing and development, building design and manufacturing of building materials	7	44 days (as above) and paid by bank transfer or by cheque

	Revenue for the year	Approximate % of the Group's total revenue for the year	Services rendered by the Group	Background and principal business	Years of business relationship	Typical credit terms and payment method
	HK$'000				*(approximately)*	*(approximately)*
Customer I	43,011	10.2	Design, supply and installation of curtain walls, aluminium windows and doors	A building contractor located in the PRC and is a subsidiary of a PRC real estate company headquartered in Shenzhen, the H shares of which are listed on the Stock Exchange and the A shares of which are listed on the Shenzhen stock exchange. Based on the listed group's 2017 annual report published on the Stock Exchange, the listed group recorded revenue of approximately RMB237 billion for the year ended 31 December 2017	2	30 days and paid by bank transfer
Sanfield (Management) Limited	37,900	9.0	Design, supply and installation of curtain walls, aluminium windows, doors and other products	A company engaged in building construction, and is a subsidiary of Sun Hung Kai Properties Limited (Hong Kong stock code: 0016), a property developer listed in Hong Kong	6	30 days upon issue of invoice and paid by cheque
Five largest customers in aggregate	**390,029**	**92.6**				

For the five months ended 31 August 2018

	Revenue recognised for the period	Approximate % of the Group's revenue for the period	Services rendered by the Group	Background and principal business	Years of business relationship	Typical credit terms and payment method
	HK$'000				*(approximately)*	*(approximately)*
Hip Hing Construction Company Limited	47,959	30.5	Design, supply and installation of curtain walls, aluminium windows, doors and other products	A contractor and construction services company located in Hong Kong, and is a subsidiary of NWS Holdings Limited (Hong Kong stock code: 659), which is the infrastructure and services arm of New World Development Company Limited (Hong Kong stock code: 0017)	11	44 days from certification by the quantity surveyor (representing 30 days for the developer to pay the main contractor, and 14 days for payment by the main contractor) and paid by bank transfer or by cheque

	Revenue recognised for the period	Approximate % of the Group's revenue for the period	Services rendered by the Group	Background and principal business	Years of business relationship	Typical credit terms and payment method
	HK$'000				*(approximately)*	*(approximately)*
Sanfield (Management) Limited	41,329	26.3	Design, supply and installation of curtain walls, aluminium windows, doors and other products	A company engaged in building construction, and is a subsidiary of Sun Hung Kai Properties Limited (Hong Kong stock code: 0016), a property developer listed in Hong Kong	6	30 days upon issue of invoice and paid by cheque
Customer H	25,797	16.4	Design, supply and installation of curtain walls, aluminium windows, doors and other products	A building contractor located in Hong Kong, which ultimate parent company is a PRC state-owned construction enterprise	7	44 days from certification by the quantity surveyor (representing 30 days for the developer to pay the main contractor, and 14 days for payment by the main contractor) and paid by bank transfer or by cheque
Customer D	19,358	12.3	Design, supply and installation of curtain walls, aluminium windows, doors and other products	A building construction, project management and investment holding company, and is a subsidiary of a construction contractor listed in Hong Kong which is principally engaged in building construction, civil engineering works, infrastructure investment and project consultancy business in the PRC, Hong Kong, and Macau. Based on the 2017 annual report of the listed group, the listed group's revenue for the year ended 31 December 2017 was approximately HK$50 billion	11	44 days (as above) and paid by bank transfer or by cheque
Customer F	7,392	4.7	Design, supply and installation of curtain walls, aluminium windows, doors and other products	A private contractor company located in Hong Kong. Based on information available to the Company, Customer F was incorporated in Hong Kong in 1973 and is registered as a general building contractor with the Buildings Department in Hong Kong, and is on the list of approved contractors for public works under Group B (for contracts of value up to HK$300 million)	12	44 days (as above) and paid by bank transfer or by cheque
Five largest customers in aggregate	**141,835**	**90.3**				

During the Track Record Period, other than Hanison Construction Company and Haining Fusheng, the Group's other top five customers during the Track Record Period are Independent Third Parties. Hanison Construction Company is a wholly-owned subsidiary of Hanison. Haining Fusheng is an indirect wholly-owned subsidiary of an indirect majority-owned subsidiary of CCM Trust, a Controlling Shareholder. During the Track Record Period, the Group was engaged by Hanison Construction Company in respect of the design, supply and installation of curtain walls, aluminium windows and doors principally in respect of the construction project The Grampian. The revenue from Hanison Construction Company accounted for approximately 7.0%, 0.9%, 0.6% and 1.2% respectively, of the Group's revenue for each of the three years ended 31 March 2018 and the five months ended 31 August 2018. During the Track Record Period, the Group was engaged by Haining Fusheng to provide aluminium windows and doors for an integrated development project in Haining City, the PRC. The revenue from Haining Fusheng accounted for approximately 4.1%, nil, nil and 1.0%, respectively, of the Group's total revenue for each of the three years ended 31 March 2018 and the five months ended 31 August 2018. The Directors confirm that the contracts awarded to the Group by Hanison Construction Company and Haining Fusheng were on normal commercial terms.

Save as disclosed above and in the section headed "Continuing Connected Transactions" in this listing document otherwise, to the best of the knowledge of the Directors, none of the Directors, their close associates, or any Shareholders who owned more than 5% of the issued share capital of the Company as at the Latest Practicable Date had any interest (direct or indirect) in any of the Group's five largest customers during the Track Record Period. None of the Group's major customers are also the Group's suppliers.

Customer concentration

For each of the three years ended 31 March 2018 and the five months ended 31 August 2018, approximately 84.6%, 91.8%, 92.6% and 90.3% respectively, of the Group's total revenue was attributable to the Group's five largest customers. The percentage of the Group's total revenue attributable to the largest customer amounted to approximately 42.7%, 29.9%, 36.0% and 30.5% respectively, during the same periods. Please refer to the section headed "Risk Factors – A significant portion of the Group's revenue was generated from contracts awarded by a limited number of customers, and inability to retain business relationships with the existing customers or secure new business may materially and adversely affect the Group's business and financial performance" in this listing document for the customer concentration risk.

The Directors consider that the Group's business is sustainable despite such customer concentration due to the following reasons:

- according to the Ipsos Report, it is not uncommon for construction companies in Hong Kong to rely on a few customers due to the nature of the construction industry where a few major developers and main contractors dominate the property development market in Hong Kong. Considering the nature of the property development industry in Hong Kong in which the Group's customers operate, the Group's customer base which comprises of property developers and main contractors is relatively concentrated;

- the Group undertakes Design, Supply and Installation Projects of varying scale, with project periods normally ranging from approximately 12 to 24 months, therefore a customer with a single or a few sizeable Design, Supply and Installation Project(s) can easily become the largest customer of the Group in terms of revenue contribution to the Group for more than one financial year;

- some of the Group's major customers which are Independent Third Parties (including Hip Hing Construction Limited, Customer D and Customer F) have long-term business relationships with the Group for over 10 years. The Directors believe that the Group's operating history and long-term business relationships with these major customers bears testament to the quality of the Group's services, and helps the Group to secure projects from different property developers and main contractors; and

- the Group has been operating in the facade and curtain wall works industry in Hong Kong for over 20 years and has developed its network and connections within the construction industry during this time. Supported by the Group's solid reputation, such connections have enabled the Group to expand its customer base. During the Track Record Period, the Group secured contracts or work orders from four new customers. For each of the three years ended 31 March 2018 and the five months ended 31 August 2018, these new customers in aggregate contributed approximately HK$4.7 million, HK$27.2 million, HK$45.3 million, and HK$6.1 million to the Group's revenue, respectively, representing approximately 1.3%, 5.4%, 10.8%, and 3.9% of the Group's revenue for the corresponding year/period, respectively.

Pricing strategy

The Group generally determines the price of its projects on the estimated project costs plus a mark-up margin. The Group's pricing on its projects is generally evaluated on a project-by-project basis depending on several factors, including but not limited to, (i) the nature or type of the design and projects; (ii) the costs budget; (iii) the target completion date; (iv) the Group's projects on hand; (v) the availability of the Group's resources; and (vi) scale of the project.

Salient terms of design, supply and installation contracts

The Group is generally engaged by its customers in its Design, Supply and Installation Projects on a project-by-project basis. The Directors consider that such arrangement is in line with the industry practice in Hong Kong. The terms of each Design, Supply and Installation Project contract entered into between the Group and its customers may vary. The salient terms of a typical Design, Supply and Installation Project contract are set out below:

Scope of work	:	The scope of services to be carried out by the Group and other project specifications or requirements are set out in the contract.
Duration of work	:	The Group will follow the pre-determined work schedule as set out in the contract, which may be extended from time to time pursuant to the terms of the contract.
Contract sum	:	In general, the Group's project contracts set out a lump sum fixed price for carrying out the whole of the works as specified. No re-measurement will be conducted except for works conducted pursuant to variation orders issued by customers.
Subcontracting	:	Generally, the Group is not prohibited to engage subcontractors to carry out the works. The Group is primarily responsible for the works performed by its subcontractors.
Insurance	:	Depending on the terms of the contract, the Group or its customers are responsible for all necessary insurances for its subcontractors, such as employees' compensation, contractors all risk insurance and third party liability insurance.
Performance bond	:	Depending on the terms of the contract, the Group is required to provide a performance bond generally equivalent to approximately 10% of the total contract sum issued by banks or insurance companies in favour of the customers as security for the due performance and observance of the Group's obligations under the relevant project. The performance bonds are normally released upon completion of the project or as specified in the relevant contract.

Payment terms	:	The contracts will generally include the payment terms with the customers on a project-by-project basis. Progress payment application is generally submitted by the Group to the customer on a monthly basis. For further details regarding the payment terms, please refer to the sub-section headed "Customers – Credit policy" in this section.
Defects liability period	:	The Group generally provides a defects liability period ranging from 12 to 24 months from the date of the Practical Completion Certificate. During the defects liability period, the Group is responsible, at its own costs, for remedial works which may arise from the defective works or materials used.
Warranty	:	The Group generally provides a warranty of 10 to 15 years from the date of the Practical Completion Certificate or after the end of the defects liability period, depending on the relevant contract terms, during which the Group generally rectifies, without charge, any defects and deficiencies in the contracted works discovered after completion of the project.

Credit policy

In respect of the Group's Design, Supply and Installation Projects, the Group will generally make an application at the end of the month for monthly interim payment for the work done, and the appointed architects of the project owner/customer will examine the work done and issue a payment certificate to the Group. The appointed architects of the project owner/customer generally take about 30 days to examine the work done and to issue the payment certificate to the Group. The Group will issue an invoice to the customer according to the payment certificate. It generally takes 30 to 44 days for the Group to receive payment after the issue of the payment certificate.

Some of the Group's customers will withhold usually 10% of each interim payment as retention money until the accumulated retention money reaches 5% of the total contract sum. In general, half the retention money will be released upon practical completion of the project and the remaining half will be released after the defects liability period. The final account in respect of the project will also be issued to the Group by the customer after the defects liability period, and the outstanding balance presented in the agreed final account represents full and final settlement to the Group regarding the project.

SUPPLIERS

Profile of the Group's suppliers

The Group's suppliers generally include suppliers for (i) building materials used in its Design, Supply and Installation Projects, such as aluminium and steel products, and glass; (ii) fabrication of curtain wall – unitised system products; and (iii) providers of other miscellaneous services such as transportation, rental of machinery, and laboratory testing services. During the Track Record Period, all of the Group's major suppliers were either located in Hong Kong or the PRC.

Major suppliers

For each of the three years ended 31 March 2018 and the five months ended 31 August 2018, the percentage of the Group's total purchases attributable to the Group's largest supplier amounted to approximately 13.9%, 22.5%, 24.5%, and 18.9% respectively, while the percentage of the Group's total purchases attributable to the Group's five largest suppliers, in aggregate, amounted to approximately 52.5%, 53.0%, 52.5%, and 52.7% respectively. The Group's purchase amount from suppliers in Hong Kong was denominated in Hong Kong dollars, while the Group's purchase amount from suppliers in the PRC was denominated in RMB.

Set out below is a breakdown of the Group's purchases attributable to the Group's top five suppliers during the Track Record Period and their background information:

For the year ended 31 March 2016

	Purchases for the year	Approximate % of the Group's total purchases for the year	Products sold and/or services provided to the Group	Background and principal business	Years of business relationship	Typical credit terms and payment method
	HK$'000				*(approximately)*	*(approximately)*
Supplier A	17,805	13.9	Aluminium products and fabricator	Specialist curtain wall fabricator and metal coating fabricator headquartered in Hong Kong	13	30 days upon receipt of products and paid by cheque
Supplier B	14,522	11.3	Aluminium extrusion supply	Aluminium products manufacturer based in the PRC	16	40 days upon delivery of products and paid by cheque
Supplier C	14,384	11.2	Aluminium extrusion supply	Aluminium extrusion supplier	11	30 days upon receipt of products and paid by cheque
Supplier D	12,221	9.5	Aluminium extrusion supply	A subsidiary of an aluminium products manufacturer based in the PRC	8	30 days upon delivery of products and paid by cheque
Supplier E	8,492	6.6	Glass	A subsidiary of a glass products manufacturer listed in Hong Kong	18	30 days upon delivery of products and paid by cheque
Five largest suppliers in aggregate	**67,424**	**52.5**				

For the year ended 31 March 2017

	Purchases for the year	Approximate % of the Group's total purchases for the year	Products sold and/or services provided to the Group	Background and principal business	Years of business relationship	Typical credit terms and payment method
	HK$'000				*(approximately)*	*(approximately)*
Supplier A	37,777	22.5	Aluminium products and fabricator	Specialist curtain wall fabricator and metal coating fabricator headquartered in Hong Kong	13	30 days upon receipt of products and paid by cheque
Supplier D	23,879	14.2	Aluminium extrusion supply	A subsidiary of an aluminium products manufacturer based in the PRC	8	30 days upon delivery of products and paid by cheque
Schüco International (Beijing) Company Limited	12,662	7.5	Aluminium extrusion, ironmongery, fittings supply	A subsidiary of a proprietary supplier of aluminium window, door and facade systems headquartered in Germany	15	(Note)
Wai Shing Glass Industries (H.K.) Limited	7,575	4.5	Glass	Glass manufacturer headquartered in Hong Kong	9	30 days upon receipt of products and paid by cheque
Supplier H	7,033	4.2	Anchor bolts and nuts supply	A subsidiary of a construction and building maintenance products manufacturer headquartered in Liechtenstein	24	30 days upon receipt of invoice and paid by cheque
Five largest suppliers in aggregate	**88,926**	**53.0**				

For the year ended 31 March 2018

	Purchases for the year	Approximate % of the Group's total purchases for the year	Products sold and/or services provided to the Group	Background and principal business	Years of business relationship	Typical credit terms and payment method
	HK$'000				*(approximately)*	*(approximately)*
Supplier D	29,202	24.5	Aluminium extrusion supply	A subsidiary of an aluminium products manufacturer based in the PRC	8	30 days upon delivery of products and paid by cheque
Schüco International (Beijing) Company Limited	11,353	9.5	Aluminium extrusion, ironmongery, fittings supply	A subsidiary of a proprietary supplier of aluminium window, door and facade systems headquartered in Germany	15	(Note)
Supplier A	8,741	7.3	Aluminium products and fabricator	Specialist curtain wall fabricator and metal coating fabricator headquartered in Hong Kong	13	30 days upon receipt of products and paid by cheque
Supplier I	8,673	7.3	Glass	A subsidiary of a glass products manufacturer listed in the PRC	1	30 days upon delivery of products and paid by cheque
Supplier C	4,553	3.8	Aluminium extrusion supply	Aluminium extrusion supplier	11	30 days upon receipt of products and paid by cheque
Five largest suppliers in aggregate	**62,522**	**52.5**				

Note: Although the supplier has provided its consent to the Group to disclose its identity and certain information regarding its relationship with the Group, it did not consent to the disclosure of the credit terms and payment method for reasons of confidentiality.

For the five months ended 31 August 2018

	Purchases for the period	Approximate % of the Group's purchases for the period	Products sold and/or services provided to the Group	Background and principal business	Years of business relationship	Typical credit terms and payment method
	HK$'000				*(approximately)*	*(approximately)*
Supplier D	11,033	18.9	Aluminium extrusion supply	A subsidiary of an aluminium products manufacturer based in the PRC	8	30 days upon delivery of products and paid by cheque
Supplier C	8,840	15.1	Aluminium extrusion supply	Aluminium extrusion supplier	11	30 days upon delivery of products and paid by cheque
Supplier A	3,826	6.6	Aluminium products and fabricator	Specialist curtain wall fabricator and metal coating fabricator headquartered in Hong Kong	13	30 days upon delivery of products and paid by cheque
Supplier E	3,697	6.3	Glass	A subsidiary of a glass products manufacturer listed in Hong Kong	18	30 days upon delivery of products and paid by cheque
Supplier J	3,381	5.8	Aluminium products and fabricator	Specialist curtain wall fabricator and metal coating fabricator headquartered in Hong Kong	8	30 days upon delivery of products and paid by cheque
Five largest suppliers in aggregate	**30,777**	**52.7**				

All of the Group's top five suppliers during the Track Record Period are Independent Third Parties. To the best of the knowledge of the Directors, none of the Directors, their close associates, or any Shareholders who owned more than 5% of the share capital of the Company as at the Latest Practicable Date had any interest (direct or indirect) in any of the Group's five largest suppliers during the Track Record Period.

Basis of selection of suppliers

The Group maintains an internal list of approved suppliers, which is reviewed by the project team, contracting team and procurement team on an annual basis. As at the Latest Practicable Date, the Group had more than 300 approved suppliers on its internal list of approved suppliers. The Group selects its suppliers based on a number of criteria, including but not limited to the quoted price, quality of goods and/or services provided, the supplier's relevant work credentials, and prior working relationship with the Group.

During the Track Record Period, the Group did not experience any material shortage or delay in the supply of goods or services required by the Group. Therefore, the Directors consider that the Group does not place any significant reliance on any single supplier and that the possibility of material shortage or delay is low given the abundance of suppliers of the same kind in the market. In addition, the Group did not experience any material fluctuation in the prices of goods during the Track Record Period. For the sensitivity analysis illustrating the impact of hypothetical fluctuations in the Group's material and processing charges, please refer to the section headed "Financial Information – Principal components of results of operations – Cost of sales – (i) Costs of inventories" in this listing document. The Directors consider that the Group is able to pass on any increase in purchase costs to its customers as the Group generally takes into account the overall costs of undertaking a project when preparing the tender.

Salient purchase terms

Framework agreement with Schüco

The Group has entered into a framework agreement with Schüco, which is non-project specific, and concerns the supply of its proprietary products. The agreement sets out the framework terms on which the Group can purchase aluminium alloy products, hardware accessories and ancillary accessories for the supplier's proprietary products, including pricing policies, terms of payment and settlement, delivery period and terms, and product returns. Pursuant to the framework agreement, the supplier agrees to provide technical support and training to the Group in respect of the fabrication and installation of the proprietary products. There is no minimum purchase commitment under the framework agreement. The framework agreement does not have a fixed term and will continue until further agreement of the parties thereto. The Directors confirm that there has been no breach by the Group of the framework agreement during the Track Record Period. As mentioned above, the Group has been in a business relationship with Schüco for approximately 15 years.

Others

Other than as set out above, the Group generally makes purchase orders on a project-by-project basis instead of entering into long-term supply contracts with its suppliers. The Directors consider that such arrangement is in line with the industry practice in Hong Kong. During the Track Record Period, the Group made its purchases by placing purchase orders upon receiving quotations on the required materials and goods from the suppliers. The terms of the purchase orders issued by the Group to its suppliers may vary, the salient terms of a typical purchase order for materials are shown below:

Material specification	:	A description of the materials required such as the type of materials, quantity, size and technical specification of the products.
Payment terms	:	Cash on delivery or in accordance with the Group's suppliers credit policy.
Deposit	:	Depending on the terms of the contract, majority of the Group's suppliers do not require any deposit, but some of the Group's suppliers may require 5% to 50% of the total purchase order amount as deposit.
Delivery	:	In respect of materials for processing, the Group's suppliers generally deliver the goods directly to the Group's fabrication plant in Huizhou, the PRC, or to the external fabricator's processing factories, as the case may be. In respect of fabricated curtain wall – unitised system products supplied by the Group's external suppliers, the Group's suppliers will generally deliver the finished goods directly to the construction site.
Warranty	:	For certain materials such as glass and finishes of aluminium, a warranty of 5 to 15 years will be provided by the suppliers.

Credit policy

During the Track Record Period, all of the Group's major suppliers were located either in Hong Kong or the PRC, and most of the purchase orders made by the Group were denominated in Hong Kong dollars, RMB, or US dollars. The credit period granted to the Group by its suppliers generally ranges from 0 to 30 days upon receipt of products, 0 to 40 days upon delivery of products, or 0 to 30 days upon receipt of invoice. The Group usually settles the payment by cheque or import invoice financing upon delivery of the products, but sometimes the Group pays cash upon delivery of the products.

Inventory

The Group will procure materials for use in its Design, Supply and Installation Projects after the contracts are awarded. As the Group's products are designed and tailor-made for each Design, Supply and Installation Project, the Group generally does not maintain a finished product inventory for prospective future projects.

SUBCONTRACTORS

Profile of the Group's subcontractors

The Group engages external subcontractors to perform site installation works for its Design, Supply and Installation Projects. During the Track Record Period, the Group's major subcontractors were located in Hong Kong.

Major subcontractors

For each of the three years ended 31 March 2018 and the five months ended 31 August 2018, the percentage of the Group's total subcontracting fees paid to the Group's largest subcontractor amounted to approximately 13.5%, 16.5%, 25.4%, and 34.8% respectively, while the percentage of the Group's total subcontracting fees paid to the Group's five largest subcontractors, in aggregate, amounted to approximately 49.9%, 56.1%, 78.8%, and 77.2% respectively.

Set out below is a breakdown of the Group's subcontracting fees paid to the Group's top five subcontractors during the Track Record Period and their background information:

For the year ended 31 March 2016

	Subcontracting fees paid during the year	Approximate % of the Group's subcontracting fees paid during the year	Services provided to the Group	Background and principal business	Years of business relationship	Typical credit terms and payment method
	HK$'000				*(approximately)*	*(approximately)*
Hing Wah Aluminium Glass Company	11,491	13.5	Site installation	Provider of labour for site installation works located in Hong Kong	6	35 days upon receipt of invoice, paid by cheque

	Subcontracting fees paid during the year	Approximate % of the Group's subcontracting fees paid during the year	Services provided to the Group	Background and principal business	Years of business relationship	Typical credit terms and payment method
	HK$'000				*(approximately)*	*(approximately)*
Subcontractor B	11,054	13.0	Site installation	A contractor in design and construction of aluminium works located in Hong Kong	6	35 days upon receipt of invoice, paid by cheque
Subcontractor C	6,775	8.0	Site installation	Provider of labour for site installation works located in Hong Kong	10	35 days upon receipt of invoice, paid by cheque
Subcontractor D	6,773	8.0	Site installation	Provider of labour for site installation works located in Hong Kong	20	35 days upon receipt of invoice, paid by cheque
Ka Wang Metal Engineering Company Limited	6,358	7.4	Site installation	A contractor in design and construction of aluminium works located in Hong Kong	10	35 days upon receipt of invoice, paid by cheque
Five largest subcontractors in aggregate	**42,451**	**49.9**				

For the year ended 31 March 2017

	Subcontracting fees paid during the year	Approximate % of the Group's subcontracting fees paid during the year	Services provided to the Group	Background and principal business	Years of business relationship	Typical credit terms and payment method
	HK$'000				*(approximately)*	*(approximately)*
Subcontractor F	20,808	16.5	Site installation	Provider of labour for site installation works located in Hong Kong	5	35 days upon receipt of invoice, paid by cheque
Subcontractor G	14,654	11.6	Site installation	Provider of labour for site installation works located in Hong Kong	5	35 days upon receipt of invoice, paid by cheque
Hing Wah Aluminium Glass Company	12,190	9.7	Site installation	Provider of labour for site installation works located in Hong Kong	6	35 days upon receipt of invoice, paid by cheque
Ching Fung Engineering Company Limited	11,731	9.3	Site installation	Provider of labour for site installation works located in Hong Kong	5	35 days upon receipt of invoice, paid by cheque
Subcontractor I	11,290	9.0	Site installation	Provider of labour for site installation works located in Hong Kong	3	35 days upon receipt of invoice, paid by cheque
Five largest subcontractors in aggregate	**70,673**	**56.1**				

For the year ended 31 March 2018

	Subcontracting fees paid during the year	Approximate % of the Group's subcontracting fees paid during the year	Services provided to the Group	Background and principal business	Years of business relationship	Typical credit terms and payment method
	HK$'000				*(approximately)*	*(approximately)*
Subcontractor F	26,455	25.4	Site installation	Provider of labour for site installation works located in Hong Kong	5	35 days upon receipt of invoice, paid by cheque
Subcontractor G	16,975	16.3	Site installation	Provider of labour for site installation works located in Hong Kong	5	35 days upon receipt of invoice, paid by cheque
Ching Fung Engineering Company Limited	15,271	14.7	Site installation	Provider of labour for site installation works located in Hong Kong	5	35 days upon receipt of invoice, paid by cheque
Subcontractor J	11,924	11.5	Site installation	Provider of labour for site installation works located in Hong Kong	20	35 days upon receipt of invoice, paid by cheque
Subcontractor I	11,288	10.9	Site installation	Provider of labour for site installation works located in Hong Kong	3	35 days upon receipt of invoice, paid by cheque
Five largest subcontractors in aggregate	**81,913**	**78.8**				

For the five months ended 31 August 2018

	Subcontracting fees paid during the period	Approximate % of the Group's subcontracting fees paid for the period	Services provided to the Group	Background and principal business	Years of business relationship	Typical credit terms and payment method
	HK$'000				*(approximately)*	*(approximately)*
Subcontractor F	11,717	34.8	Site installation	Provider of labour for site installation works located in Hong Kong	5	35 days upon receipt of invoice, paid by cheque
Ching Fung Engineering Company Limited	4,970	14.7	Site installation	Provider of labour for site installation works located in Hong Kong	5	35 days upon receipt of invoice, paid by cheque
Subcontractor J	3,584	10.6	Site installation	Provider of labour for site installation works located in Hong Kong	20	35 days upon receipt of invoice, paid by cheque
Subcontractor I	3,171	9.4	Site installation	Provider of labour for site installation works located in Hong Kong	3	35 days upon receipt of invoice, paid by cheque
Subcontractor G	2,587	7.7	Site installation	Provider of labour for site installation works located in Hong Kong	5	35 days upon receipt of invoice, paid by cheque
Five largest subcontractors in aggregate	**26,029**	**77.2**				

All of the Group's top five subcontractors during the Track Record Period are Independent Third Parties. To the best of the knowledge of the Directors, none of the Directors, their close associates, or any Shareholders who owned more than 5% of the issued share capital of the Company as at the Latest Practicable Date had any interest (direct or indirect) in any of the Group's five largest subcontractors during the Track Record Period.

Reasons for subcontracting arrangement

According to the Ipsos Report, it is common in the construction industry in Hong Kong and the PRC for facade and curtain wall works contractors to further engage a subcontractor which has its own team of direct labour for on-site installation. As the site installation works of the Design, Supply and Installation Projects of the Group is labour intensive, it may not be cost effective for the Group to directly undertake the works involved. Therefore, the Group does not employ any direct labour but subcontracts all the site installation works to external subcontractors. During the Track Record Period, the subcontracting and other charges paid to subcontractors for installation works accounted for approximately 30.7%, 24.3%, 27.6% and 22.5% of the Group's total cost of sales for each of the years ended 31 March 2016, 2017 and 2018, and the five months ended 31 August 2018, respectively.

Basis of selection of subcontractors

The Group maintains a list of approved subcontractors, which is reviewed by the project team on an annual basis. As at the Latest Practicable Date, the Group had more than 270 approved subcontractors for site installation works on its internal list of approved subcontractors. Subcontractors are selected based on a number of criteria, including but not limited to the tender price, technical capability, relevant work credentials and prior working relationship with the Group. When subcontractors are required for a particular project, the Group will typically invite tenders from different subcontractors for review and select the subcontractor based on their experience relevant to the particular project, the tender amount and technical viability.

During the Track Record Period, the Group had engaged over 90 subcontractors for site installation works. Therefore, the Directors consider that the Group has a wide pool of subcontractors to select from and the Group would not experience material difficulties in finding substitute subcontractors if necessary. For the sensitivity analysis illustrating the impact of hypothetical fluctuations in the Group's subcontracting and other charges, please refer to the section headed "Financial Information – Principal components of results of operations – Cost of sales" in this listing document.

Control over subcontractors

The Group remains accountable to its customers for the performance and quality of work rendered by the subcontractors engaged by the Group. To ensure the quality of the subcontractors' work, the Group has in place the procedures described in the paragraphs below.

As set out in the sub-section headed "Operating procedures – Design, supply and installation projects for new buildings – Project planning and execution phase", the Group has a project management team to oversee each of its projects, which include a site supervisor and a safety manager who are assigned to monitor and supervise the working process of the subcontractors and ensure that they have met the safety and workmanship requirements and are responsible for coordination work on the construction site. Furthermore, the project manager shall arrange a joint inspection with the customer upon completion of the work done by the subcontractors to ensure that they are in line with the contract design.

For Design, Supply and Installation Projects in Hong Kong, the Group requires all of its subcontractors to follow the applicable laws and regulations in relation to occupational health and safety at the construction site. According to the statutory requirements, all of the personnel at the construction site, including the Group's own personnel and the employees of the Group's subcontractors, are required to attend a construction industry safety training session on occupational health and safety regulations at the construction site and obtain the training certificate before entering the construction site.

For the Group's Design, Supply and Installation Projects in the PRC, generally, the Group also requires all of its subcontractors to follow the applicable laws and regulations in relation to occupational health and safety at the construction site. The Group also has in place in-house construction management procedures in the PRC. The management team will assess and select the subcontractor according to their quotes, abilities, capabilities, past experience and job reference, etc.

For further information on the Group's internal rules and regulations in relation to work quality, occupational health and safety, and environmental protection, please refer to the sub-sections headed "Quality control", "Occupational health and safety control" and "Environmental compliance" in this section.

Salient terms of subcontracting agreements

The Group generally engages subcontractors on a project-by-project basis instead of entering into long-term subcontracting agreements with them. The Directors consider that such arrangement is in line with the industry practice in Hong Kong. The terms of each subcontracting agreement entered by the Group with its subcontractors may vary, the salient terms of a typical subcontracting agreement are shown below:

Scope of work	:	The scope of services and types of works to be carried out by the subcontractor will be specified in the subcontracting agreement.
Contract sum	:	In respect of lump sum fixed price contract, the final contract sum will be agreed upon at engagement with certain variations. In respect of remeasurement contracts, the final contract sum will be determined based on agreed unit rates and measurement of actual quantities of work done.
Insurance	:	Depending on the terms of the contract, the Group or its customers are responsible for all necessary insurances for its subcontractors, such as employees' compensation insurance, contractors all risk insurance and third party liability insurance.
Payment terms	:	Please refer to the sub-section headed "Subcontractors – Credit policy" in this section.
Retention money	:	The Group generally withholds 10% of each interim payment payable to the subcontractors as retention money in order to ensure that the Group's subcontractors will be responsible for their defective works. In general, the total amount of the retention money will not exceed 5% of the subcontracting fee. Subject to the terms of the relevant contract, the retention money will generally be released after end of defects liability period.

Termination	:	Generally, subject to the terms of the respective contracts, the Group may terminate the subcontracting agreement under the following circumstances, which include but are not limited to: (i) if the subcontractor fails to perform its obligations under any provision of the subcontracting agreement; (ii) if the subcontractor does not supply sufficient labour in respect of the contracted works and fails to remedy the situation within the time period requested by the Group, or the subcontractor leaves the work uncompleted or fails to complete the work according to schedule; (iii) the Group finds that the subcontractor has delayed the work; (iv) the subcontractor is unable to continue and complete the work; or (v) the main contract in respect of the project is terminated for any reason.

Credit policy

The Group requires its subcontractors to submit a payment application for interim payments on a regular basis, depending on the payment terms agreed between the Group and its customers. The payment application generally includes the summary of works done, the workers' acknowledgement of received salary, and bank-in slips for workers' salaries, by the Group's subcontractors during the period covered by the payment application. The quantity survey department of the Group will evaluate and assess the actual work performed by the subcontractors and prepare the payment certificate and calculation of breakdown, which are then reviewed by the project manager. Once the payment certificate is agreed and confirmed with the subcontractors, the Group will then prepare the payment accordingly. Upon the final completion of the project, the Group will issue a final account to its subcontractors. Once the final account is agreed and confirmed with the subcontractors, the Group will prepare the payment accordingly.

During the Track Record Period, all of the Group's major subcontractors were located in Hong Kong and most of the subcontracting agreements are denominated in Hong Kong dollars. The credit period granted to the Group by its subcontractors is typically 35 days upon receipt of the invoice and the Group usually settles the payment to its subcontractors by cheques.

SALES AND MARKETING

The Group generally relies on its connections and relationships with existing customers and customer referrals to secure new projects. During the Track Record Period, the Group secured new business mainly through direct invitations for tendering by customers, but did not have a dedicated sales and marketing team in Hong Kong.

MARKET AND COMPETITION

According to the Ipsos Report, major opportunities in the facade and curtain wall works industry are driven by the Hong Kong government investments on infrastructure, and the promotion of energy efficient buildings by the Hong Kong government. The facade and curtain wall market in Hong Kong is driven by architects who produce designs which demand new production and material technologies. In the PRC, the expansion of the property market in the PRC and the preferences of property developers are the key drivers of the facade and curtain wall works industry. For further information regarding the competitive landscape of the industry in which the Group operates, please refer to the section headed "Industry Overview" of this listing document.

QUALITY CONTROL

The Group places a strong emphasis on quality of its products and has implemented a comprehensive quality control system. The Group's quality control measures are implemented throughout the fabrication process, from the procurement of materials to packaging:

- Suppliers for materials – the Group maintains an internal list of approved suppliers, which is reviewed by the project team, contracting team and procurement team on an annual basis. Please refer to the sub-section headed "Suppliers" for details of the Group's suppliers. During the Track Record Period, the Group had also assigned quality control staff to be stationed at the Group's glass suppliers during the fabrication process to manage the quality of the materials supplied to the Group. To the extent the Group does not have its own quality control team stationed at a supplier's factory, the Group will arrange to conduct regular visits to the factory of the supplier to conduct inspections and quality checks.

- Suppliers for fabrication of curtain wall – unitised system products – the Group will generally assign a team of quality control staff to be stationed at the processing factories of some of the Group's suppliers during the fabrication process to assist in monitoring the production process of the curtain wall products and checking that the quality of such products meets the standards required by the Group. To the extent the Group does not have its own quality control team stationed at a supplier's factory, the Group will arrange to conduct regular visits to the factory of the supplier to conduct inspections and quality checks. The Group's quality control staff will inspect the semi-finished and finished products produced by the supplier on a regular basis, and if any problems are found, the Group's quality control staff will promptly work with the supplier to resolve the problem, in order to ensure that the finished product meets the Group's standards.

- Fabrication process at the Group's self-owned fabrication plant – the Group carries out various inspections and checks at each principal stage of the fabrication process, including inspections of the materials delivered by the suppliers prior to processing, inspections after each of stage of cutting/drilling/washing/assembly during the fabrication process, and final checks are conducted before the products are packed for delivery to the construction sites. These inspections and checks are carried out to ensure that the finished products comply with the customers' specifications and the Group's quality standards, and are free from material defects.

- Subcontractors – the Group selects subcontractors based on certain criteria, including the tender price, technical capability, relevant work credentials and prior working relationship with the Group. In respect of subcontractors for installation works, the Group will monitor the subcontractors' works at the construction site. Please refer to the sub-section headed "Subcontractors – Control over subcontractors" for further details.

Million Hope Industries (HK), one of the Group's principal operating subsidiaries, has held the ISO 9001 certificate for quality management since 1998.

The Group's business is operated under a set of procedures that complies with the ISO9001 quality management standards. Some of the Group's customers will also send their quality control staff to conduct quality inspections of the Group's products.

LICENCES AND PERMITS

The Group has obtained the following licences and qualifications in respect of the Group's business operations:

Licence	Holder	Issuing authority	Type(s) of works covered	Expiry date
Hong Kong				
Registered Minor Works Contractor	Million Hope Industries (HK)	Buildings Department	Type A (Alteration and Addition Works) (Classes II & III) Type E (Works relating to Structures for Amenities) (Classes II & III) Type F (Finishes Works) (Classes I, II & III) *(Notes 1 and 2)*	13 November 2021
Registered Subcontractor	Million Hope Industries (HK)	Construction Industry Council	Window fabrication and installation (aluminium window/louvers, curtain wall/glass wall, others (fire rated window)); Metal work (stainless steel work); Metal work (metal roof/ skylight/cladding/space frame)	16 June 2023

Licence	Holder	Issuing authority	Type(s) of works covered	Expiry date
The PRC				
Project Design Qualification Certificate (工程設計資質證書)	Million Hope (Huizhou)	Department of Housing, and Urban and Rural Construction of Guangdong Province (廣東省住房和城鄉建設廳)	Architectural decoration project design qualification (Class B), architectural curtain wall project design qualification (Class B)	6 August 2021
Construction Enterprise Qualification Certificate (建築業企業資質證書)	Million Hope (Huizhou)	Bureau of Housing, Urban and Rural Planning and Construction of Huizhou Municipality (惠州市住房和城鄉規劃建設局)	Class II specialised contracting qualification for architectural projects, Class II specialised contracting qualification for architectural curtain wall projects	6 September 2021
PRC Customs Declaration Entity Registration Certificate (中華人民共和國海關報關單位註冊登記證書)	Million Hope (Huizhou)	Shenzhen Customs (深圳海關)	N/A	N/A

Notes:

1. Under the Minor Works Control System implemented by the Buildings Department, minor works are classified into three classes according to their scale, complexity and risk to safety and are subject to different degrees of control. Minor works are grouped into seven types (i.e. Type A, B, C, D, E, F and G) according to their nature. The size, location and respective requirements of each item of minor works are set out in Schedule 1 of the Building (Minor Works) Regulation.
2. As at the Latest Practicable Date, the technical director is Mr. Lee Cheuk Hung, and the authorised signatory is Mr. Wong Yuen On with registered type of minor works Type F (Classes I, II and III), Types A and E (Classes II and III).

Hong Kong

Renewal of the registration of Registered Minor Works Contractors is required every three years while renewal of the registration of Registered Subcontractors is required every two years. The Directors confirm that the Group did not experience any material difficulties in obtaining and/or renewing such licences, permits, consents and approvals in the past.

In particular, in order for Million Hope Industries (HK) to maintain its registration as a Registered Minor Works Contractor, it must have at least one authorised signatory to act for it for the purposes of the Buildings Ordinance and one technical director to carry out certain duties including, among others, providing technical support for the execution of works and ensuring that the works are carried out in accordance with the Buildings Ordinance. The Group has the following contingency plan in place in the case of retirement or resignation of any of the authorised signatory and technical director:

(i) according to the practice note issued by the Buildings Department, when there is no technical director acting for the contractor, the contractor should apply for appointment of replacement of technical director within a reasonable period of time. In the event Mr. Lee Cheuk Hung retires or resigns, Million Hope Industries (HK) intends to appoint Mr. Chuk Kin Lun as the technical director. The Directors consider that Mr. Chuk Kin Lun possesses sufficient academic qualifications and industry experience to satisfy the relevant requirements specified by the Buildings Department; and

(ii) according to the practice note issued by the Buildings Department, a minimum of one person has to be appointed as the authorised signatory to act for the Registered Minor Works Contractor for the purposes of the Buildings Ordinance. In case of retirement or resignation of Mr. Wong Yuen On, Million Hope Industries (HK) intends to appoint Mr. Chuk Kin Lun as the authorised signatory. The Directors consider that Mr. Chuk Kin Lun possesses sufficient academic qualifications and industry experience to satisfy the relevant requirements specified by the Buildings Department.

As such, the Directors consider that they are not aware of any circumstances that would significantly hinder or delay the Group's business operations in respect of which registration as a Registered Minor Works Contractor is required.

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 Department, the relevant member of the Group is not required to hold such licence or registration or to obtain any requisite licences, permits and approvals for its operation and business except for business registration. However, being registered under the Subcontractor Registration Scheme with 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.

The PRC

Pursuant to the relevant PRC laws and regulations, Million Hope (Huizhou) previously held a Project Design and Construction Qualification Certificate, which was replaced with a Project Design Qualification Certificate, which is valid until 6 August 2021, and a Construction Enterprise Qualification Certificate, which is valid until 6 September 2021. Million Hope (Huizhou) may apply for renewal of such certificates at the time of their expiration in accordance with the applicable PRC laws and regulations.

So far as the Directors are aware, the Group has obtained all necessary licences, permits, consents and approvals for the Group's principal business operations in Hong Kong and the PRC respectively and all of them were, during the Track Record Period and up to the Latest Practicable Date, valid.

EMPLOYEES

Number of employees by function

As at 31 March 2016, 2017, 2018, 31 August 2018, and the Latest Practicable Date, the Group had a total of 279, 263, 253, 253 and 262 employees, respectively. All of the employees of the Group are stationed in Hong Kong and the PRC. The following table sets forth a breakdown of the number of the Group's employees by function as at the Latest Practicable Date:

	As at the Latest Practicable Date
Hong Kong	
Management *(Note 1)*	2
Project Management	63
Design	17
Quantity survey *(Note 2)*	12
Maintenance	5
Human resources and administration	6
Purchasing	3
Information Technology	1
Safety and environmental	2
Corporate social responsibility and corporate communications *(Note 3)*	1
Accounting and finance *(Note 3)*	4
Sub-total	**116**
The PRC	
Management	2
Production planning	8
Project	1
Production	56
Quality control	16
Quantity survey	9
Warehousing	11
Technical	20
Human resources and administration	15
Purchasing	4
Accounting and finance	4
Sub-total	**146**
Total	**262**

Notes:

1. Management in Hong Kong references Mr. Chuk Kin Lun and Mr. Lee Cheuk Hung. During the Track Record Period, Mr. Chuk was an employee of the Hanison Group but worked predominantly for the Group but had some responsibilities within other Hanison Group companies. Mr. Chuk has transferred to the Group since 1 July 2018 and has entered into a full time employment contract with the Group.
2. During the Track Record Period, certain staff of this department worked predominantly for the Group but had some responsibilities for other Hanison Group companies. These arrangements have been replaced by full time employment contract with the Group since 1 July 2018.
3. During the Track Record Period, certain staff of these departments worked predominantly for the Group but had some responsibilities for other Hanison Group companies. These arrangements have been replaced by full time employment contract with the Group since 1 June 2018.

Relationship with employees

The Directors consider that the Group has maintained a good relationship with its employees. The Directors confirm that the Group has complied with all applicable labour 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, the Group had a labour union established in the PRC. The Directors confirm that the Group had not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor had the Group experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel during the Track Record Period.

Recruitment policy

The Group generally recruits employees from the open market. The Group intends to use its best efforts to attract and retain appropriate and suitable personnel to serve the Group. The Group assesses the available human resources on a continual basis and will determine whether additional personnel are required to cope with the business development of the Group.

Training and remuneration policy

The Group enters into separate employment contracts with each of its employees. The remuneration package offered to the Group's employees generally includes basic salaries and discretionary bonuses, and depending on the position, cash allowances. The Group determines the commencing salary of its employees mainly based on each employee's qualifications, relevant experience, position and seniority. The Group conducts an annual review on salary increase, discretionary bonuses and promotions based on, including but not limited to, the performance of each employee, and the profitability of the Group. The Group provides on-the-job training to its employees and sponsors its employees to attend various external training courses.

OCCUPATIONAL HEALTH AND SAFETY CONTROL

Occupational health and safety control measures

The Group has established procedures to provide its employees and the employees of subcontractors with a safe and healthy working environment by specifying various safety control measures and in-house rules in its safety plan which include, amongst other things, safety team organisation chart, safety and health training requirements, safety rules and regulations for in-house and for construction site, requirements for preparation of method statement, statutory obligations, safety inspection and reporting policy, job-hazard and risk assessment, accident/incident investigation plan, emergency preparedness, introduction of personal protective equipment as well as safety measures in relation to various potential dangers at work site. All subcontractors of the Group are required to fully comply with all aspects of the Group's health and safety policy and safety plan.

The Group's occupational health and safety policy is reviewed on an annual basis. The Group has established a site safety management committee, which is responsible for, among other things, monitoring the implementation of the safety plan, review accident statistics and identify trends and probable causes of accidents so as to recommend measures to prevent recurrence, to co-ordinate the safety measures of subcontractors working on site, to discuss the contractor's monthly safety report, etc. The Group has also established a site safety committee, which is responsible for, among other things, ensuring the implementation of the safety plan, reviewing and monitoring the effectiveness of the safety and health measures. Meetings of the site safety management committee and site safety committee are held monthly.

The executive Directors and the senior project managers are the top management who lead the safety performance management, while the project manager is generally responsible for the implementation of the health and safety plan. Some of the health and safety measures implemented by the Group include, but are not limited to:

- requiring each employee of the contractor or of any subcontractor who shall carry out work in the relevant construction site must have completed the mandatory basic safety training course for the construction industry under the Factories and Industrial Undertakings Ordinance and hold the relevant valid certificate (i.e. the "Green Card") whilst working on the site;

- ensuring that all workers are given a site specific induction training and refresher to explain the safety and health policy when they commence work at the construction site, which contents of the training generally include the health and safety policy, special characteristics of the works and inherent hazards on the site, highlights of particular safety measures and use of personal protective equipment, emergency procedures and first-aid facilities, and reporting of accidents and injury compensation procedures;

- all managers and project coordinator foremen shall receive appropriate safety management training or safety supervisor training organised by a competent organisation such as the Construction Industry Council Training Academy or the Occupational Safety and Health Council;

- displaying of posters, hazard and warning signs, emergency and rescue procedures, fire notices etc., at various points throughout the construction site;

- weekly joint safety inspections with the architect's representative or the main contractor and the Group's project team members and safety staff, and the subcontractors' safety representatives;

- weekly safety walks designed to identify unsafe conditions and practices, and breaches of statutory requirements, will be carried out by the project manager, project coordinator, general foreman, safety supervisor and safety officer. The safety officer/safety supervisor inspections will be carried out based on a comprehensive checklist and a written report will be prepared as soon as practicable after the inspection. The checklists and inspection reports shall comply with the requirements of the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations and incorporate a follow up procedure to ensure that any defects identified have been promptly and satisfactorily remedied;

- requiring subcontractors to provide information on their safety policy and safety track record when submitting bids to ensure that only subcontractors with high safety standards are selected for the subcontracted work;

- providing each subcontractor with the Group's safety and health policy, safety plan, in-house rules and regulations and emergency plan, and conducting pre-work safety meetings to deliver the company and project owners'/main contractors' safety rules and procedures applicable to the subcontractors' activities;

- requiring subcontractors to have a person or team in place to co-ordinate all aspects of the contract, including health and safety measures on site, and ensuring that all tools, plant, equipment, substances and materials used or supplied by subcontractors and suppliers comply with the relevant statutory requirements;

- monthly evaluation of the safety performance of the subcontractors shall be conducted;

- if the subcontractor is found to be in breach of the relevant safety regulations or in-house rules, the Group may suspend the works until the unsafe condition is remedied, and may impose a penalty on the subcontractor.

In addition, the Group has in place in-house construction management procedures in respect of its projects in the PRC. Such procedures include, but are not limited to, the Group preparing a set of construction safety management measures prior to the commencement of the works, arranging for the relevant workers to attend safety training on commencement of the works and at regular intervals, keeping relevant records of workers operating specialist and mechanical equipment, and lifting and hoisting machinery. The safety officer will conduct regular safety inspections, maintain appropriate records, and ensure that any defects identified are rectified promptly.

The Group normally conducts daily on-site inspections for its Design, Supply and Installation Projects in Hong Kong and in the PRC. In addition, the Group provides its employees with, and subsidises its employees to attend, occupational safety education and training organised by it and by external parties to enhance their awareness of work safety.

Accidents during the Track Record Period and up to the Latest Practicable Date

The Group maintains an internal record of accidents. For each of the years ended 31 March 2016, 2017 and 2018 and the five months ended 31 August 2018, and for the period from 1 September 2018 up to the Latest Practicable Date, the Group recorded one, seven, thirteen, zero and five workplace accidents in Hong Kong and the PRC, respectively, which gave rise or may give rise to potential employees' compensation and personal injury claims.

The following table sets forth the nature of the abovementioned 26 accidents that occurred during the Track Record Period and up to the Latest Practicable Date:

Nature of accident	Number of accidents
In Hong Kong	
Trapped between objects	4
Injury whilst lifting or carrying	2
Slip, trip or fall on same level	6
Injury by shattered glass fragments	2
Injury by sharp edge	1
Falling object from height	1
Stepping on object	3
Injury by hand tool	1
In the PRC	
Injury in fabrication plant in PRC during production	6
	26

In Hong Kong, injured workers may claim against the Group pursuant to the Employee's Compensation Ordinance and/or common law. With respect to injuries where the injured workers had only made an employees' compensation claim, the compensation paid to the injured workers under the Employees' Compensation Ordinance would not exempt the liabilities of the Group under common law. Pursuant to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong), the limitation period for making a claim for personal injury under common law is three years from the date of the relevant accident. As such, it is still possible for the injured worker to instigate claims against the Group under common law, provided that the limitation period has not yet expired as at the Latest Practicable Date. On the other hand, the compensation paid to such injured worker, if any, would be reduced and off-set by the compensation already paid to the worker under the Employees' Compensation Ordinance.

In the PRC, once a workplace accident has happened, the employer, and in case of the employer's failure to do so, the injured worker (or his/her close relatives or the trade union), shall apply to the relevant social insurance administration department for recognising a work-related injury. Upon the recognition of the work-related injury, compensation will be made from the work-related injury fund to the injured worker for medical treatment, lump sum payments for permanent incapacity or death, and other payments set out in the Regulations on Work-Related Injury Insurance (工傷保險條例) . The employer will still be liable for compensating the injured worker for certain medical leave wages and other payments required by the Regulations on Work-Related Injury Insurance. In the event the injury is not recognised as a work-related injury, the injured worker may claim compensation against the employer under the PRC Tort Law (中華人民共和國侵權責任法). As at the Latest Practicable Date, compensation has been paid to the relevant employees in the PRC in respect of the abovementioned six accidents that occurred in the Group's fabrication plant in Huizhou, the PRC, during the Track Record Period, and there are no outstanding or potential claims against the Group in this relation.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, the Group did not experience any significant incidents or accidents in relation to workers' safety. For further details on outstanding litigation and potential claims of the Group relating to workplace accidents, please refer to the sub-section headed "Litigation and potential claims" in this section.

Analysis on accident rate

The following table sets out a comparison of the industrial accident rate per 1,000 workers and the industrial fatality rate per 1,000 workers in the construction industry in Hong Kong between the Group and the industry average during the Track Record Period:

	Industry average in Hong Kong	**The Group**
	(Note 1)	*(Note 2)*
2015		
Accident rate per 1,000 workers	39.1	0.02
Fatality rate per 1,000 workers	0.200	0
2016		
Accident rate per 1,000 workers	34.5	0.04
Fatality rate per 1,000 workers	0.093	0
2017		
Accident rate per 1,000 workers	32.9	0.08
Fatality rate per 1,000 workers	0.185	0

Notes:

1. The figures are based on the Occupational Safety and Health Statistics Bulletin No. 17 (August 2017) and No. 18 (August 2018) published by Occupational Safety and Health Branch, Labour Department, in which the accident rate is calculated as the number of industrial accidents during the year divided by the employment size which are based on the Quarterly Report of Employment and Vacancies Statistics published by the Census and Statistics Department.
2. The Group's accident rate is calculated by taking the number of industrial accidents during the year divided by the estimated number of staff members and site workers of the Group, and multiplied by 1,000. The estimated number of staff members and site workers of the Group during the year is bused on estimation on monthly staff members and site workers deployed by the Group.

The Directors confirm that to the best of their knowledge, information and belief, there is no available official data for industry average for construction accidents and related fatalities in the PRC.

The following table sets forth the Group's lost time injuries frequency rate ("**LTIFR**") during the Track Record Period:

	LTIFR *(Notes)*
For the year ended 31 March 2016	25.00
For the year ended 31 March 2017	52.08
For the year ended 31 March 2018	70.31
For the five months ended 31 August 2018	0

Notes:

1. LTIFR is a frequency rate that shows the amount of lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by using the number of reportable cases divided by the total labour hours worked per year, and multiplied by 1,000,000, assuming that the working hour of each worker is 8 hours per day.
2. The Directors confirm that there is no public information in relation to the average LTIFRs of the construction industry in Hong Kong and the PRC.

The LTIFR of the Group increased during the three years ended 31 March 2018 as the number of accidents recorded for the years ended 31 March 2018 and 31 March 2017 was higher than that of the previous year. Although the Group has in place various occupational health and safety measures to manage safety at construction sites, the Directors consider that accidents remain an inherent risk at construction sites and personal injuries remain a common occurrence due to the nature of the work involved. The Directors noted that the injuries sustained in the accidents which occurred during the Track Record Period were mostly fractures, sprains, cuts, and bruises sustained by the workers while they were carrying out the building works, and did not result in any material incapacity of the workers concerned. The Group will continue to maintain and improve its safety management system as appropriate in order to reduce risks related to construction site safety issues.

ENVIRONMENTAL COMPLIANCE

Environmental compliance measures

The Group's operations are subject to certain environmental requirements pursuant to the laws of Hong Kong and the PRC, including air and water pollution control, noise control, and waste disposal. For further details of the regulatory requirements, please refer to the sections headed "Regulatory Overview – I. The Laws and Regulations of Hong Kong – Others – Environmental Laws and Regulations" in this listing document "Regulatory Overview – The Laws and Regulations of the PRC – Environmental Protection".

The Group recognises the importance of environmental protection and implements an in-house environmental management policy to ensure proper management of environmental compliance of relevant laws and regulations, according to which, the Group places high importance to the following measures:

(i) Segregation of solid waste according to regulatory requirements for recycling by qualified institutions;

(ii) Segregation and storage of hazardous chemicals in specific areas with proper protective measures;

(iii) Monitoring, assessing and controlling noise pollution, fumes, smokes, obnoxious gas and water drainage;

(iv) Regular maintenance of equipment which would incur waste water, dust, fumes, smokes and obnoxious gas;

(v) Management of the staff working environment; and

(vi) Formulating resource-friendly plans.

The Group has also implemented the ISO 14001 environmental management system in respect of its business operations.

Track record in relation to environmental compliance

For the three years ended 31 March 2016, 2017 and 2018, and the five months ended 31 August 2018, the aggregate costs of compliance with applicable environmental laws and regulations in Hong Kong and the PRC were approximately HK$30,000, HK$57,000, HK$54,000, and HK$nil, respectively. The Group does not expect that the costs to be incurred on environmental compliance going forward would materially deviate from the level of 2018.

During the Track Record Period and up to the Latest Practicable Date, there was no material breach of the Group's in-house environmental protection rules by the Group's staff or material non-compliance with the applicable laws and regulations relevant to environmental protection.

INTELLECTUAL PROPERTY

Trademarks

As at the Latest Practicable Date, the Group had registered one trademark in Hong Kong, nine trademarks in the PRC, and was applying for one trademark in Hong Kong and three trademarks in the PRC. For further details, please refer to the section headed "General Information – Intellectual property rights of the Group" in Appendix V of this listing document.

Domain name

As at the Latest Practicable Date, the Group had registered three domain names, being millionhope.com, millionhope.com.hk, and millionhope.cn. For further details, please refer to the section headed "General Information – Intellectual property rights of the Group" in Appendix V to this listing document.

INSURANCE

During the Track Record Period, the Group maintains insurance coverage against, among other things, (i) employees' compensation; (ii) group personal accident insurance; (iii) motor vehicles insurance; and (iv) property insurance in respect of its fabrication plant in Huizhou, the PRC.

During the Track Record Period and up to the Latest Practicable Date, the Group had been or is involved in certain claims against the Group in relation to employees' compensation and personal injuries in Hong Kong,and it is expected that the amounts claimed pursuant to such claims will be covered by the insurance held by the Group or the relevant main contractor. For further details about such claims, please refer to the sub-section headed "Litigation and potential claims" in this section.

The Group is also obliged to provide social insurance for its PRC employees pursuant to the PRC social security regulations, and as at the Latest Practicable Date, the Group has maintained social insurance schemes and is required to make contributions for its PRC employees towards five categories of insurance, including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance.

The Directors consider that the existing insurance coverage is adequate and consistent with the industry norm having regard to the Group's current operations and the prevailing industry practice.

PROPERTIES

Owned properties

As at the Latest Practicable Date, the Group owned the following properties:

Location	Gross floor area	Usage	Market value as at 31 December 2018 *(note 1)*
			(HK$'000)
An industrial complex located at Huanzhen Road, Shangxia Development Zone, Shuikou, Huizhou, Guangdong Province, The PRC	12,645.8 m^2	Workshop, dormitory, office	32,000
Offices A, B, C, D, E, F, G, H, J, K, L, M, N and P on 20th Floor, and car parking space numbers P50 and P51 on Basement Floor, Kings Wing Plaza 1, No. 3 On Kwan Street, Shatin, Hong Kong	14,981 sq.ft.	Office, car park. Offices A, B, J, K, L, M, N and P are occupied by the Group Offices C, D, E, F, G & H are leased to the Remaining Group	162,500

Note:

1. Based on the valuation report prepared by Jones Lang LaSalle Limited, the text of which is set out in Appendix III to this listing document.

Leased properties

As at the Latest Practicable Date, the Group licensed from the respective owners the following properties:

Location	Usage	Monthly licence fee and other service charges	Term
Car parking space number, V48 on second floor, Shatin Industrial Centre, 5-7 Yuen Shun Circuit, Shatin, Hong Kong	Car parking	HK$2,800	1 October 2016 to 30 September 2019
Car parking space number, L45 on second floor, Shatin Industrial Centre, 5-7 Yuen Shun Circuit, Shatin, Hong Kong	Car parking	HK$5,000	1 June 2016 to 28 February 2019

Property with defective title in the PRC

The Group's fabrication plant in Huizhou, the PRC, is on an industrial complex comprising two adjoining parcels of land located in the Shangxia Development Zone of Huizhou. As at the Latest Practicable Date, the Group held the land use right certificates to occupy the two parcels of land, with site areas of about 11,657 square meters ("**Land Parcel 1**") and 5,000 square meters ("**Land Parcel 2**") respectively, and held the property ownership certificates in respect of the buildings erected on Land Parcel 1, which include the fabrication plant, office building, and dormitory.

A single-storey steel frame structure (the "**Structure**") with a floor area of approximately 2,080 square meters has been erected on Land Parcel 2, at an investment cost of approximately RMB330,000. The structure was completed and came into use in February 2017, primarily as a packaging and storage area for finished products. The Group did not have a valid construction project planning permit for the Structure, and failed to make the relevant filings with the local development and reform department in respect of the Structure. It also did not obtain the consents from the local environment, construction and fire safety departments before commencing the construction of the Structure. Consequently, it did not go through the inspection and acceptance procedures upon completion of the Structure with these departments. The Group did not obtain the ownership certificate for the Structure.

Reasons for the non-compliance

The Structure is an ancillary structure initially constructed for the purpose of storage of finished products and was intended to shelter the Group's finished products, and is not crucial to the Group's operations. As the Structure is a simple steel frame structure, the local management at the relevant time did not realise there was a need to obtain the relevant approvals and consents from the relevant PRC authorities.

Potential liabilities and legal consequences

As advised by the PRC Legal Adviser, the Group may be ordered by the local development and reform, planning and construction, environment and/or fire safety departments to rectify the situation within a designated period, make up for the required formalities, cease the operation or use of the Structure, and/or remove the Structure from the land and restore the land to its original condition, and imposed fines by these departments. The fines are either lump sum amounts or calculated by reference to the investment cost of the Structure as set out in the regulations on project investments, construction works, environment and fire safety respectively.

The PRC Legal Adviser is of the view that the likelihood of the above penalties being imposed on the Group (including but not limited to the fines) is low, for the following reasons: (i) as confirmed by the Group, the responsible local departments were aware of the construction and use of the Structure but did not impose any penalties, raise any objections or conduct any investigations on it; (ii) the Structure is an ancillary structure used for packaging and storage, and as confirmed by the Group, the Structure can be removed at minimum cost without any material impact on the operation or financial condition of the fabrication plant; (iii) as confirmed by the Group, the design, construction and use of the Structure are in line with the applicable PRC laws and regulations including but not limited to environmental protection and fire safety standards, and there is no risk of pollution or fire hazard; and (iv) the Group has commenced to discuss with relevant local departments to understand their requirements on making up for the required formalities and/or other remedial measures, and undertakes to take corrective measures accordingly.

Remedial actions

As the Structure is only an ancillary structure mainly used for packaging and storage of finished products, it is not crucial to the operations of the Group. The Group will endeavour to make up for the required formalities based on the requirements of the relevant local departments. To the extent the Group is not able to make up the required formalities, or if necessary or requested by the relevant authorities, the Group will dismantle the Structure and build another structure in compliance with the relevant local laws and regulations. The Group will arrange another area to carry out packaging and store its finished products as necessary. The dismantling of the Structure will not affect the operations of the fabrication plant, and losses from operation due to dismantling the Structure and moving the finished goods to another area for storage will be minimal.

Views of the Directors

Considering that the Structure is only an ancillary structure and can be removed at minimum cost without any material impact on the operation or financial condition of the fabrication plant, and given that the PRC Legal Adviser is of the view that the likelihood of the Group being subject to penalties is low, the Directors are of the view that the Structure is not crucial to the Group's business operation. In view of the foregoing, the Group has not made any provision for the potential penalties with respect to the Structure.

COMPLIANCE WITH LAWS AND REGULATIONS

Save as disclosed below and otherwise in this listing document, the Directors confirm that the Group has complied with all applicable laws and regulations in all material respects in Hong Kong and the PRC during the Track Record Period and up to the Latest Practicable Date.

Historical non-compliances

(1) Health and safety related laws and regulations

During the Track Record Period and up to the Latest Practicable Date, the Group was convicted of the following offence in Hong Kong:

Relevant subsidiary	Particulars of the charge	Date of order	Penalty
Million Hope Industries (HK)	Failure on 22 February 2014, to provide and maintain a system of work for the operation of a crane that was, as far as was reasonably practicable, safe and without risks to health of a person employed by another subcontractor at the construction site contrary to Sections 6A(1), 6A(2)(a), and 6A(3) of the Factories and Industrial Undertakings Ordinance	25 July 2016	HK$30,000

Reasons for the non-compliance

The Directors noted that at the material time of the incident mentioned above, the crane (which is owned by another subcontractor and not the Group) was not being operated by the Group, but by an employee of another subcontractor at the construction site. The non-compliance incident was due to the mistakes of the relevant employees of the other subcontractors, and not by the Group's employees.

Liabilities and legal consequences

The above charge and conviction were made against Million Hope Industries (HK) and not against the Directors or the senior management of the Group, and the penalty was only monetary in nature. A fine of HK$30,000 was imposed on Million Hope Industries (HK) which was duly paid, and no provision had to be made.

Remedial actions

After the incident, in order to improve safety measures, the Group employed a safety manager to monitor the implementation of safety measures at the Group's construction sites.

Views of the Directors

After taking into consideration that (i) after the incident, the Group had employed a safety manager to monitor the implementation of safety measures at the Group's construction sites; (ii) the total amount of fine paid by the Group in relation to the above conviction was only HK$30,000 and did not result in the revocation, suspension or downgrading of the Group's qualifications or licences; and (iii) the conviction did not affect the Group's ability to tender for projects, the Directors were of the view that the conviction did not have a material adverse impact on the Group's operation and financial position.

(2) Property with defective titles in the PRC

There were title defects in respect of the Structure which the Group had erected on its industrial complex in Huizhou, the PRC. Please refer to the sub-section headed "Property with defective titles in the PRC" in this section for further details.

(3) Social insurance and housing provident fund contributions in the PRC

During the Track Record Period, the Group did not fully comply with the relevant PRC regulations in relation to the payment of contributions to the social insurance plans and housing provident fund for the employees in the PRC.

Reasons for the non-compliance

The Group had been making contributions to social insurance plans and housing provident fund for all of its employees in the PRC based on its understanding of the local practices. However, the Group failed to make adequate social insurance and housing provident fund contributions for its employees because it calculated the amounts of contributions according to certain fixed bases based on its understanding of the local practices rather than the bases required by relevant regulations, i.e. the employees' actual salaries of the previous year.

The amount of the shortfall in respect of social insurance plan contributions for the years ended 31 March 2016, 2017 and 2018 and the five months ended 31 August 2018 were approximately RMB1,834,000, RMB1,813,000, RMB1,065,000 and RMB467,000 respectively. The amount of the shortfall in respect of housing provident fund contributions for the years ended 31 March 2016, 2017 and 2018 and the five months ended 31 August 2018 were approximately RMB329,000, RMB237,000, RMB281,000 and RMB 22,000, respectively.

Potential liabilities and legal consequences

As advised by the PRC Legal Adviser, the Group may be subject to the following penalties:

(i) with respect to social insurance contributions – pursuant to the relevant PRC laws and regulations, the social insurance authority may order the Group to pay all outstanding social insurance contributions within a prescribed time limit, and impose a late payment fee at a daily rate of 0.05% on the outstanding amount. The social insurance authority may impose a fine ranging between one to three times of the total outstanding balance in the of failure to pay the outstanding balance within the prescribed time limit;

(ii) with respect to housing provident fund contributions – pursuant to the relevant laws and regulations, the housing provident fund management centre may order the Group to pay the outstanding balance within a prescribed time limit. Where the payment has not been made after the expiration of the time limit, an application may be made to a people's court in the PRC for compulsory enforcement.

Remedial actions

The Group has obtained two written confirmations dated 3 May and 29 November 2018 from the Human Resources and Social Security Bureau of Huicheng District, Huizhou (惠州市惠城區人力資源和社會保障局), being the competent authority for administering the social insurance fund related affairs in Huizhou, that from the date of establishment of Million Hope (Huizhou) up to 29 November 2018, Million Hope (Huizhou) had not been subject to any administrative actions or penalties due to non-compliance with the relevant laws and regulations in relation to labour protection (including social insurance).

On 20 July 2018, the General Office of the Central Committee of the Communist Party of China (中共中央辦公廳) and the General Office of the State Council (國務院辦公廳) jointly promulgated the Plan for Reform of State and Local Tax Collection and Administration System (國稅地稅征管體制改革方案) (the "**Plan**"). Pursuant to the Plan, the authority for collecting social insurance contributions will be transferred from the social security bureaus to tax bureaus from 1 January 2019. However, unlike in many other regions of China, in Huizhou, where Million Hope (Huizhou) is located, the local tax bureaus had been responsible for collecting social insurances in accordance with certain local regulations of Guangdong Province, prior to the promulgation of the Plan.

On 13 September 2018, the General Office of the State Administration of Taxation (國家稅務總局辦公廳) issued the Notice on Working Steadily and Orderly on the Collection and Administration of Social Insurance Contributions (關於穩妥有序做好社會保險費征管有關工作的通知), which expressly requires all tax authorities that had already been collecting social insurances to keep the existing collection policies unchanged, and not to undertake unauthorised investigations on the shortage of social insurance contributions accrued in the previous years.

In light of the above, the reform contemplated by the Plan would not substantially change the current practice for social insurance collection in Huizhou and hence would not have a material impact on Million Hope (Huizhou). Furthermore, after the Plan was announced, on 20 August 2018, the PRC Legal Adviser and the PRC legal adviser to the Sponsor had interviewed the Shuikou Branch of the Tax Bureau of Huicheng District, Huizhou, which is the competent authority for collecting social insurance payments before and after the implementation of the Plan. The authority confirmed that (i) it was aware of the actual situation of historical social insurances payments of Million Hope (Huizhou), including the bases adopted for calculating the payable amounts, (ii) such historical payments were in compliance with the national and local rules and policies, (iii) there was no outstanding amount to be paid; and (iv) Million Hope (Huizhou) would not be subject to any late payment fee, fine or other penalties.

The Plan does not intend to modify the system for collection of housing provident funds. The Group had also obtained a written confirmation dated 23 November 2018 from Huizhou Housing Provident Fund Administration Centre (惠州市住房公積金管理中心), being the competent authority for administering the housing provident fund related affairs in Huizhou, that during the period from 9 June 2013 (being the date on which the housing provident fund account was set up) up to 31 October 2018, there was no record of non-compliance or penalties imposed on Million Hope (Huizhou).

As at the Latest Practicable Date, no administrative action, fine or penalty has been imposed by the relevant PRC government authorities with respect to such non-compliance, nor has any order been received by the Group to settle the outstanding amount of social insurance and housing provident fund payments, and the Group has not been subject to any labour disputes, arbitration or litigation in this relation.

The Group has started to make full contributions to the social insurance plans and housing provident fund for employees in the PRC since August 2018 and July 2018, respectively.

As advised by the PRC Legal Adviser, based on the facts, rules and policies and authorities' confirmations as mentioned above, the risk of the Group being penalised due to the above non-compliance is remote.

Views of the Directors

Based on the confirmations received from the relevant PRC authorities, and on the advice of the PRC Legal Adviser, the Directors consider that the historical shortfall in the relevant social insurance and housing provident fund contributions will not have any material adverse impact on the Group's business or operations.

In view of the foregoing, the Group has not made provisions for the shortfall in the social insurance contribution in the audited financial statements for the years ended 31 March 2016, 2017 and 2018, and the five months ended 31 August 2018, respectively. As at 31 August 2018, the Group made provisions for the years ended 31 March 2016, 2017 and 2018 and the five months ended 31 August 2018 in the amounts of approximately RMB329,000, RMB237,000, RMB281,000, and RMB22,000, respectively, for the unpaid amount of housing provident fund contribution. The Directors believe that such provisions are sufficient to cover the Group's liabilities in respect of unpaid housing provident fund contribution.

LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and up to the Latest Practicable Date, the Group was involved in a number of claims and litigation and pending or threatened claims. The Directors are of the view that the occurrence of personal injuries is not uncommon in the construction industry. Set out below is a summary of the ongoing and potential claims and legal proceedings involving the Group as at the Latest Practicable Date.

(1) Litigation and claims as at the Latest Practicable Date

Ongoing litigation and claims in Hong Kong as at the Latest Practicable Date

Employee's compensation/personal injury

No.	Nature of incident/claim	Date/period of incident	Capacity of plaintiff(s)	Name(s) and capacity of defendant(s)	Amount/estimated quantum of damages claimed	Status
1.	A claim for personal injuries by the plaintiff in 2016; it was alleged that the plaintiff suffered a fracture to his finger while attempting to hammer into cement at a construction site	15 June 2016	Employee of subcontractor of the Group	Million Hope Industries (HK) as the subcontractor, Main contractor of the project, Other relevant subcontractors	Damages to be assessed by court. Since the claim is covered under insurance policy, the damages shall be paid by the insurance company to the claimant directly if the Group is found to be liable	The Directors confirm that as at the Latest Practicable Date, the case is being handled by solicitors nominated by the insurance company
2.	A claim for personal injuries by the plaintiff in 2017; it was alleged that the plaintiff injured his lower back while moving glass suction cup at the construction site	16 February 2017	Employee of subcontractor of the Group	Million Hope Industries (HK) as the subcontractor, Main contractor of the project, Other relevant subcontractors	Damages to be assessed by court. Since the claim is covered under insurance policy, the damages shall be paid by the insurance company to the claimant directly if the Group is found to be liable	The Directors confirm that as at the Latest Practicable Date, the case is being handled by solicitors nominated by the insurance company

No.	Nature of incident/claim	Date/period of incident	Capacity of plaintiff(s)	Name(s) and capacity of defendant(s)	Amount/estimated quantum of damages claimed	Status
3.	A claim for employee compensation by the plaintiff in 2018; it was alleged that the plaintiff injured his foot while moving on the scaffolding at the construction site	28 September 2017	Employee of subcontractor of the Group	Million Hope Industries (HK) as the subcontractor, other relevant subcontractor	Damages to be assessed by court. Since the claim is covered under insurance policy, the damages shall be paid by the insurance company to the claimant directly if the Group is found to be liable	The Directors confirm that as at the Latest Practicable Date, the case is being handled by solicitors nominated by the insurance company

No provision was made for the above cases as the Directors believe that the amount of claims is within the amount of insurance coverage which was taken out either by the Group or the main contractor and the Directors consider that the amount of damages payable (if any) will be covered by insurance in full.

Other proceedings

Nature of incident/claim	Date/period of incident	Capacity of plaintiff(s)	Name(s) and capacity of defendant(s)	Amount/estimated quantum of damages claimed	Status
Alleged breach of Regulation 38C of the Construction Sites (Safety) Regulations under the Factories and Industrial Undertakings Ordinance	15 November 2017	Labour Department	Million Hope Industries (HK)	N/A	The trial hearing has been set for 8, 9 and 10 April 2019

Million Hope Industries (HK) received a summons dated 14 May 2018 taken out by the Labour Department alleging that on 15 November 2017, Million Hope Industries (HK) failed in its duty, as contractor with direct control over a work site, to provide a suitably-compliant ladder or scaffold in the context of fitting-out work undertaken by the employee of a sub-contractor. The summons taken out by the Labour Department was first heard at the Eastern Magistrates' Court on 8 June 2018, where Million Hope Industries (HK) pleaded 'not guilty'. At a pre-trial review held on 14 September 2018, Million Hope Industries (HK) maintained its plea of 'not guilty'. The trial hearing has been fixed for April 2019 as set out above.

Pursuant to the relevant provisions of the Construction Sites (Safety) Regulations, the maximum penalty for non-compliance of this Regulation is a fine of HK$200,000, although the Company's considered assessment is that a finding of breach is more likely to result in a fine in the order of HK$5,000 to HK$10,000. No Director or officer of the Group has been charged in relation to this incident, and Million Hope Industries (HK)'s position is to vigorously defend the case.

(2) Potential employees' compensation claims and personal injuries claims in Hong Kong as at the Latest Practicable Date

As at the Latest Practicable Date, out of the 20 accidents recorded by the Group that happened in Hong Kong during the Track Record Period and up to the Latest Practicable Date, there were: (i) nine accidents in respect of which the injured persons have fully settled the compensation under the Employees' Compensation Ordinance with the subcontractors or insurance companies; (ii) two accidents in respect of which the employees' compensation claims were discontinued; (iii) three accidents in respect of which summons had been received and legal proceedings for employees' compensation claims have commenced and were outstanding; and (iv) six accidents in respect of which the injured persons have not yet filed any employees' compensation claims or commenced legal proceedings against the Group or the injured persons are still receiving periodical payments.

Regarding the abovementioned accidents in respect of which the injured persons have not yet filed any claims or commenced legal proceedings against the Group, as at the Latest Practicable Date, the limitation period of the respective potential employees' compensation claim and respective potential personal injury claim had not expired. As such, as at the Latest Practicable Date, the Group had a total of six potential employees' compensation claims and 20 potential personal injury claims.

Since no civil action has commenced, the claims, when filed, will be handled by solicitors appointed by the insurers, the Group is not in a position to assess the likely quantum of such potential claims.

As at the Latest Practicable Date, notices of the accidents had been given to the insurers. It is expected that the injured persons would be fully covered by the mandatory insurance held either by the Group or the relevant main contractor.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance, and no litigation, claim or arbitration of material importance is known to the Directors to be pending or threatened against any member of the Group.

INTERNAL CONTROL AND RISK MANAGEMENT

In preparation for the Listing, the Group has appointed an independent internal control adviser to perform a detailed assessment of the Group's internal control system including the areas of financial, operation, compliance and risk management with an aim to, amongst other matters, improve the Group's internal control system including its risk management and corporate governance. The internal control adviser had provided recommendations in relation to strengthening the Group's internal controls, and the Group has taken measures to implement the relevant internal control measures.

The internal control adviser has performed a follow-up review by focusing on the remedial actions undertaken by the management of the Group on the control deficiencies identified in the first round review. Based on the result of the follow-up review, the Directors confirmed that the Group has adopted all of the major internal measures and policies suggested by the internal control adviser and are satisfied that the Group's internal controls are adequate and effective for the Group's operations.

The Group has established a set of internal control and risk management policies and procedures to identify, assess and control the risks arising from the Group's business operations, including but not limited to policies in relation to tender preparation, financial reporting and disclosure controls, project management, cash and treasury management, human resource and payroll management, information security management, disaster recovery and business continuity plans. The Board is responsible for overseeing overall risk management. The Group will also have in place an audit committee, which consists of all the independent non-executive Directors, to oversee the implementation of the internal control procedures of the Group. Please refer to the section headed "Directors and senior management – Independent non-executive Directors" in this listing document for further information on the independent non-executive Directors.

INFORMATION ON THE CONTROLLING SHAREHOLDERS

Prior to the Spin-off, the Company was an indirect wholly-owned subsidiary of Hanison, and the Group operated as part of the building materials division within the Hanison Group. As disclosed in the section headed "Information about the Spin-off and the Distribution" in this listing document, the Distribution will be satisfied by way of distribution in specie to the Distribution Qualifying Shareholders of the entire issued capital of the Company, in proportion to their respective shareholdings in Hanison, on the basis of two Shares for every five Hanison Shares held on the Record Date. As a result, immediately following the completion of the Distribution, the Company will cease to be a subsidiary of Hanison, and CCM Trust and Mingly will become the Controlling Shareholders. The Group will operate independently from the Controlling Shareholders and their respective associates.

CCM Trust and Mingly

CCM Trust is the corporate trustee of certain but not identical discretionary trusts of which members of the Cha Family are among the discretionary objects. As at the Latest Practicable Date, CCM Trust is the direct and indirect holder of **[REDACTED]** shares in Hanison, representing approximately **[REDACTED]**% of the issued shares of Hanison. Of these shares, **[REDACTED]** shares in Hanison (approximately **[REDACTED]**%) are held directly and **[REDACTED]** shares in Hanison (approximately **[REDACTED]**%) are held indirectly, via Mingly. Mingly is owned as to approximately **[REDACTED]**% by CCM Trust, with the remaining aggregate interests of approximately **[REDACTED]**% also being held by or on behalf of members of the Cha Family. Mingly was formerly listed on the Stock Exchange but was privatised in 2001. Immediately following completion of the Spin-off and assuming its shareholding in Hanison remains unchanged on the Record Date and that the number of Hanison Shares in issue remains consistent, CCM Trust will hold approximately **[REDACTED]**% of the Company, represented by a direct holding of approximately **[REDACTED]**% and an indirect holding, via Mingly, of approximately **[REDACTED]**%.

As at the Latest Practicable Date, CCM Trust also directly and indirectly holds 616,169,295 shares in HKRI, representing approximately 41.48% of the issued share capital of HKRI. HKRI is listed on the Stock Exchange (Stock Code: 480) and has diversified interests in real estate development and investment, property management, luxury hotels and serviced apartments, healthcare services and other investments in Hong Kong, China and Asia. Each of Hanison and HKRI is a close associate of CCM Trust for the purpose of the Listing Rules.

Immediately following completion of the Spin-off, CCM Trust will control more than 30% of the issued share capital of the Company upon Listing, and it will be a Controlling Shareholder within the meaning of the Listing Rules. Although Mingly will not control more than 30% of the issued share capital of the Company upon Listing, as Mingly is a close associate of CCM Trust for the purpose of the Listing Rules, Mingly will be deemed to be a Controlling Shareholder upon Listing. Additionally, members of the Cha Family, collectively, will be interested in more than **[REDACTED]**% of the issued share capital of the Company upon Listing. The interests of Mr. Cha Mou Sing, Payson, the Chairman of the Company, are discussed in the section headed "General Information — C. Further Information about the Directors and Substantial Shareholders — 1. Disclosure of Directors' Interests" in Appendix V to this listing document.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS AND THE REMAINING GROUP

The Directors do not expect that there will be any significant transactions between the Group and the Controlling Shareholders or their respective close associates (including HKRI and Hanison) upon or shortly after completion of the Spin-off other than the transactions as disclosed in the section headed "Continuing Connected Transactions" in this listing document. Taking into account the factors discussed in the paragraphs below, the Directors are satisfied that the Group will be able to conduct its business operationally and financially independent of the Controlling Shareholders and the Remaining Group.

Clear delineation of business

HKRI is an investment holding company incorporated in the Cayman Islands, the issued shares of which are listed on the Stock Exchange. HKRI and its subsidiaries are principally engaged in property development, property investment, property management and related services, hospitality and healthcare services. There is no overlap between the products and services offered by HKRI and the Group.

Following the completion of the Spin-off, the Group will principally be engaging in the design, supply and installation of facade and curtain wall systems, with a focus on curtain walls, aluminium windows and doors, whilst the Remaining Group will be carrying out the businesses of (i) construction; (ii) interior and renovation works; (iii) supply and installation of limited other building materials (being unrelated to the business of the Group, namely, the supply and installation of interior products such as ceiling and flooring products through the Trigon Companies); (iv) property investment; (v) property development; (vi) provision of property agency and management services; and (vii) sale of health products.

Following completion of the Spin-off, the remaining entities comprising the building materials division within the Remaining Group will be the Trigon Companies which specialise in the supply and installation of interior products such as different types of suspended ceiling systems, metal cladding systems, demountable partition systems, fire related protection systems, decorative moulding, raised flooring and wood flooring. There is no overlap between the products offered by the Trigon Companies and the Group.

Given the different product offerings and services provided by the Group and the Remaining Group, the Directors are of the view that there is clear delineation between the businesses of the Remaining Group and the Group, and as a result, none of the business of the Remaining Group would compete or is expected to compete, directly or indirectly, with the businesses of the Group.

Save as disclosed herein, neither the Controlling Shareholders and their respective close associates, nor the Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business.

Management independence

Upon completion of the Spin-off, the Group and the Remaining Group will have boards of directors that function independently of each other. The table below sets forth the directorship of the Group and the Remaining Group upon Listing:

Name	Position in the Company	Position in Hanison
Mr. Cha Mou Sing, Payson	Non-executive Director and Chairman	Non-executive director (Chairman)
Mr. Cha Mou Daid, Johnson	None	Non-executive director
Mr. Wong Sue Toa, Stewart	Non-executive Director and Deputy Chairman	Executive director (Managing Director)
Mr. Tai Sai Ho	Non-executive Director	Executive director (General Manager)
Mr. Lo Kai Cheong	None	Executive director
Mr. Chuk Kin Lun	Executive Director (Joint Managing Director)	None
Mr. Lee Cheuk Hung	Executive Director (Joint Managing Director)	None

Name	Position in the Company	Position in Hanison
Mr. Chan Pak Joe	None	Independent non-executive director
Dr. Lau Tze Yiu, Peter	None	Independent non-executive director
Dr. Sun Tai Lun	None	Independent non-executive director
Mr. Yip Kai Yung	Independent non-executive director	None
Professor Ho Richard Yan Ki	Independent non-executive director	None
Mr. Poon Kan Young	Independent non-executive director	None

Other than Mr. Cha Mou Sing, Payson, who is also an executive director and chairman of HKRI, there are no overlapping directorships between the boards of HKRI and the Company. Following completion of the Spin-off, Mr. Cha Mou Sing, Payson, will not have any executive role in the Group.

Further, the Directors consider that the Group will be able to operate independently of the Remaining Group following completion of the Spin-off because:

(i) although Mr. Cha Mou Sing, Payson, the non-executive chairman of Hanison, Mr. Wong Sue Toa, Stewart and Mr. Tai Sai Ho, both being executive directors of Hanison, will also hold directorships in the Company, they will not be involved in the day-to-day operations of the Group, and will not have any executive roles in the Group;

(ii) the management and day-to-day operations of the Group are managed by Mr. Chuk Kin Lun and Mr. Lee Cheuk Hung, being the executive Directors and Joint Managing Directors of the Company. Both of them will not have any roles in the Remaining Group following completion of the Spin-off;

(iii) all three independent non-executive Directors do not, and will not, have any ongoing role with the Remaining Group and accordingly, the independent non-executive Directors can exercise independent judgment free from any conflict of interest;

(iv) all the members of the senior management of the Group are full-time employees of the Group and have assumed senior management responsibilities for the Group's business. Their management and supervisory functions have and will ensure that the Group's management and daily operations are independent of the Remaining Group;

(v) each of the Directors is aware of his fiduciary duties as a Director, which require, among other things, that he acts for the benefit and in the best interest of the Shareholders as a whole and does not allow any conflict between his duties as a Director and his personal interests to affect the performance of his duties as a Director;

(vi) continuing connected transactions between the Group (on the one hand) and the Remaining Group (on the other hand) have been identified and the parties will comply with the applicable requirements of the Listing Rules governing continuing connected transactions. For details of these continuing connected transactions, see "Continuing Connected Transactions"; and

(vii) the Company has adopted a number of corporate governance measures in order to manage any potential conflict of interests which may arise between the Group (on the one hand) and the Remaining Group (on the other hand) as a result of overlapping directors as well as to safeguard the interests of the independent Shareholders, the details of which are set out in "Corporate Governance Measures" below.

[REDACTED]

[REDACTED]

CORPORATE GOVERNANCE MEASURES

Notwithstanding the limited extent of potential competition (if any) that may arise between the Group and the Remaining Group or the Controlling Shareholders, the Directors recognise the importance of good corporate governance for the protection of the interests of the Shareholders. The Company will adopt the following measures to manage the potential conflicts of interest between the Group and the Remaining Group or the Controlling Shareholders and to safeguard the interests of the Shareholders:

(a) in the event that any Director has an interest in the relevant matter and there is a conflict of interest in the operations of the Group and the Remaining Group and its associates, and in respect of any proposed contracts or arrangements between the Group and the Remaining Group and any of its associates, Directors who are considered to be interested in a particular matter or the subject matter shall disclose his/her interests to the Board;

(b) the appointment of VMS Securities Limited as the compliance adviser to advise the Company on the compliance matters in respect of the Listing Rules; and

(c) the Directors, may appoint independent financial advisers and other professional advisers as they consider appropriate to advise them on any matter relating to connected transaction(s) at the cost of the Company.

Further, the Company is expected to comply with the Appendix 14 of the Listing Rules which sets out principles of good corporate governance in relation to, among others, Directors, the chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with the Shareholders. The Company will state in its interim and annual reports whether it has complied with the Appendix 14 of the Listing Rules, and will provide details of, and reasons for, any deviation from it in the corporate governance report which will be included in the Company's annual report.

OVERVIEW

Prior to the Listing Date, the Group has entered into certain transactions with parties who will, upon the Listing, become connected persons of the Company. Following completion of the Listing, there will be certain continuing connected transactions of the Company under the Listing Rules. Details of these transactions are set out below.

As CCM Trust and Mingly are the Controlling Shareholders, CCM Trust, Mingly and their respective associates, including Hanison and its subsidiaries, are connected persons of the Company. Accordingly, the transactions the Group has entered into or will enter into with the Remaining Group will constitute connected transactions of the Group.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Following completion of the Spin-off, the following transactions will be regarded as continuing connected transactions fully exempt from the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. De minimis transaction with the Remaining Group – Tenancy agreement

Rich Victory has entered into three separate tenancy agreements dated 12 September 2018 and 18 September 2018 (the "**Office Tenancy Agreements**") with Hanison Interior & Renovation Limited and Trigon Building Materials in relation to the lease of certain office units located at the 20th Floor of Kings Wing Plaza 1, No. 3 On Kwan Street, Shek Mun, Shatin, New Territories, Hong Kong, with total gross floor area of approximately 5,633 square feet. The term of each Office Tenancy Agreement commenced on 27 December 2017 and will end on 26 December 2020, at an aggregate annual rental of approximately HK$1,555,000 (exclusive of management fees, government rent and rates and utility charges), determined as the market rent at the time.

The aggregate rental received during the three years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the five months ended 31 August 2018 were approximately HK$nil, HK$nil, HK$410,000 and HK$648,000, respectively.

As each of Hanison Interior & Renovation Limited and Trigon Building Materials is a wholly-owned subsidiary of Hanison, they are therefore associates of the Controlling Shareholder, and are connected persons of the Company upon Listing.

As the aggregate annual amount payable under the Office Tenancy Agreements does not exceed HK$3 million and none of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect thereof exceeds 5%, and the transactions are conducted on normal commercial terms, the transactions contemplated under the Office Tenancy Agreements will constitute de minimis continuing connected transactions exempt from the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. De minimis transaction with the Remaining Group – Licence agreement

Million Hope Industries (HK) has entered into a licence agreement dated 20 August 2016 ("**Licence Agreement One**") with Emwell Limited in relation to a car parking space located at the Shatin Industrial Centre, 5-7 Yuen Shun Circuit, Shatin, New Territories, Hong Kong. The term of Licence Agreement One commenced on 1 June 2016 and will end on 28 February 2019, at an annual licence fee of HK$60,000, determined as the market rate at the time.

The aggregate licence fee paid by the Group to Emwell Limited under Licence Agreement One during the three years ended 31 March 2016, 2017 and 2018 and the five months ended 31 August 2018 was approximately HK$nil, HK$50,000, HK$60,000 and HK$25,000, respectively.

As Emwell Limited is a subsidiary of Hanison and therefore an associate of CCM Trust, Emwell Limited will be a connected person of the Company upon Listing.

As the aggregate annual amount payable under Licence Agreement One does not exceed HK$3 million and none of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect thereof exceeds 5%, and the transactions are conducted on normal commercial terms, the transaction contemplated under Licence Agreement One will constitute a de minimis continuing connected transaction exempt from the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. De minimis transaction – Licence agreement

Million Hope Industries (HK) has entered into a licence agreement dated 19 June 2017 ("**Licence Agreement Two**") with Key Global Investments Limited in relation to a car parking space located at Shatin Industrial Centre, 5-7 Yuen Shun Circuit, Shatin, New Territories, Hong Kong. The term of Licence Agreement Two commenced on 1 October 2016 and will end on 30 September 2019, at an annual licence fee of HK$33,600, determined with reference to the market rate at the time and discounted in favour of Million Hope Industries (HK).

The licence fee paid by the Group to Key Global Investments Limited under Licence Agreement Two during the three years ended 31 March 2016, 2017 and 2018 and the five months ended 31 August 2018 was approximately HK$nil, HK$16,800, HK$33,600 and HK$14,000, respectively.

Key Global Investments Limited is a company wholly-owned by Mr. Cha Mou Sing, Payson, a non-executive Director, and will therefore be a connected person of the Company upon Listing.

As the aggregate annual amount payable under Licence Agreement Two does not exceed HK$3 million and none of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect thereof exceeds 5%, and the transaction is conducted on normal commercial terms or better, the transaction contemplated under Licence Agreement Two will constitute a de minimis continuing connected transaction exempt from reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

The Board consists of eight Directors, comprising of two executive Directors, three non-executive Directors and three independent non-executive Directors. The senior management is responsible for the day-to-day management of the Group's business. The following table sets forth certain information regarding the Directors and senior management:

Directors

Name	Age	Date of appointment	Position	Principal responsibilities	Relationship with other Directors
Mr. Cha Mou Sing, Payson (查懋聲先生)	76	9 August 2018	Chairman and Non-executive Director	Strategic advisory support	Nil
Mr. Wong Sue Toa, Stewart (王世濤先生)	72	9 August 2018	Deputy chairman and Non-executive Director	Strategic advisory support	Nil
Mr. Chuk Kin Lun (祝健麟先生)	68	9 August 2018	Executive Director and Joint Managing Director	Overall strategic leadership of the Company's business	Nil
Mr. Lee Cheuk Hung (李卓雄先生)	53	9 August 2018	Executive Director and Joint Managing Director	In charge of day-to-day operation management and administration of the Company's business In charge of design and project management team	Nil
Mr. Tai Sai Ho (戴世豪先生)	67	9 August 2018	Non-Executive Director	Management advisory support	Nil
Mr. Yip Kai Yung (葉啓容先生)	67	22 February 2019	Independent Non-Executive Director	Supervising and providing independent judgment to the Board	Nil
Professor Ho Richard Yan Ki (何炘基教授)	67	22 February 2019	Independent Non-Executive Director	Supervising and providing independent judgment to the Board	Nil
Mr. Poon Kan Young (潘根濃先生)	62	22 February 2019	Independent Non-Executive Director	Supervising and providing independent judgment to the Board	Nil

Senior management

Name	Age	Date of appointment	Position	Principal responsibilities
Mr. Cheong Wai Ming (張偉明先生)	48	1 April 2013	Senior Design Manager	Responsible for design and give technical advice to project and design team
Mr. Chung Chun Keung (鍾振強先生)	46	9 July 2012	Senior Manager (Contracts)	Responsible for purchasing, procurement, contract administration, preparation of claims, budget control, quantity surveyor team management
Mr. Huang Sheng Hui (黃盛輝先生)	38	6 February 2012	Plant Operations Manager	Responsible for overall operation of fabrication plant in Huizhou
Mr. Jarn Siu Cheung (湛邵祥先生)	45	1 October 2015	Senior Project Manager	Responsible for overall coordination and management of assigned projects, including progress, quality, cost and client relationship, project team management
Mr. Kwok Wing Fai (郭永輝先生)	37	1 June 2018 9 August 2018	Senior Accounting Manager Company Secretary	Responsible for all account related, company secretarial and corporate finance matters
Mr. Wong Kin (黃健先生)	47	1 April 2018	General Manager (Fabrication plant in Huizhou)	Responsible for overall general management of fabrication plant in Huizhou including but not limited to operation, costing & budget control, production quality, staff management, client relationship, etc.
Mr. Wong Yuen On (黃遠安先生)	48	1 April 2011	Senior Project Manager	Responsible for overall coordination and management of assigned projects, including progress, quality, cost and client relationship, project team management

DIRECTORS

Chairman and Non-executive Director

Mr. Cha Mou Sing, Payson (查懋聲先生), aged 76, was appointed as a non-executive Director and the Chairman of the Company on 9 August 2018. He is responsible for providing strategic advisory support to the Group. Mr. Cha has been the non-executive chairman of Hanison since 2001. Mr. Cha has extensive experience in property development. He is the chairman and executive director of HKRI (Stock code: 480). Mr. Cha is an independent non-executive director of New World Development Company Limited (Stock code: 17) ("**NWDCL**"), Eagle Asset Management (CP) Limited (the Manager of Champion Real Estate Investment Trust (Stock code: 2778) ("**CREIT**")) and Hongkong International Theme Parks Limited (owner and operator of Hong Kong Disneyland Resort). During the period from 3 October 2016 to 22 December 2016, Mr. Cha was an independent non-executive director of Munsun Capital Group Limited (Stock code: 1194) ("**MCGL**"). The securities of HKRI, NWDCL, CREIT and MCGL are listed on the Stock Exchange. Mr. Cha was awarded an honorary doctorate degree of Social Science from City University of Hong Kong in November 2001. He is a Justice of the Peace. He is a member of One Country Two Systems Research Institute Limited, a governing board member of China-United States Exchange Foundation, a board member of the Real Estate Developers Association of Hong Kong, the chairman of Qiu Shi Science & Technologies Foundation, a trustee of Sang Ma Trust Fund and an honorary trustee of Oregon State University Foundation.

Mr. Cha was a director of the following companies which were incorporated in Hong Kong and were deregistered, and the relevant details are as follows:

Company name	Nature of business	Date of dissolution
HKR Investment Limited	Investment holding	12 December 2003
Tung Chung Marketing Services Limited	Investment holding	31 May 2002

Mr. Cha has confirmed that each of the above companies was solvent and dormant at the time of it being dissolved by deregistration.

Mr. Cha was a director of the following company which was incorporated in Australia and had ceased place of business and was dissolved, and the relevant details are as follows:

Company name	Nature of business	Date of dissolution
HKR (Australia) Limited	Investment holding	28 March 2002

Mr. Cha is also a director of CCM Trust and LBJ Regents, and the executive chairman of Mingly. CCM Trust, LBJ Regents and Mingly will be substantial Shareholders under Part XV of the SFO following completion of the Spin-off.

Deputy Chairman and Non-executive Director

Mr. Wong Sue Toa, Stewart (王世濤先生), aged 72, was appointed as a Director on 20 February 2018, and designated as a non-executive Director and appointed as the Deputy Chairman of the Company on 9 August 2018. He also serves as a member of the Company's remuneration committee and nomination committee. He is responsible for providing strategic advisory support to the Group. Mr. Wong joined Hanison Construction Company in 1989 as a director and has been an executive director and managing director of Hanison since 2001. Before he joined the Hanison Group, he was a director of several listed companies and a director of HKRI (Stock code: 480) until his resignation in December 2001. Mr. Wong has been a director of Million Hope Industries (HK) since May 2007, and a director of Million Hope (Huizhou) since November 2011, and is also a director of all the subsidiaries of the Group. Mr. Wong obtained a bachelor degree in science from San Diego State University in the US in June 1968 and a master degree of science in civil engineering from Carnegie-Mellon University in the US in May 1970. He is a member of the Hong Kong Institute of Construction Managers (MHKICM).

Mr. Wong was a director of the following companies which were incorporated in Hong Kong and were deregistered, and the relevant details are as follows:

Company name	Nature of business	Date of dissolution
Grace Sino Development Limited	Property investment	27 November 2015
Maxwise Development Limited	Property development	5 January 2001
Million Hope Engineering Company Limited	Aluminium trading	1 August 2008
Million Hope Holding Company Limited	Aluminium trading	19 September 2008
Million Hope Trading Company Limited	Aluminium trading	1 August 2008
Sental Investment Limited	Property development	22 May 2009

Mr. Wong has confirmed that each of the above companies was solvent and dormant at the time of it being dissolved by deregistration.

Executive Directors

Mr. Chuk Kin Lun (祝健麟先生), aged 68, was appointed as an executive Director and Joint Managing Director of the Company on 9 August 2018 and will be one of the chief executives of the Company as defined under the Listing Rules. He is responsible for the overall strategic leadership of the Company's business. Mr. Chuk joined Hanison Construction Company in 1989 as site supervisor and became senior construction manager in 2001, and has been a director of the construction division, interior and renovation division and building materials division of the Hanison Group since 2006, and was mainly responsible for the day-to-day operation, management and administration of Million Hope Industries (HK). Mr. Chuk has been a director of Million Hope Industries (HK) since May 2007, and a director of Million Hope (Huizhou) since November 2011. Mr. Chuk obtained a bachelor degree in civil engineering from Chu Hai College (now known as Chu Hai College of Higher Education) in Hong Kong in July 1976, and is a member of the Hong Kong Institute of Construction Managers (MHKICM).

Mr. Chuk was a director of the following companies which were incorporated in Hong Kong and were deregistered, and the relevant details are as follows:

Company name	Nature of business	Date of dissolution
Charman Investment Limited	Property investment	21 September 2001
Hanison Concrete Limited	Supply of concrete	29 July 2005
Heroson Development Limited	Property development	1 June 2001
Korman Investment Limited	Property development	21 September 2001
Maxwise Development Limited	Property development	5 January 2001
Million Hope Engineering Company Limited	Aluminium trading	1 August 2008
Million Hope Holding Company Limited	Aluminium trading	19 September 2008
Million Hope Trading Company Limited	Aluminium trading	1 August 2008
Sena Investment Limited	Property investment	21 September 2001
Senwest Investment Limited	Property investment	21 September 2001

Company name	Nature of business	Date of dissolution
Serin Investment Limited	Property investment	21 September 2001
Standard Interest Investment Limited	Property investment	10 May 2002

Mr. Chuk has confirmed that each of the above companies was solvent and dormant at the time of it being dissolved by deregistration.

Mr. Lee Cheuk Hung (李卓雄先生), aged 53, was appointed as an executive Director and Joint Managing Director of the Company on 9 August 2018 and will be one of the chief executives of the Company as defined under the Listing Rules. He is responsible for the day-to-day operation management and administration of the Company's business, and is also in charge of the design and project management team. Mr. Lee has been a director of Million Hope Industries (HK) since March 1998, and a director of Million Hope (Huizhou) since November 2011. Mr. Lee joined the Hanison Group in 2007 (when Million Hope Industries (HK) was acquired by the Hanison Group) and has been a director of the building materials division of the Hanison Group since 2009, and was mainly responsible for day-to-day operation management and administration of Million Hope Industries (HK). Mr. Lee has comprehensive experience in the building industry in Hong Kong. Mr. Lee obtained a certificate in mechanical engineering from Lee Wai Lee Technical Institute (now known as IVE (Lee Wai Lee)) in July 1991.

Mr. Lee was a director of the following companies which were incorporated in Hong Kong and were deregistered, and the relevant details are as follows:

Company name	Nature of business	Date of dissolution
Million Hope Engineering Company Limited	Aluminium trading	1 August 2008
Million Hope Holding Company Limited	Aluminium trading	19 September 2008
Million Hope Trading Company Limited	Aluminium trading	1 August 2008

Mr. Lee has confirmed that each of the above companies was solvent and dormant at the time of it being dissolved by deregistration.

Non-executive Director

Mr. Tai Sai Ho (戴世豪先生), aged 67, was appointed as a Director on 20 February 2018, and designated as a non-executive Director of the Company on 9 August 2018. He also serves as a member of the Company's remuneration committee and nomination committee. He is responsible for providing management advisory support to the Group. Mr. Tai joined Hanison Construction Company in 1989 as a director and has been an executive director of Hanison and the general manager of the Hanison Group since 2001. Mr. Tai has been a director of Million Hope Industries (HK) since May 2007, and a director of Million Hope (Huizhou) since November 2011, and is also a director of all subsidiaries of the Group. Mr. Tai obtained a bachelor degree in civil engineering from National Cheng Kung University in Taiwan in July 1975, a master degree in construction management from University of New South Wales in Australia in April 1993 and a master degree in business administration from Asia International Open University in Macau in October 1993 (now known as City University of Macau). Mr. Tai is a fellow of the Hong Kong Institute of Directors (FHKIoD) and the Hong Kong Institute of Construction Managers (FHKICM).

Mr. Tai was a director of the following companies which were incorporated in Hong Kong and were deregistered, and the relevant details are as follows:

Company name	Nature of business	Date of dissolution
Charman Investment Limited	Property investment	21 September 2001
Grace Sino Development Limited	Property investment	27 November 2015
Hanison Concrete Limited	Supply of concrete	29 July 2005
Heroson Development Limited	Property investment	1 June 2001
Korman Investment Limited	Property investment	21 September 2001
Maxwise Development Limited	Property development	5 January 2001
Million Hope Engineering Company Limited	Aluminium trading	1 August 2008
Million Hope Holding Company Limited	Aluminium trading	19 September 2008
Million Hope Trading Company Limited	Aluminium trading	1 August 2008
Sena Investment Limited	Property investment	21 September 2001

Company name	Nature of business	Date of dissolution
Sental Investment Limited	Property development	22 May 2009
Senwest Investment Limited	Property investment	21 September 2001
Serin Investment Limited	Property investment	21 September 2001

Mr. Tai has confirmed that each of the above companies was solvent and dormant at the time of it being dissolved by deregistration.

Independent non-executive Directors

Mr. Yip Kai Yung (葉啓容先生), aged 67, was appointed as an independent non-executive Director on 22 February 2019. He is responsible for supervising and providing independent judgment to the Board. He also serves as the chairman of the Company's audit committee and as a member of the Company's remuneration committee and nomination committee. Mr. Yip obtained the general certificates of education examination at ordinary level and advanced level issued by the University of London and the general certificates of education at ordinary level and advanced level at Hong Kong issued by the Associated Examining Board in the 1970s. Mr. Yip is a member of the Hong Kong Institute of Certified Public Accountants and an associate of The Institute of Chartered Accountants in England and Wales. Mr. Yip has over 30 years of experience in the financial audit industry in Hong Kong and the PRC. He worked in a Certified Public Accountants firm in Hong Kong from August 1977 to November 1990, and joined Kwan Wong Tan & Fong, a Certified Public Accountants firm in Hong Kong, as a manager in the audit department in April 1992. Kwan Wong Tan & Fong merged with Deloitte Touche Tohmatsu in August 1997. Mr. Yip left Deloitte Touche Tohmatsu as a partner in May 2011. From June 2011 to March 2013, Mr. Yip was a director of another Certified Public Accountants firm in Hong Kong. Mr. Yip established his own Certified Public Accountants firm as a sole proprietor in December 2012 and has been a consultant of such firm since January 2017.

Professor Ho Richard Yan Ki (何炘基教授), aged 67, was appointed as an independent non-executive Director on 22 February 2019. He also serves as the chairman of the Company's nomination committee and as a member of the Company's audit committee and remuneration committee. He is responsible for supervising and providing independent judgment to the Board. Professor Ho received his Bachelor of Science with distinction in agricultural economics in May 1975 from the University of Hawaii in the US, and master of science in agricultural economics, and doctor of philosophy from the University of Wisconsin-Madison in the US in August 1977 and May 1979, respectively. Professor Ho joined City University of Hong Kong in 1990 and retired in 2013. During his 23 years of service at City University, Professor Ho held various academic and senior administrative positions including Chair Professor of Finance, Head of Economics and Finance Department, Dean of the Business Faculty, Vice President, Provost, and Acting President.

Professor Ho has also served as an independent non-executive director of Citibank (Hong Kong) Limited since 2007 and is a Justice of the Peace. He is also the awardee of the 2012 Hong Kong Fulbright Distinguished Scholar to US.

Professor Ho has a rich record of public service including membership in Process Review Panel of the Securities & Futures Commission, Securities & Futures Appeals Tribunal, Standing Committee on Disciplined Services Salaries & Conditions of Service, University Grants Committee, and Energy Advisory Committee.

Professor Ho was a director of the following companies which were incorporated in Hong Kong and were deregistered, and the relevant details are as follows:

Company name	Nature of business	Date of dissolution
Century Delight Development Limited	Real estate transactions and renting	12 September 2008

Professor Ho has confirmed that the above company was solvent and dormant at the time of it being dissolved by deregistration.

Mr. Poon Kan Young (潘根濃先生), aged 62, was appointed as an independent non-executive Director on 22 February 2019. He is responsible for supervising and providing independent judgment to the Board. He also serves as the chairman of the Company's remuneration committee and as a member of the Company's audit committee and nomination committee. Mr. Poon has over 40 years of experience as a quantity surveyor in Hong Kong. Mr. Poon became a partner of Langdon Every and Seah, a construction cost consultancy firm, in 1988, and after the merger of the firm with Arcadis, an international natural and built asset design and consultancy firm, Mr. Poon was responsible for the operations in the PRC and Hong Kong. In July 2016, he became the chief executive at executive director level of Arcadis Asia and was responsible for all operations in Asia. After retiring from Arcadis in December 2016, Mr. Poon established his own consultancy firm, LESK Solutions Co. Limited, and has been the managing director since.

Mr. Poon obtained a higher diploma in surveying (quantity surveying) from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in October 1975, a master of philosophy from The University of Hong Kong in November 2013, and a postgraduate diploma in information technology from The University of Hong Kong School of Professional and Continuing Education in January 2018. Mr. Poon is registered as a Registered Professional Surveyor in the Quantity Surveying Division with the Surveyors Registration Board of Hong Kong, and is a fellow of The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors.

Mr. Poon was a director of the following companies which were incorporated in Hong Kong and were deregistered, and the relevant details are as follows:

Company name	Nature of business	Date of dissolution
Cone Development Limited	Investment special purpose vehicle	22 August 2008
Crown Genius Consultants Limited	Investment special purpose vehicle	26 September 2008
Dalas Technologies (HK) Limited	Special purpose vehicle	12 August 2005
Dls Specifications China Limited	Consultancy	21 January 2011
Rainbow Cheer Limited	Holding company	4 September 2009
Tbcad Technology Limited	Information technology software development	10 June 2005

Mr. Poon has confirmed that each of the above companies was solvent and dormant at the time of it being dissolved by deregistration.

Save as disclosed above in this section and in the section headed "General Information" in Appendix V to this listing document, each of the Directors has no interests in the Shares within the meaning of Part XV of the SFO and is independent from and is not related to any other Directors, senior management, and substantial shareholders of the Company.

Save as disclosed above, none of the Directors have held any other directorships in listed companies during the three years immediately preceding the date of this listing document and there is no other information in respect of the Directors to be disclosed pursuant to Rule 13.51(2) of the Listing Rules or any other matter that needs to be brought to the attention of the Shareholders in this regard.

SENIOR MANAGEMENT

Mr. Cheong Wai Ming (張偉明先生), aged 48, has been the senior design manager of Million Hope Industries (HK) since 2013. He is primarily responsible for design and providing technical advice to the project and design team of the Group. Mr. Cheong first joined Million Hope Industries (HK) in 2005 as an engineering manager, and held the position of design manager when he left Million Hope Industries (HK) in 2009. During the period from 2009 to 2011, Mr. Cheong worked in an aluminium window installation company as designer. Mr. Cheong rejoined Million Hope Industries (HK) in 2011 as a design manager, and was primarily responsible for design and providing technical advice to the project and design team. Before joining Million Hope Industries (HK) in 2005, he also worked in other companies which engaged in aluminium business as design manager. Mr. Cheong obtained a higher certificate in building studies from Hong Kong Technical College (now known as the Hong Kong Institute of Vocational Education) in June 1997.

Mr. Chung Chun Keung (鍾振強先生), aged 46, has been the senior manager (contracts) of Million Hope Industries (HK) since 2012. He is primarily responsible for purchasing, procurement, contracts administration, preparation of claims, budget control, and quantity surveyor team management. Mr. Chung joined Million Hope Industries (HK) in 2012 as a senior manager (contracts) and was primarily responsible for purchasing, procurement, contracts administration preparation of claims, budget control, quantity surveyor team management. Prior to joining Million Hope Industries (HK), Mr. Chung worked in various construction companies in various roles (including contracts manager, senior quantity surveyor) during the period from 1991 to 2012. Mr. Chung obtained a higher certificate in civil engineering from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1994, a bachelor degree of science in quantity surveying from the University of Wolverhampton in the United Kingdom in July 1998, a Diploma in Construction Management (Project Management) from Heriot-Watt University in the United Kingdom in July 2003 (through distance learning) and a postgraduate certificate in occupational safety and health in October 2005 from the University of Greenwich in the United Kingdom (through distance learning). He is a member of Royal Institution of Chartered Surveyors (MRICS), Chartered Institute of Building (MCIOB).

Mr. Huang Sheng Hui (黃盛輝先生), aged 38, has been the plant operations manager of Million Hope (Huizhou) since 2012. He is primarily responsible for the overall operation of the Group's fabrication plant in Huizhou, the PRC. Mr. Huang first joined Million Hope (Huizhou) in 2009 and was the deputy plant manager of the fabrication plant in Huizhou, the PRC, from 2009 to 2010, and was primarily responsible for the operations of the fabrication plant. Mr. Huang is currently pursuing an online degree in management of construction project from Wuhan University of Technology (武漢理工大學) in the PRC.

Mr. Jarn Siu Cheung (湛邵祥先生), aged 45, has been the senior project manager of Million Hope Industries (HK) since 2015. He is primarily responsible for overall coordination and management of assigned projects, including progress, quality, cost and client relationship, and project team management. Mr. Jarn first joined Million Hope Industries (HK) in 2006, and was a project engineer with Million Hope Industries (HK) from 2006 to 2007. After he left Million Hope Industries (HK) in 2007, he had worked in aluminium window installation companies, and rejoined Million Hope Industries (HK) in 2011 as project manager. Prior to joining Million Hope Industries (HK) in 2006, Mr. Jarn worked in various construction companies in various roles (including project manager and site engineer) during the period from 1993 to 2006. Mr. Jarn obtained an associate diploma in architectural drafting from Holmesglen Institute of TAFE in Australia in June 1997, and a bachelor degree of civil engineering from Victoria University of Technology (now known as Victoria University) in Australia in April 2002.

Mr. Kwok Wing Fai (郭永輝先生), aged 37, has been the senior accounting manager of the Group since June 2018 and was appointed as the company secretary of the Company on 9 August 2018. He joined the Hanison Group in 2007 and has been senior accounting manager of Hanison Group since 2015, and he has been primarily responsible for all account related, company secretarial and corporate finance matters of the Hanison Group, including the Group. Prior to joining the Hanison Group, Mr. Kwok worked in various Certified Public Accountants firms as an auditor during the period from 2004 to 2007. Mr. Kwok obtained a bachelor degree in accountancy from The Hong Kong Polytechnic University in November 2004 and a master degree in accountancy from The Chinese University of Hong Kong in September 2017. He is a Fellow Chartered and Certified Accountant of ACCA and a member of the Hong Kong Institute of Certified Public Accountant.

Mr. Wong Kin (黃健先生), aged 47, has been the general manager of Million Hope (Huizhou) since 2018. Mr. Wong joined Million Hope (Huizhou) in 2014 as deputy general manager. He is primarily responsible for overall general management of the Group's fabrication plant in Huizhou, PRC, including but not limited to operation, costing and budget control, production quality, staff management, client relationship. Prior to joining Million Hope (Huizhou), Mr. Wong worked in a toy and gift manufacturing company as general manager during the period from 2010 to 2013. Mr. Wong obtained a bachelor degree of engineering in manufacturing from The Hong Kong Polytechnic University in October 1995.

Mr. Wong Yuen On (黃遠安先生), aged 48, has been the senior project manager of Million Hope Industries (HK) since 2011. He is primarily responsible for overall coordination and management of assigned projects, including progress, quality, cost and client relationship, project team management. Mr. Wong joined Million Hope Industries (HK) in 2006 as project manager. Prior to joining Million Hope Industries (HK), Mr. Wong worked in various construction companies in various roles (including project manager, project coordinator) during the period from 1994 to 2006. Mr. Wong obtained a bachelor degree in building technology and management from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1994 and a master degree of science in construction management from The University of Bath in the United Kingdom (through distance learning) in January 2006.

COMPANY SECRETARY

Mr. Kwok Wing Fai (郭永輝先生), aged 37, was appointed as the company secretary of the Company on 9 August 2018. Mr. Kwok's details are set out above.

REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

During the Track Record Period, the aggregate amount of fees, salaries, other allowances, benefits in kind (including contribution to the pension scheme on behalf of the Directors and share-based payments) or any bonuses attributable to the Group and paid to the Directors for each of the three years ended 31 March 2018 and the five months ended 31 August 2018 were approximately HK$4,142,000, HK$5,640,000, HK$15,703,000 and HK$4,671,000, respectively. None of the Directors had waived any remuneration during the same periods.

The remuneration (including fees, salaries, other allowances, benefits in kind and discretionary bonuses) paid to the Group's five highest paid individuals included three, two, five and five Directors for each of the years ended 31 March 2016, 2017 and 2018 and the five months ended 31 August 2018, respectively. The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, other allowances and other benefits in kind) payable to the five highest paid individuals for the relevant years/period (being the years ended 31 March 2016, 2017 and 2018 and the five months ended 31 August 2018) were approximately HK$5,841,000, HK$7,197,000, HK$15,703,000 and HK$4,671,000, respectively.

The Directors' and senior management's remunerations are determined with reference to the performance of the Group. When reviewing and determining the specific remuneration packages of the Directors and senior management, factors such as individual performance, qualification, experience and seniority, salaries paid by comparable companies, time commitment and responsibilities, employment elsewhere in the Group will be taken into consideration.

During the Track Record Period, no remuneration was paid by the Group to, or receivable by, the Directors or the five highest paid individuals as an inducement to join or upon joining the Group. No compensation was paid by the Group to, or receivable by, the Directors for each of the three years ended 31 March 2016, 2017 and 2018 and the five months ended 31 August 2018 for the loss of any office in connection with the management of the affairs of any member of the Group.

Except as disclosed above, no other payments have been made or are payable, in respect of the Track Record Period, by the Group to any of the Directors.

BOARD COMMITTEES

Audit Committee

The Company has established an audit committee on 22 February 2019 in compliance with Rule 3.21 of the Listing Rules, and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and consider the application of the financial reporting, risk management and internal control systems and procedures of the Company, oversee the audit process and maintain an appropriate relationship with the Company's auditor.

The audit committee currently consists of three independent non-executive Directors. The members currently are Mr. Yip Kai Yung, Professor Ho Richard Yan Ki and Mr. Poon Kan Young. It is currently chaired by Mr. Yip Kai Yung, an independent non-executive Director.

Remuneration Committee

The Company has established a remuneration committee on 22 February 2019 in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to make recommendations to the Board on the Company's policy and structure of all directors' and senior management's remuneration, set up a formal and transparent procedure for developing such remuneration policies and make recommendations on the employee benefit arrangements. The remuneration committee currently comprises three independent non-executive Directors and two non-executive Directors. The members currently are Mr. Wong Sue Toa, Stewart, Mr. Tai Sai Ho, Mr. Yip Kai Yung, Professor Ho Richard Yan Ki and Mr. Poon Kan Young. It is currently chaired by Mr. Poon Kan Young, who is an independent non-executive Director.

Nomination Committee

The Company has established a nomination committee on 22 February 2019 in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The nomination committee currently comprises three independent non-executive Directors and two non-executive Directors. The members currently are Mr. Wong Sue Toa, Stewart, Mr. Tai Sai Ho, Mr. Yip Kai Yung, Professor Ho Richard Yan Ki and Mr. Poon Kan Young. It is currently chaired by Professor Ho Richard Yan Ki, who is an independent non-executive Director.

CORPORATE GOVERNANCE

The Directors recognise the importance of good corporate governance and the Company will comply with the Corporate Governance Code and the relevant Listing Rules.

Board Diversity

The Company has adopted a board diversity policy (the "**Board Diversity Policy**"). With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. After Listing, the nomination committee will review the Board Diversity Policy from time to time to ensure its effectiveness and monitor its implementation.

COMPLIANCE ADVISER

The Company has appointed VMS Securities Limited as its compliance adviser in compliance with Rule 3A.19 of the Listing Rules. In compliance with Rule 3A.23 of the Listing Rules, the Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where the Group's business activities, developments or results deviate from any forecast, estimate or other information in this listing document; and
- where the Stock Exchange makes an inquiry of the Company in respect of unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

The term of appointment of the compliance adviser will commence on the Listing Date and end on the date on which the Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, immediately following the completion of the Spin-off, based on the information available on the Latest Practicable Date, the following persons will have an interest or a short position in Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Nature of interest	Number of Shares held immediately after the Spin-off	Approximate percentage of interest in the share capital of the Company immediately after the Spin-off (Note 4)
CCM Trust	Trustee Interest of controlled corporations	**[REDACTED]** Shares (Note 1)	**[REDACTED]**
Mingly	Beneficial owner Interest of controlled corporations	**[REDACTED]** Shares (Note 2)	**[REDACTED]**
CCM Capital Corporation ("**CCM Capital**")	Beneficial owner	**[REDACTED]** Shares (Note 2)	**[REDACTED]**
LBJ Regents	Trustee Interest of controlled corporation	**[REDACTED]** Shares (Note 3)	**[REDACTED]**

Notes:

(1) **[REDACTED]**

(2) **[REDACTED]**

(3) **[REDACTED]**

(4) The percentage is calculated based on the total number of issued Shares as would fall to be distributed pursuant to the Distribution assuming no change to the issued share capital of Hanison from that which exists on the Latest Practicable Date. Based on the issued share capital of Hanison as at the Latest Practicable Date and assuming it will remain unchanged on the Record Date, it is assumed that **[REDACTED]** Shares will be in issue on the Listing Date.

For details of the Directors' interests in Shares immediately following the Listing, please refer to the paragraph headed "Disclosure of Directors' Interests" in the section headed "General Information" in Appendix V to this listing document.

Save as disclosed in this listing document, based on the information available on the Latest Practicable Date, the Directors have confirmed that they are not aware of any other person who will, immediately following completion of the Listing, have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

AUTHORISED AND ISSUED SHARE CAPITAL

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

Authorised share capital		*HK$*
[REDACTED]	Shares of HK$0.10 each	**[REDACTED]**

Shares issued and remaining in issue upon completion of the Spin-off and Listing (all fully paid or credited as fully paid):

Number of Shares		Total nominal value
		HK$
100	Shares in issue as at the Latest Practicable Date	10
[REDACTED]	Shares to be issued immediately before the completion of the Spin-off and Listing	**[REDACTED]**
[REDACTED]	Shares in issue upon the Spin-off and Listing	**[REDACTED]**

Assumptions

The above table assumes no changes to the number of issued shares of Hanison prior to the Record Date and that the Spin-off becomes unconditional. The above table does not take into account any Shares which may be issued or repurchased by the Company pursuant to the general mandate granted to the Directors to issue or repurchase Shares as described below.

Ranking

The Shares are ordinary shares in the share capital of the Company and will rank equally in all respects with each other, and will qualify for all dividends, income and other distributions declared, made or paid and any other rights and benefits attaching or accruing to the Shares following the completion of the Spin-off.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Spin-off becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all the powers of the Company to allot, issue and deal with additional Shares and to make or grant offers, agreements, options or securities which will or might require the exercise of such powers, provided that the aggregate nominal amount of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors, otherwise than pursuant to a rights issue, or upon the exercise of rights of subscription or conversion under any outstanding warrants to subscribe for Shares or any securities which are convertible into Shares or any scrip dividend in lieu of the whole or part of a dividend on the Shares, shall not exceed the aggregate of 20% of the aggregate nominal amount of the Shares in issue as at the date on which dealings in the Shares commence on the Stock Exchange, immediately following completion of the Listing, plus the aggregate nominal value of the Shares repurchased by the Company under the general mandate to repurchase Shares referred to below.

The abovementioned mandate will expire:

(i) at the conclusion of the next annual general meeting of the Company; or

(ii) at the expiration of the period within which the next annual general meeting of the Company is required by the Companies Law or any applicable laws of the Cayman Islands or the Articles of Association to be held; or

(iii) the passing of an ordinary resolution by the Shareholders in a general meeting revoking or varying such mandate,

whichever is the earliest.

For further details of this general mandate to issue Shares, see the paragraph headed "Written resolutions of the sole Shareholder passed on 22 February 2019" in the section headed "General Information" in Appendix V to this listing document.

GENERAL MANDATE TO REPURCHASE SHARES

The Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Listing.

The abovementioned mandate only relates to repurchases made on the Stock Exchange, or on any other approved stock exchange(s) on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for that purpose, and which are made in accordance with all applicable laws and requirements of the Listing Rules or equivalent rules or regulations of any other stock exchange as amended from time to time.

The abovementioned mandate will expire:

(i) at the conclusion of the next annual general meeting of the Company; or

(ii) at the expiration of the period within which the next annual general meeting of the Company is required by the Companies Law or any applicable law or the Articles of Association to be held; or

(iii) the passing of an ordinary resolution by the Shareholders in a general meeting revoking or varying such mandate,

whichever is the earliest.

For further details of this general mandate to repurchase Shares, see the paragraph headed "Written resolutions of the sole Shareholder passed on 22 February 2019" in the section headed "General Information" in Appendix V to this listing document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, the Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix IV to this listing document.

*You should read this section in conjunction with the Group's audited consolidated financial information, including the notes thereto, as set out in the Accountants' Report in Appendix I to this listing document. The Group's audited consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (the "**HKFRSs**"). You should read the entire Accountants' Report and should not merely rely on the information contained in this section.*

The discussion and analysis in this section of the listing document contain certain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by the Group in light of the Group's experience and interpretation of historical trends, current conditions and expected future developments as well as other factors that the Group believes are appropriate under the relevant circumstances. However, whether actual outcomes and developments will meet the Group's expectations and projections depends on a number of risks and uncertainties, some of which are beyond the Group's control. For further information, please refer to the section headed "Risk Factors" in this listing document.

OVERVIEW

The Group is a subcontractor principally engaged in the design, supply and installation of facade and curtain wall systems, with a focus on curtain walls, aluminium windows and doors. The Group provides one-stop design, supply and installation services for curtain walls, aluminium windows and doors, and works closely with customers and architects in its Design, Supply and Installation Projects to offer tailor-made designs and products to suit the project requirements. During the Track Record Period, the Group generally undertook Design, Supply and Installation Projects as a subcontractor. 89.5% or above of the Group's revenue was derived from the projects located in Hong Kong during the Track Record Period. The Group's principal customers are primarily main contractors and property developers.

For each of the three years ended 31 March 2018 and the five months ended 31 August 2018, the Group's total revenue amounted to approximately HK$367.8 million, HK$501.9 million, HK$421.1 million and HK$157.1 million, respectively; gross profit amounted to approximately HK$57.1 million, HK$91.7 million, HK$117.2 million and HK$32.4 million, respectively; and profit for the year/period amounted to approximately HK$31.3 million, HK$55.3 million, HK$50.1 million and HK$9.0 million, respectively.

BASIS OF PREPARATION

The historical financial information has been prepared based on the accounting policies set out in "Note 4. Significant Accounting Polices" in the Accountants' Report in Appendix I to this listing document, which conforms with HKFRSs and the principles of merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

The Company and the companies now comprising the Group were wholly owned subsidiaries of Hanison. To rationalise the structure of the Group in the preparation for the Listing, the Company and the companies now comprising the Group underwent a series of reorganisation steps. Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group. Please refer to "Note 2. Group Reorganisation and Basis of Preparation and Presentation of Historical Financial Information" of the Accountants' Report set out in Appendix I to this listing document.

The Group resulting from the Reorganisation continued to be controlled by Hanison (other than the acquisition of Waller Holdings and its subsidiary, Rich Victory, (collectively referred to "**Waller Holdings Group**") as disclosed in "Note 34. Acquisition of a Subsidiary" of the Accountants' Report set out in Appendix I to this listing document) and is regarded as a continuing entity. Therefore, the Reorganisation is considered as a business combination under common control and accounted for under merger accounting as mentioned below.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the five months ended 31 August 2017 include the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the five months ended 31 August 2017 (other than the acquisition of the Waller Holdings Group), or since their respective date of incorporation, where there is a shorter period. The consolidated statements of financial position 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 their respective date of incorporation/acquisition, where applicable.

APPLICATION AND ADOPTION OF HKFRS 9 AND HKFRS 15

For the purpose of preparing and presenting the historical financial information for the Track Record Period, the Group has applied HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, amendments and interpretations) issued by HKICPA that are effective for the accounting period beginning on 1 April 2018, including HKFRS 15 "Revenue from Contracts with Customers", throughout the Track Record Period, except that the Group adopted HKFRS 9 "Financial Instruments" from 1 April 2018.

For HKFRS 15, the Group adopted a full retrospective application which has been applied on a consistent basis throughout the Track Record Period. In this regard, the adoption of HKFRS 15 as compared to HKAS 18 "Revenue" does not have significant impact on the financial position and performance of the Group during the Track Record Period.

The Group chooses to apply the transition relief given in HKFRS 9 and has not restated the financial information for each of the three years ended 31 March 2018 in the year of the initial application. The Group discloses accounting policies for financial instruments in "Note 4. Significant Accounting Policies" of the Accountants' Report in Appendix I to this listing document for both periods: accounting policies which conform with HKFRS 9 that are applicable from 1 April 2018 onwards and accounting policies which conform with HKAS 39 "Financial Instruments: Recognition and Measurement" that are applicable for each of the three years ended 31 March 2018.

Key changes in accounting policies resulting from application of HKFRS 9

The Directors reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed below:

Summary of effects arising from initial application of HKFRS 9

Classification and measurement of financial assets

All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

Impairment under expected credit losses model

As at 1 April 2018, the additional credit loss allowance charged against trade debtors and contract assets of HK$1,152,000 and deferred tax of HK$190,000 have been recognised against accumulated profits.

The impact of credit loss allowance for trade debtors and contract assets as at 31 March 2018 reconciled to the beginning loss allowance and deferred tax as at 1 April 2018 is as follows:

	Trade debtors	Contract assets	Deferred tax
	HK$'000	*HK$'000*	*HK$'000*
At 31 March 2018 — HKAS 39	3,548	–	–
Amounts remeasured through accumulated profits	492	660	(190)
At 1 April 2018 — HKFRS 9	4,040	660	(190)

Taking into account the impact as disclosed above, the Directors consider that the adoption of HKFRS 9 did not have significant impact on the Group's financial position and performance for the five months ended 31 August 2018.

For application of Hong Kong Financial Reporting Standards, please also refer to "Note 3. Application of Hong Kong Financial Reporting Standards" of the Accountants' Report in Appendix I to this listing document.

KEY FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATION AND FINANCIAL CONDITION

The Group's financial conditions and results of operations have been and will continue to be affected by a number of factors, including in the section headed "Risk Factors" in this listing document and those set out below.

Demand for facade and curtain wall systems

The Group's business performance is mainly affected by the number and availability of design, supply and installation projects for facade and curtain wall systems in Hong Kong and the PRC awarded to the Group, which in turn are affected by various factors, including but not limited to, the investment of property developers and the prospects of the PRC and the Hong Kong economy. The future growth and level of profitability of construction industry in the PRC and the Hong Kong are likely to depend upon the continued availability of the major construction projects. A downturn in the PRC and the Hong Kong construction industry is likely to result in the possibility of availability, postponement, delay or cancellation of construction projects and delay in recovery of receivables, which would have an adverse impact on the Group's business and profitability.

Furthermore, for the Group's major market in Hong Kong, the Hong Kong government's plan on land and housing development could delay property and infrastructure development and cause a corresponding reduction in the demand for curtain walls, aluminium windows and doors, which would have a direct impact on the Group's business operations and financial performance.

Non-recurring in nature of the projects

The projects undertaken by the Group are awarded on a project-by-project basis. The Group's customers are under no obligation to continue to award contracts to the Group and there is no assurance that the Group's existing customers will continue to engage the Group for new projects in the future. The Group generally has to go through a competitive tendering process to secure new projects. The result of such process is beyond the Group's control, and there is no assurance that the Group can secure new projects from future tender submissions.

As at the Latest Practicable Date, the Group had 32 Design, Supply and Installation Projects on hand and the last expected completion time of such projects is year 2021. The duration of the Group's Design, Supply and Installation Projects usually ranges from 12 to 24 months. The Group cannot guarantee that it can continuously secure new projects after the completion of all its Design, Supply and Installation Projects on hand.

Accuracy in the estimation of time and costs involved in projects before submitting tenders or providing fee quotations

The Group generally determines the price of tender or quotation based on the estimated project costs plus a mark-up margin. The price of a contract would be determined and fixed once it is awarded to the Group. The Group generally carries out internal assessment and budgeting estimates of the various costs, including but not limited to, operating costs, labour costs, procurement and subcontracting costs, when preparing the tender or quotation to customers. The Group's pricing on its projects is generally evaluated on a project-by-project basis depending on several factors, including but not limited to, (i) the nature or type of the design and projects; (ii) the costs budget; (iii) the target completion date; (iv) the Group's projects on hand; (v) the availability of the Group's resources; and (vi) scale of the project.

However, the actual costs incurred and time spent for completing a project may vary from the estimation due to various factors, such as weather conditions, accidents, delay in obtaining approval and other unforeseen site conditions, departure of key project management and supervision personnel involved, substandard performance by the Group's subcontractors, and other unforeseen problems and circumstances. Any material inaccurate estimation in the time and costs involved in a design, supply and installation project may give rise to delays in completion of works and/or cost overruns, which in turn may materially and adversely affect the Group's financial performance and liquidity.

Supply and cost of materials

The Group's cost of materials charged to the consolidated statements of profit or loss and other comprehensive income amounted to approximately HK$119.2 million, HK$139.6 million, HK$114.0 million and HK$48.9 million, respectively, representing approximately 38.4%, 34.0%, 37.5% and 39.3% of the Group's total cost of sales during each of the three years ended 31 March 2018 and the five months ended 31 August 2018, respectively.

The supply and cost of materials are affected by macroeconomic conditions, production quantity and cost of such materials. Fluctuation in foreign exchange rates may also affect the Group's cost of materials since some of the Group's suppliers are located in the PRC. There is no assurance that the supply and cost of materials will remain stable. In the event that the cost of materials increases due to external factors, which are out of the Group's control, the Group's operations and profitability may be materially and adversely affected.

Performance and availability of subcontractors

As the Group does not employ any direct labour to carry out the installation works for its Design, Supply and Installation Projects, the Group subcontracted all the site installation works to external subcontractors for each of the three years ended 31 March 2018 and the five months ended 31 August 2018. For each of the three years ended 31 March 2018 and the five months ended 31 August 2018, the Group's subcontracting and other charges charged to the consolidated statements of profit or loss and other comprehensive income amounted to approximately HK$95.3 million, HK$99.7 million, HK$84.0 million and HK$28.0 million, respectively, representing approximately 30.7%, 24.3%, 27.6% and 22.5% of the Group's total cost of sales for the corresponding year/period, respectively.

The Group is liable for the works performed by its subcontractors. The Group maintains a list of approved subcontractors, which is reviewed by the project team on an annual basis. The Group will select the subcontractor for the relevant project based on, including but not limited to, the tender price, technical capability, relevant work credentials and prior working relationship with the Group.

However, there is no guarantee in the availability of subcontractors or the work performance of the chosen subcontractors. In the event that the Group is not able to secure suitable subcontractors at an acceptable fee or the works performed by the Group's subcontractors are not up to standard, the Group may incur extra costs and hence its financial performance and reputation may be affected materially and adversely.

CRITICAL ACCOUNTING POLICIES, JUDGEMENT AND ESTIMATES

The discussion and analysis of the Group's financial position and results of operations as included in this listing document is based on the consolidated financial statements prepared using the significant accounting policies set out in "Note 4. Significant Accounting Policies" of the Accountants' Report in Appendix I to this listing document, which conform with the HKFRSs.

In the application of the Group's accounting policies, which are described in "Note 4. Significant Accounting Policies" of the Accountants' Report in Appendix I to this listing document, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

Below is the critical judgement, apart from those involving estimations, that the Directors have made in the process of applying the Group's accounting policies and that have the significant effect on the amounts recognised in the historical financial information. The Group also has other accounting policies that the Directors consider to be significant, the details of which are set out in "Note 4. Significant Accounting Policies" of the Accountants' Report in Appendix I to this listing document.

Deferred taxation on investment properties

For the purpose of measuring deferred tax arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolio and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred tax on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Key sources of estimation uncertainty

Management had made the following estimations that have the most significant effect on the amounts recognised in the historical financial information and a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of investment properties

Investment properties are carried in the consolidated statements of financial position at 31 March 2018 and 31 August 2018 at their fair value of approximately HK$60.3 million and HK$61.7 million, respectively. The fair value was based on valuation of these properties conducted by an independent property valuer. In determining the fair values of the Group's investment properties, the valuer applied a market value basis which involves, inter-alia, significant unobservable inputs and significant judgements, representing appropriate market rent and capitalisation rate.

Provision of expected credit loss for trade debtors and contract assets

Before the application of HKFRS 9, the Group makes allowances for trade debtors and contract assets based on the assessment of the recoverability, creditworthiness of customers and ages of trade debtors and contract assets.

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. Impairment on trade debtors is made based on estimation of the future cash flows discounted at the original effective interest rates. If the financial condition of the customers of the Group deteriorates, resulting in an impairment of their ability to make payments, additional impairment may be required.

Since the application of HKFRS 9 on 1 April 2018, management estimates the amount of loss allowance for the expected credit losses on trade debtors and contract assets that are measured at amortised cost based on the credit risk of trade debtors and contract assets. When measuring the expected credit losses, the Group uses reasonable and supportable forward-looking information (for example, the current and forecasted economic growth rates and unemployment rate in Hong Kong, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring the expected credit losses. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. The assessment of the credit risk of trade debtors and contract assets involve high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

As at 31 March 2016, 31 March 2017, 31 March 2018 and 31 August 2018, the carrying amounts of (i) trade debtors were approximately HK$5.0 million, HK$5.4 million, HK$62.0 million and HK$44.7 million, respectively; and (ii) contract assets were approximately HK$45.8 million, HK$56.3 million, HK$66.9 million and HK$61.9 million, respectively.

Provisions

Significant estimates are involved in the determination of provisions related to warranty costs and rectification work. Accordingly, management exercises considerable judgment in determining whether there is a present obligation as a result of a past event at the reporting date, whether it is more likely than not that such warranty services and rectification work will result an outflow of resources and whether the amount of the obligation can be reliably estimated with reference to the relevant correspondences and contracts with customers. The management estimates the cost for warranty services and rectification work with regard to the

Group's experience in addressing such matters. As at 31 March 2016, 31 March 2017, 31March 2018 and 31 August 2018, the Group recognised provision related to warranty costs and rectification work amounting to HK$42.2 million, HK$115.1 million, HK$106.1 million and HK$110.5 million, respectively.

RESULTS OF OPERATIONS

The Group's consolidated statements of profit or loss and other comprehensive income during the Track Record Period are summarised below, which have been extracted from the Accountants' Report set out in Appendix I to this listing document. The following sections should be read in conjunction with the Accountants' Report set out in Appendix I to this listing document.

	Year ended 31 March			Five months ended 31 August	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
Revenue	367,768	501,938	421,146	215,129	157,072
Cost of sales	(310,645)	(410,266)	(303,966)	(161,320)	(124,666)
Gross profit	57,123	91,672	117,180	53,809	32,406
Other income	1,515	1,405	1,799	928	1,278
Other gains (losses)	445	1,866	(5,083)	(2,250)	3,528
Impairment losses, net of reversal	927	–	(3,548)	–	212
Gain on change in fair value of investment properties	–	–	1,316	–	1,400
Administrative expenses	(23,061)	(26,847)	(40,134)	(14,796)	(15,065)
Finance costs	(1,810)	(1,046)	(2,646)	(1,477)	(891)
Listing expenses	-	-	**[REDACTED]**	–	**[REDACTED]**
Profit before taxation	35,139	67,050	64,950	36,214	11,368
Taxation	(3,875)	(11,713)	(14,838)	(7,325)	(2,414)
Profit for the year/period	31,264	55,337	50,112	28,889	8,954
Other comprehensive (expense) income:					
Item that may be subsequently reclassified to profit or loss:					
Exchange differences arising on translation of a foreign operation	(1,714)	(3,232)	6,541	3,115	(5,360)
Total comprehensive income for the year/period	29,550	52,105	56,653	32,004	3,594

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

The Group is a subcontractor principally engaged in the design, supply and installation of facade and curtain wall systems, with a focus on curtain walls, aluminium windows and doors. The Group provides one-stop design, supply and installation services for curtain walls, aluminium windows and doors, and works closely with customers and architects in its Design, Supply and Installation Projects to offer tailor-made designs and products to suit the project requirements. During the Track Record Period, the Group generally undertook Design, Supply and Installation Projects as a subcontractor and approximately 89.5% or above of the Group's revenue was derived from the projects located in Hong Kong.

The following table sets forth a breakdown of the Group's revenue during the Track Record Period by contract type:

	Year ended 31 March						Five months ended 31 August			
By contract type	**2016**		**2017**		**2018**		**2017**		**2018**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK'000* *(unaudited)*	*%*	*HK'000*	*%*
Design, supply and installation for curtain walls, aluminium windows, doors and other products for new buildings *(notes i and ii)*	245,410	66.7	347,555	69.2	242,888	57.7	141,623	65.8	68,308	43.5
Design, supply and installation for aluminium windows, doors and other products for new buildings *(note ii)*	116,913	31.8	153,869	30.7	162,161	38.5	72,885	33.9	87,000	55.4
Design, supply and installation for renovation works for existing buildings	2,435	0.7	191	–	14,737	3.5	–	–	892	0.6
Repairing, maintenance and others *(note iii)*	3,010	0.8	323	0.1	1,360	0.3	621	0.3	872	0.6
Total	367,768	100.0	501,938	100.0	421,146	100.0	215,129	100.0	157,072	100.0

Notes:

i The contract type involves aluminium windows, doors and other products in addition to curtain walls. The curtain walls are the principal products for the contract type and the principal revenue from this contract type is also from curtain walls.

ii Other products represent balustrade, louvre, cladding, window wall, canopy and grille.

iii Others mainly represent mock up.

The following table sets forth a breakdown of the Group's revenue by geographical location of the projects during the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
By geographical location	**2016**		**2017**		**2018**		**2017**		**2018**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK'000* *(unaudited)*	*%*	*HK'000*	*%*
Hong Kong	342,941	93.2	483,397	96.3	377,094	89.5	173,304	80.6	152,181	96.9
PRC	24,827	6.8	18,541	3.7	44,052	10.5	41,825	19.4	1,631	1.0
Other (Saipan)	–	–	–	–	–	–	–	–	3,260	2.1
Total	367,768	100.0	501,938	100.0	421,146	100.0	215,129	100.0	157,072	100.0

During the Track Record Period, for the Group's revenue derived from and the projects undertaken in Hong Kong, some of the Group's contracts were nominated subcontractor contracts which were awarded as a result of the Group being chosen by the respective project's ultimate developer whereas some of them were domestic subcontractor contracts which were awarded as a result of the Group being chosen by the main contractors. The following table sets forth a breakdown of the Group's revenue in Hong Kong during the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
Revenue derived from projects in Hong Kong	**2016**		**2017**		**2018**		**2017**		**2018**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK'000* *(unaudited)*	*%*	*HK'000*	*%*
Nominated subcontractor contracts (Hong Kong)	316,795	92.4	427,813	88.5	331,842	88.0	165,681	95.6	102,460	67.3
Domestic subcontractor contracts (Hong Kong)	26,146	7.6	55,584	11.5	45,252	12.0	7,623	4.4	49,721	32.7
Total	342,941	100.0	483,397	100.0	377,094	100.0	173,304	100.0	152,181	100.0

During the Track Record Period, the Group's revenue was mostly contributed from the contract types of design, supply and installation for (i) curtain walls, aluminium windows, doors and other products for new buildings; and (ii) aluminium windows, doors and other products for new buildings which in aggregate accounted for approximately 98.5%, 99.9%, 96.2% and 98.9% respectively, for each of the three years ended 31 March 2018 and the five months ended 31 August 2018.

Hong Kong had been the Group's principal market which contributed approximately 93.2%, 96.3%, 89.5% and 96.9%, respectively, of its total revenue for each of the three years ended 31 March 2018 and the five months ended 31 August 2018.

For the revenue derived from and the projects undertaken in Hong Kong, most of the contracts were nominated subcontractor contracts which accounted for approximately 92.4%, 88.5%, 88.0% and 67.3% of the revenue derived from the projects in Hong Kong, respectively, for each of the three years ended 31 March 2018 and the five months ended 31 August 2018.

It concludes from the above that (i) the Group was principally engaged in the design, supply and installation for (a) curtain walls, aluminium windows, doors and other products for new buildings; and (b) aluminum windows, doors and other products for new buildings; (ii) Hong Kong is the Group's principal market; and (iii) most of its revenue derived from Hong Kong was from nominated subcontractor contracts.

The following table sets forth a breakdown of the Group's projects based on their respective range of revenue recognised during the Track Record Period:

	Year ended 31 March						**Five months ended 31 August**			
	2016		**2017**		**2018**		**2017**		**2018**	
	Number of projects note	*HK'000*	*Number of projects* note	*HK'000*	*Number of projects* note	*HK'000*	*Number of projects* note	*HK'000*	*Number of projects* note	*HK'000*
							(unaudited)			
Revenue recognised										
Above HK$30 million	3	197,754	5	396,855	5	349,601	2	145,319	2	81,413
Above HK$10 million to HK$30 million	6	104,468	3	63,561	3	44,198	2	41,861	1	25,797
Above HK$1 million to HK$10 million	17	62,269	10	38,801	10	21,995	8	25,089	11	45,627
HK$1 million and below	22	3,277	20	2,721	25	5,352	11	2,860	11	4,235
	48	367,768	38	501,938	43	421,146	23	215,129	25	157,072
Average revenue recognised for each project		7,662		13,209		9,794		9,353		6,283

Note: For the purpose of this table, contracts with same project location and customer were categorised under the same project.

Projects with revenue recognised in an amount above HK$30 million accounted for approximately 53.8%, 79.1%, 83.0% and 51.8% of the total revenue recognised for each of the three years ended 31 March 2018 and the five months ended 31 August 2018, respectively.

The following table sets forth a detailed list of the projects contributing to the revenue during the Track Record Period:

Project locations[1]:	Type of contracts	Project awarded	Practical completion	Original contract sum (amounts of variation orders not yet included) [1]	Year ended 31 March 2016		Year ended 31 March 2017		Year ended 31 March 2018		Five months ended 31 August 2017		Five months ended 31 August 2018	
				HK$'000	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Tong Chun Street	Type A[3]	January 2014	February 2016	145,460	109,013[2]	29.6	3,237	0.6	276	0.1	–	–	–	–
Castle Road	Type A[3]	July 2013	January 2017	76,715	49,525[2]	13.5	21,879	4.4	2,478	0.6	90	0.0	–	–
Conduit Road	Type A[3]	August 2014	September 2016	61,244	39,216[2]	10.7	23,537	4.7	320	0.1	717	0.3	815	0.5
Tong Yin Street	Type A[3]	June 2015	August 2017	136,220	8,353	2.3	129,419[2]	25.8	4,880	1.2	3,458	1.6	472	0.3
Chi Shin Street	Type A[3]	June 2015	September 2017	140,780	6,014	1.6	104,605[2]	20.8	32,983[2]	7.8	28,841	13.4	–	–
So Kwun Wat	Type B[4]	November 2014	December 2017	101,300	14,661	4.0	75,950[2]	15.1	10,278	2.4	4,108	1.9	2,227	1.4
Lai Ping Road	Type A[3]	October 2015	May 2018	199,394	–	–	50,536[2]	10.1	151,547[2]	36.0	103,493[2]	48.1	7,392	4.7
Kau To Shan	Type B[4]	June 2015	July 2017	51,300	10,056	2.7	36,345[2]	7.2	3,900	0.9	1,713	0.8	–	–
Lung Cheung Road	Type A[3] & B[4]	December 2016 & January 2017	In progress	99,880	–	–	–	–	63,398[2]	15.1	13,020	6.1	25,797	16.4
Lohas Park – Package 6	Type B[4]	December 2016 & August 2017	In progress	165,800	–	–	–	–	57,838[2]	13.7	8,390	3.9	47,144[2]	30.0
An Tuo Hill	Type B[4]	April 2016	In progress	74,259	–	–	18,145	3.6	43,835[2]	10.4	41,825[2]	19.4	–	–
Pak Shek Kok	Type A[3]	December 2016	In progress	77,435	–	–	–	–	20,832	4.9	2,870	1.3	34,269[2]	21.8
Mount Nicholson Road	Type B[4]	March 2013	June 2016	90,153	22,966	6.2	4,780	1.0	3,064	0.7	1,903	0.9	4,378	2.8
Grampian Road	Type A[3]	July 2014	July 2016	27,380	25,114	6.8	683	0.1	–	–	–	–	1,940	1.2
Kadoorie Avenue	Type B[4]	March 2014	December 2017	25,400	16,652	4.5	8,238	1.6	292	0.1	39	0.0	16	0.0
Haining	Type B[4]	March 2015	December 2016	approximately 20,338 (RMB16,270,000)	15,019	4.1	–	–	–	–	–	–	1,631	1.0
Lohas Park – Package 7	Type A[3]	November 2017	In progress	190,000	–	–	–	–	1,133	0.3	–	–	7,085	4.5
Lok Wo Sha	Type B[4]	October 2017	In progress	50,000	–	–	–	–	226	0.1	–	–	6,362	4.1
Area 115, Tin Shui Wai	Type A[3]	January 2018	In progress	86,500	–	–	–	–	–	–	–	–	5,323	3.4
Others					51,179	13.9	24,584	4.9	23,866	5.7	4,662	2.2	12,221	7.8
Total					367,768	100.0	501,938	100.0	421,146	100.0	215,129	100.0	157,072	100.0

Following are detailed locations for the above projects as stated in the contracts:

Tong Chun Street	18 Tong Chun Street, Tseung Kwan O, N.T.
Castle Road	2 Castle Road (formerly known as phase 2, 33 Seymour Road), Hong Kong
Conduit Road	No. 31 Conduit Road, Mid-level, Hong Kong
Tong Yin Street	33 Tong Yin Street, TKOTL 125, Area 68A1, Tseung Kwan O, N.T.
Chi Shin Street	TKOTL 112, Area 65C1, Tseung Kwan O, New Territories
So Kwun Wat	TMTL 423, Area 48, Castle Peak Road, So Kwun Wat, Tuen Mun, N.T.
Lai Ping Road	STTL 567, Area 56A, Kau To, Shatin, N.T., Hong Kong
Kau To Shan	STTL 566 in Area 56A, Kau To Shan, Shatin, N.T.
Lung Cheung Road	NKIL No. 6532, Lung Cheung Road, Beacon Hill, Kowloon
Lohas Park – Package 6	Site N of TKOTL 70 RP Lohas Park Package 6
An Tuo Hill	深圳安托山項目北地塊 (translate as "Shenzhen An Tuo Hill North Land Slot")
Pak Shek Kok	TPTL 225, Pak Shek Kok, Tai Po, N.T.
Mount Nicholson Road	No. 8 Mount Nicholson Road, Hong Kong
Grampian Road	No. 11 Grampian Road, Kowloon NKIL 2602, S.A. & RP.
Kadoorie Avenue	109–135 Kadoorie Avenue, Homantin, Kowloon, Hong Kong
Haining	浙江省海寧市城南新區4–5號地塊 (translate as "Zhejiang Province Haining City South City New Zone Nos. 4–5 Land Slot")
Lohas Park – Package 7	Lohas Park Seven at TKOTL 70 RP, Site C1, New Territories
Lok Wo Sha	STTL 605 Lok Wo Sha Lane at Ma On Shan, Sha Tin
Area 115, Tin Shui Wai	TSWTL 34, Area 115, Tin Shui Wai, N.T.

Notes:

(1) For the purpose of this table, contracts with same project location and customer were categorised under the same project and their respective contract sums were aggregated accordingly.

(2) They represent projects with revenue recognised in an amount above HK$30 million.

(3) Type A represents "Design, supply and installation for curtain walls, aluminium windows, doors and other products for new buildings".

(4) Type B represents "Design, supply and installation for aluminium windows, doors and other products for new buildings".

Generally, higher proportion of revenue is recognised in the execution-peak stage of a project as most of the works are carried out in this execution stage while lower proportion is recognised in both of the pre execution-peak stage and the post execution-peak stage of a project.

For the year ended 31 March 2017, the Group's revenue increased by approximately HK$134.2 million or 36.5% to approximately HK$501.9 million for the year ended 31 March 2017 from approximately HK$367.8 million for the year ended 31 March 2016. Such increase was mainly a combined effect of (i) the increase in revenue amounted to approximately HK$219.7 million which was derived from projects at Tong Yin Street and Chi Shin Street as these projects were roughly in their execution-peak stage; (ii) the commencement of a new project at Lai Ping Road which started to contribute approximately HK$50.5 million of the revenue during the year ended 31 March 2017; and offset by (iii) the decrease in revenue derived from projects at Tong Chun Street and Castle Road in an aggregate amount of approximately HK$133.4 million as these projects were roughly in their post execution-peak stage and the majority of the works had been carried out in the previous year(s). To this, the average revenue recognised for each project increased to approximately HK$13.2 million for the year ended 31 March 2017 from approximately HK$7.7 million for the year ended 31 March 2016.

For the year ended 31 March 2018, the Group's revenue decreased by approximately HK$80.8 million or 16.1% to approximately HK$421.1 million for the year ended 31 March 2018 from approximately HK$501.9 million for the year ended 31 March 2017. Such decrease was primarily a combined effect of (i) the decrease in revenue in an aggregate amount of approximately HK$317.5 million derived from projects at Conduit Road, Tong Yin Street, Chi Shin Street, So Kwun Wat and Kau To Shan as these projects are roughly in their post execution-peak stage and most of the works had been carried out in the previous year(s); offset by (ii) the increase in revenue in an aggregate amount of approximately HK$101.0 million derived from the project at Lai Ping Road which was roughly in its execution-peak stage; and (iii) the commencement of new projects at Lung Cheung Road, Lohas Park – Package 6 and Pak Shek Kok which started to contribute an aggregated amount of approximately HK$142.1 million during the year ended 31 March 2018. To this, the average revenue recognised for each project decreased to approximately HK$9.8 million for the year ended 31 March 2018 from approximately HK$13.2 million for the year ended 31 March 2017.

For the five months ended 31 August 2018, the Group's revenue decreased by approximately HK$58.1 million or 27.0% to approximately HK$157.1 million for the five months ended 31 August 2018 from approximately HK$215.1 million for the five months ended 31 August 2017. Such decrease was primarily a combined effect of (i) the decrease in revenue of approximately HK$28.8 million for the project at Chi Shin Street and approximately HK$96.1 million for the project at Lai Ping Road as their respective Practical Completion Certificate had been issued in the year ended 31 March 2018 or early in the five months ended 31 August 2018 signifying the substantial completion of the works under the respective original contract; (ii) the decrease in revenue of approximately HK$41.8 million derived from the project at An Tuo Hill as the carrying out of the contract works for the project by the Group was mainly conducted in the years ended 31 March 2017 and 31 March 2018; offset by (iii) the increase in revenue in an aggregate amount of approximately HK$82.9 million derived from the projects at Lung Cheung Road, Lohas Park – Package 6 and Pak Shek Kok which were roughly in its execution-peak stage; and (iv) the commencement of new projects at Lohas Park – Package 7, Lok Wo Sha and Area 115, Tin Shui Wai which started to contribute an aggregated amount of approximately HK$18.8 million during the five months ended 31 August 2018. To this, the average revenue recognised for each project decreased to approximately HK$6.3 million for the five months ended 31 August 2018 from approximately HK$9.4 million for the five months ended 31 August 2017.

Cost of sales

Cost of sales primarily comprises (i) costs of inventories; and (ii) subcontracting and other charges, which in aggregate accounted for approximately 74.9%, 64.0%, 70.9% and 63.0% of the Group's total cost of sales for each of the three years ended 31 March 2018 and the five months ended 31 August 2018. The following table sets forth a breakdown of the cost of sales during the Track Record Period:

	Year ended 31 March						Five months ended 31 August			
	2016		2017		2018		2017		2018	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(unaudited)			
Costs of inventories	137,194	44.2	162,690	39.7	131,710	43.3	58,797	36.4	50,515	40.5
Subcontracting and other charges	95,267	30.7	99,660	24.3	84,044	27.6	52,023	32.2	28,005	22.5
Provision for rectification works	37,258	12.0	80,049	19.5	20,323	6.7	14,762	9.2	23,874	19.2
Provision for warranty	2,327	0.7	19,427	4.7	19,109	6.3	15,291	9.5	1,573	1.3
Preliminary project costs	12,424	4.0	17,359	4.2	10,587	3.5	6,742	4.2	4,928	4.0
Project staff costs	26,175	8.4	31,081	7.6	36,731	12.1	13,705	8.5	15,771	12.7
Provision for inventory	–	–	–	–	1,462	0.5	–	–	–	–
Total	310,645	100.0	410,266	100.0	303,966	100.0	161,320	100.0	124,666	100.0

(i) Costs of inventories

Costs of inventories represent cost of materials, production labour costs and PRC fabrication plant overhead. Among the balance of costs of inventories, cost of materials amounted to approximately HK$119.2 million, HK$139.6 million, HK$114.0 million and HK$48.9 million for each of the three years ended 31 March 2018 and the five months ended 31 August 2018, respectively, representing approximately 38.4%, 34.0%, 37.5% and 39.3% of the Group's total cost of sales for the corresponding year/period, respectively.

Materials represent the charges paid and payable to the Group's suppliers for purchase of materials being installed/utilised in the Group's Design, Supply and Installation Projects. Materials utilised mainly represents aluminium, steel and glass. During the Track Record Period, all of the Group's major suppliers were either located in Hong Kong or the PRC.

Generally, more materials will be used in the execution-peak stage of a project whereas much less materials will be used in the post execution-peak stage of a project.

For the year ended 31 March 2017, cost of materials increased by approximately HK$20.4 million or 17.1% to HK$139.6 million for the year ended 31 March 2017 from approximately HK$119.2 million for the year ended 31 March 2016. Such increase was mainly a combined effect of (i) the increase in materials used for the projects at Tong Yin Street and Chi Shin Street which the projects were roughly in their execution-peak stage; and offset by (ii) the decrease in materials used for the project at Tong Chun Street which the project was nearly in its post execution-peak stage during the year.

For the year ended 31 March 2018, cost of materials decreased by approximately HK$25.6 million or 18.3% to approximately HK$114.0 million for the year ended 31 March 2018 from approximately HK$139.6 million for the year ended 31 March 2017. Such decrease was mainly a combined effect of (i) the decrease in materials used for the projects at Tong Yin Street, Chi Shin Street, So Kwun Wat and Kau To Shan which were roughly in their post execution-peak stage; and offset by (ii) the increase in materials used for the projects at Lai Ping Road, Lohas Park – Package 6 and An Tuo Hill which were roughly in their execution-peak stage during the year.

For the five months ended 31 August 2018, cost of materials increased by approximately HK$5.6 million or 13.0% to approximately HK$48.9 million for the five months ended 31 August 2018 from approximately HK$43.3 million for the five months ended 31 August 2017. Such increase was mainly a combined effect of (i) the increase in materials used for the projects at Lung Cheung Road, Lohas Park – Package 6 and Pak Shek Kok, which were roughly in their execution-peak stage; (ii) the commencement of new projects at Lohas Park – Package 7, Lok Wo Sha and Area 115, Tin Shui Wai; and offset by (iii) the decrease in materials used for the projects at Chi Shin Street, Lai Ping Road and An Tuo Hill which either that the contract works for the projects were substantially completed in the year ended 31 March 2018 or early in the five months ended 31 August 2018. Basically, the variances of cost of materials for the above projects fluctuated in line with that for the revenue of the same projects.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's cost of materials on its profit during the Track Record Period. The hypothetical fluctuation rates are set at the range of 1% and 4.4% with reference to the historical price trend of aluminum, steel and glass in Hong Kong and the PRC from 2013 to 2017 (i.e. range of CAGR from 2013 to 2017 for costs of each of the materials) as shown in the Ipsos Report (please refer to the sections headed "Industry Overview – Key Costs in Facade and Curtain Wall Works Industry in Hong Kong" and "Key Costs in Facade and Curtain Wall Works Industry in China" of this listing document) which are considered to be reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in materials	**–4.4%**	**–1%**	**+1%**	**+4.4%**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in profit before tax for:				
the year ended 31 March 2016	5,243	1,192	(1,192)	(5,243)
the year ended 31 March 2017	6,143	1,396	(1,396)	(6,148)
the year ended 31 March 2018	5,016	1,140	(1,140)	(5,016)
the five months ended 31 August 2018	2,154	489	(489)	(2,154)
Change in profit after tax for:				
the year ended 31 March 2016	4,378	995	(995)	(4,378)
the year ended 31 March 2017	5,129	1,166	(1,166)	(5,129)
the year ended 31 March 2018	4,188	952	(952)	(4,188)
the five months ended 31 August 2018	1,798	409	(409)	(1,798)

Note: The Hong Kong Profits Tax rate of 16.5% is applied for the illustration of increase or decrease in profit for the year/period. No PRC Enterprise Income Tax is considered for the purpose as its effect to the Group is immaterial during the Track Record Period.

(ii) Subcontracting and other charges

Subcontracting and other charges mainly represent the charges paid and payable to the Group's subcontractors who provide installation services at construction sites for the Group's projects.

Generally, more subcontracting and other charges will be incurred in the execution-peak stage of a project as most of the installation works are carried out in this stage whereas much less installation works are carried out in the pre execution-peak stage and post execution-peak stage of a project. For each of the three years ended 31 March 2018 and the five months ended 31 August 2018, subcontracting and other charges amounted to approximately HK$95.3 million, HK$99.7 million, HK$84.0 million and HK$28.0 million respectively, representing approximately 30.7%, 24.3%, 27.6% and 22.5% of the Group's total cost of sales for the corresponding year/period, respectively.

For the year ended 31 March 2017, the subcontracting and other charges increased by approximately HK$4.4 million or 4.6% to approximately HK$99.7 million for the year ended 31 March 2017 from approximately HK$95.3 million for the year ended 31 March 2016. Such increase was mainly a combined effect of (i) the increase in subcontracting and other charges incurred for projects at Tong Yin Street and Chi Shin Street which were roughly in their execution-peak stage, and the project at Lai Ping Road which substantial amount of the installation works were carried out in the year; and offset by (ii) the decrease in subcontracting and other charges incurred for the projects at Tong Chun Street, Conduit Road, Mount Nicholson Road and Grampian Road which were roughly in their post execution-peak stage in the year and most of installation works were carried out in the previous year(s).

For the year ended 31 March 2018, the subcontracting and other charges decreased by approximately HK$15.6 million or 15.7% to approximately HK$84.0 million for the year ended 31 March 2018 from approximately HK$99.7 million for the year ended 31 March 2017. Such decrease was mainly a combined effect of (i) the decrease in subcontracting and other charges incurred for projects at Tong Yin Street and Chi Shin Street as the projects were roughly in their post execution-peak stage in the year and most of the installation works were carried out in the previous year(s); and offset by (ii) the increase in subcontracting and other charges for the project at Lai Ping Road which was in its execution-peak stage with most of the installation works were carried out during the year.

For the five months ended 31 August 2018, the subcontracting and other charges decreased by approximately HK$24.0 million or 46.2% to approximately HK$28.0 million for the five months ended 31 August 2018 from approximately HK$52.0 million for the five months ended 31 August 2017. Such decrease was mainly due to the decrease in subcontracting and other charges incurred for the projects at Chi Shin Street and Lai Ping Road which the contract works under the respective original contract for the projects had substantially completed in the year ended 31 March 2018 or early in the five months ended 31 August 2018.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's subcontracting and other charges on its profits during the Track Record Period. The hypothetical fluctuation rates are set at (i) 6.0% with reference to the fluctuation in the average daily wage of direct labour in the facade and curtain wall industry in Hong Kong during 2013 to 2017 (i.e. CAGR from 2013 to 2017 for average wage of direct labours in Hong Kong) as shown in the Ipsos Report (please refer to the section headed "Industry Overview – Key Costs in Facade and Curtain Wall Works Industry in Hong Kong" of this listing document); and (ii) 8.7% with reference to the expected increase in Hong Kong's statutory minimum wage to HK$37.5 per hour from HK$34.5 per hour, expected to come into force on 1 May 2019, subject to the Legislative Council's approval (please refer to the section headed "Regulatory Overview — Minimum Wage Ordinance (Chapter 608 of the laws of Hong Kong)" of this listing document for details):

Hypothetical fluctuations in subcontracting and other charges	**-8.7%**	**-6%**	**+6%**	**+8.7%**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in profit before tax for:				
the year ended 31 March 2016	8,288	5,716	(5,716)	(8,288)
the year ended 31 March 2017	8,670	5,980	(5,980)	(8,670)
the year ended 31 March 2018	7,312	5,043	(5,043)	(7,312)
the five months ended 31 August 2018	2,436	1,680	(1,680)	(2,436)
Change in profit after tax for:				
the year ended 31 March 2016	6,920	4,773	(4,773)	(6,920)
the year ended 31 March 2017	7,239	4,993	(4,993)	(7,239)
the year ended 31 March 2018	6,106	4,211	(4,211)	(6,106)
the five months ended 31 August 2018	2,034	1,403	(1,403)	(2,034)

Note: The Hong Kong profits tax rate of 16.5% is applied for the illustration of increase or decrease in profit for the year/period. No PRC Enterprise Income Tax is considered for the purpose as its effect to the Group is immaterial during the Track Record Period.

(iii) Provision for rectification works charged to the consolidated statements of profit or loss and other comprehensive income

Provision for rectification work relates to the estimated cost of work to be carried out for rectification of curtain walls, aluminium windows, doors and other products supplied to the Group's customers during the defects liability period, for a maximum period of two years, based on management's prior experience. These amounts have not been discounted for the purpose of measuring the provision for rectification work because the effect is not material. The amount of provision for rectification works charged to the consolidated statements of profit or loss and other comprehensive income is an amount of rectification works recognised, net of reversal for the year/period. Reversal represents the excess amount of rectification works previously recognised for the projects which their respective defects liability period becomes expired during the year/period and thus, no further rectification works were required and the related excess provided amounts are written back.

The following sets forth the percentage of provision for rectification works recognised during the year/period to revenue during the Track Record Period:

	For the year ended 31 March			Five months ended 31 August	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Provision for rectification works recognised during the year/period	37,758	80,949	21,823	14,762	23,874
Less: Reversal	(500)	(900)	(1,500)	–	–
Provision for rectification works charged to the consolidated statements of profit or loss and other comprehensive income during the year/period	37,258	80,049	20,323	14,762	23,874
Percentage of provision for rectification works recognised during the year/period to revenue	10.3%	16.1%	5.2%	6.9%	15.2%

The amount of provision for rectification works recognised during the year/period is regularly assessed during the year/period, based on individual project basis and management's prior experience which has been referenced to a percentage (which in turn is referenced on the percentage of the historical actual rectification work expenses to the contract amount) of the lower of the accumulated recognised sales amount or the contract sum. The amount is provided when the Group expects that it is likely that rectification works will be required. Normally, the Group starts to provide for the rectification work when the rectification work of a project, if any, can be foreseeable. The amount of the provision will be generally affected by, among other things, the following:

(i) After the rectification works has become foreseeable for a project, in the early stage of rectification provision period where lower percentage of rectification works will be provided when the percentage of accumulated sales to the original contract sum is lower as by that time, some costs of rectification have not yet become foreseeable or measureable. When the project near completion where the percentage of accumulated sales to the original contract sum approaching 100%, almost all costs of rectification should have become foreseeable and measureable and accordingly, higher amount and higher percentage of rectification works have to be provided.

(ii) As the amount of rectification works recognised is assessed on individual project basis utilising the management's prior experience after taking into account the status and circumstance of the respective project from time to time, it differs from project to project. Generally, the amount of rectification works recognised for each of the projects will be affected by a number factors, such as the duration of the defects liability period, the quality requirements of the developers and main contractors and the number of flats involved. The above factors vary with project by project substantially.

For the year ended 31 March 2016, rectification works were foreseeable for six projects and the provisions were made accordingly. The total original contract sum for these six projects were approximately HK$409.5 million. The amount of rectification works recognised during the year were approximately HK$37.8 million which represented approximately 9.2% of their total original contract sum. Among the HK$37.8 million of the additional provision for rectification works recognised for the year ended 31 March 2016, it was mainly for the projects at Tong Chun Street and Mount Nicholson Road with an aggregate amount of approximately HK$29.2 million which accounted for approximately 77.2% of the total rectification works recognised during the year. The percentage of rectification works recognised during the year to revenue was approximately 10.3% for the year ended 31 March 2016.

For the year ended 31 March 2017, rectification works for 11 projects were foreseeable and the provisions were made accordingly. The total original contract sum for these 11 projects were approximately HK$816.5 million. The amount of rectification works recognised during the year were approximately HK$80.9 million which represented approximately 9.9% of their total original contract sum and was comparable to that of approximately 9.2% for the year ended 31 March 2016. Among the HK$80.9 million of the additional provision for rectification works recognised for the year ended 31 March 2017, it was mainly for the projects at Conduit Road, Tong Yin Street and Chi Shin Street with an aggregate amount of approximately HK$62.7 million which accounted for approximately 77.5% of the total rectification works recognised during the year. The percentage of rectification works recognised during the year to revenue was approximately 16.1% for the year ended 31 March 2017.

For the year ended 31 March 2017, the Group's rectification works recognised during the year increased by approximately HK$43.2 million or 114.4% to approximately HK$80.9 million from approximately HK$37.8 million for the year ended 31 March 2016. Also, the percentage of rectification works recognised during the year to revenue increased to approximately 16.1% for the year ended 31 March 2017 from approximately 10.3% for the year ended 31 March 2016. Such increases were due to that more projects, both in terms of number and size, which their respective rectification works were foreseeable during the year and accordingly, the Group expected to provide sizeable rectification work. This can be evidenced by that the number of projects which their respective rectification work were foreseeable increased to 11 projects with total original contract sum of approximately HK$816.5 million for the year ended 31 March 2017 from six projects with total original contract sum of approximately HK$409.5 million for the year ended 31 March 2016. Such increases were also due to a general higher percentage of rectification works recognised during the year to their respective original contract sum for certain particular projects as certain of their respective project owners were comparatively quality demanding.

For the year ended 31 March 2018, rectification works for four projects were foreseeable and the provisions were made accordingly. The total original contract sum for these four projects were approximately HK$312.6 million. The amount of rectification works recognised during the year were approximately HK$21.8 million which represented approximately 7.0% of their total original contract sum. Among the HK$21.8 million of the additional provision for rectification works recognised for the year ended 31 March 2018, it was mostly for the project at Lai Ping Road. The percentage of rectification works recognised during the year to revenue was approximately 5.2% for the year ended 31 March 2018.

For the year ended 31 March 2018, the Group's rectification works recognised during the year decreased by approximately HK$59.1 million or 73.0% to approximately HK$21.8 million for the year ended 31 March 2018 from approximately HK$80.9 million for the year ended 31 March 2017. Such decrease was due to that less number of projects and less sizeable projects which their respective rectification works were foreseeable during the year and accordingly, the Group provided less amount of rectification work. This can be evidenced by that the number of projects which their respective rectification work were foreseeable decreased to four projects with total original contract sum of approximately HK$312.6 million for the year ended 31 March 2018 from 11 projects with total original contract sum of approximately HK$816.5 million for the year ended 31 March 2017.

For the year ended 31 March 2018, the amount of rectification works recognised during the year to their total original contract sum decreased to approximately 7.0% for the year ended 31 March 2018 from 9.9% for the year ended 31 March 2017. Also, the percentage of rectification works recognised during the year to revenue decreased to approximately 5.2% for the year ended 31 March 2018 from approximately 16.1% for the year ended 31 March 2017. Such decreases were due to a general lower percentage of or no rectification works recognised during the year to the original contract sum for certain particular projects as the projects were still in the early stage of installation works; or provision of the rectification works had been fully made in the previous year; or the nature of the project required no installation works at all and no provision needed accordingly. Although these projects having lower or even no rectification works recognised for the year, they at the same time contributed substantial amount of revenue for the year. In this regard, in particular for the following projects:

1) The projects at Lung Cheung Road, Lohas Park – Package 6 and Pak Shek Kok just started contributing revenue for the year but with a sizeable amount which accounted for approximately 33.7% of the Group's total revenue for the year ended 31 March 2018. They were then in a stage too early to estimate the likelihood and the amount of the rectification work or to recognise a sizeable provision.

2) Numerous certain projects that contributed sizeable amount of revenue which accounted for approximately 14.8% of the Group's total revenue for the year ended 31 March 2018 did not require any provision of rectification works to be made for the year as full provision of the rectification work had been fully made in the previous year(s).

3) For the project at An Tuo Hill which accounted for approximately 10.4% of the Group's total revenue for the year ended 31 March 2018, it involved supply of finished products which the products had been inspected and accepted by the customer upon the delivery and so, no provision for rectification work was necessary.

For the five months ended 31 August 2017, rectification works for two projects were foreseeable and the provisions were made accordingly. The total original contract sum for these two projects were approximately HK$211.2 million. The amount of rectification works recognised during the period were approximately HK$14.8 million which represented approximately 7.0% of their total original contract sum. Among the HK$14.8 million of the additional provision for rectification works recognised for the five months ended 31 August 2017, it was mostly for the project at Lai Ping Road. The percentage of rectification works recognised during the period to revenue was approximately 6.9% for the five months ended 31 August 2017.

For the five months ended 31 August 2018, rectification works for four projects were foreseeable and the provisions were made accordingly. The total original contract sum for these four projects were approximately HK$344.6 million. The amount of rectification works recognised during the period were approximately HK$23.9 million which represented approximately 6.9% of their total original contract sum. Among the HK$23.9 million of the additional provision for rectification works recognised for the five months ended 31 August 2018, it was mainly for the projects at Lung Cheung Road, Lohas Park – Package 6 and Pak Shek Kok with an aggregate amount of approximately HK$23.8 million which accounted for approximately 99.6% of the total rectification works recognised during the period. The percentage of rectification works recognised during the period to revenue was approximately 15.2% for the five months ended 31 August 2018.

For the five months ended 31 August 2018, the Group's rectification works recognised during the period increased by approximately HK$9.1 million or 61.7% to approximately HK$23.9 million for the five months ended 31 August 2018 from approximately HK$14.8 million for the five months ended 31 August 2017. Such increase was due to that more number of projects which their respective rectification works were foreseeable during the period and accordingly, the Group provided more amount of rectification works. This can be evidenced by that the number of projects which their respective rectification work were foreseeable increased to four projects with total original contract sum of approximately HK$344.6 million for the five months ended 31 August 2018 from two projects with total original contract sum of approximately HK$211.2 million for the five months ended 31 August 2017. For the five months ended 31 August 2018, the amount of rectification works recognised during the period to their total original contract sum remained relatively stable at approximately 6.9% comparing with that of 7.0% for the year ended 31 March 2018. On the other hand, the percentage of rectification works recognised during the period to revenue increased to approximately 15.2% for the five months ended 31 August 2018 from approximately 5.2% for the year ended 31 March 2018. This was because, for the year ended 31 March 2018, the percentage of rectification works recognised during the year to revenue remained at a relatively low level as the projects contributed substantial amount of revenue for the year at the same time having lower or even no rectification works recognised for the year ended 31 March 2018 which in turn were further detailed in the previous paragraph. In this regard, the percentage of rectification works recognised during the period to revenue of approximately 15.2% for the five months ended 31 August 2018 was more comparable to that for the year ended 31 March 2017 of approximately 16.1%.

(iv) Provision for warranty charged to the consolidated statements of profit or loss and other comprehensive income

The warranty provision represents management's best estimation of the Group's liability under the warranty period, for a period of maximum of 15 years from the end of the defect liability period for the Design, Supply and Installation Projects based on management's prior experience.

The following sets forth the percentage of warranty expenses to revenue during the Track Record Period:

	For the year ended 31 March			Five months ended 31 August	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Provision for warranty charged to the consolidated statements of profit or loss and other comprehensive income during the year/period	2,327	19,427	19,109	15,291	1,573
Percentage of provision for warranty recognised during the year/period to revenue	0.6%	3.9%	4.5%	7.1%	1.0%

The amount of the warranty expense provided for in a year/period is the difference between the warranty provision as at the year/period ended of a year/period and that as at the year/period ended in the previous year/period after taking into account the utilisation amount and the imputed interests expense on warranty provision during the year/period. The amount of the warranty provision as at the year/period ended is estimated based on a number of factors which include annual historical utilisation of warranty provision, contract sum with warranty cover, accumulated recognised sales amount, warranty period of up to a maximum of 15 years for the project, annual increment for the warranty provision and the discounting effect on the future cash outflows. Among the above factors where (i) the annual historical utilisation of warranty provision were approximately HK$0.4 million, HK$1.3 million, HK$2.9 million and HK$2.1 million for each of the three years ended 31 March 2018 and for the five months ended 31 August 2018, respectively; (ii) the contract sum with warranty cover represented the aggregated contract sum of each of the projects with warranty cover which were at the end of the defects liability period as at the relevant year ended and were then ready to provide the warranty; (iii) the annual increment forthe warrant provision comprised the estimated annual inflation and the salary increment for the respective year which ranged from 9% to 12% during the Track Record Period; and (iv) the discounting effect on the future cash outflows represented 5% per annum which in turn was referenced to the Group's highest borrowing costs during the Track Record Period.

The Group's provision for warranty charged to the consolidated statements of profit or loss and other comprehensive income was kept at a low level at approximately HK$2.3 million for the year ended 31 March 2016 and increased substantially by approximately HK$17.1 million or 734.9% to approximately HK$19.4 million for the year ended 31 March 2017, and then remained fairly stable at approximately HK$19.1 million for the year ended 31 March 2018. The percentage of provision for warranty to revenue also replicated this trend that it was kept at a low level at approximately 0.6% for the year ended 31 March 2016 and increased substantially to 3.9% for the year ended 31 March 2017, and then remained at a comparable level of approximately 4.5% for the year ended 31 March 2018.

For the year ended 31 March 2016, the warranty expenses was exceptionally low as (i) the warranty provision utilised (i.e. approximately HK$0.4 million) for the year and thus the percentage of annual historical utilisation of warranty provision to the contract amount with warranty cover was substantially lower; and (ii) the accumulated recognised sales amount and the contract sum secured by the Group as at the year ended 31 March 2016 were also comparatively lower. For the former, mainly because only a small working team with junior staff was engaged to handle the warranty matter and thus resulting the lower warranty costs. For the latter, the size of the Group's secured contracts was usually lower prior to the year ended 31 March 2016. For the year ended 31 March 2016, the provision for warranty was mainly for the project at Tong Chun Street.

For the year ended 31 March 2017 and 2018, apart from the Group's strengthened ability to source some high value contracts, the high value of the contracts also started to contribute very substantial amount of revenue to the Group (such as the projects at Tong Yin Street, Chi Shin Street, So Kwun Wat, Lai Ping Road and Lohas Park – Package 6 which each of the original contract sum all exceeded HK$100 million and such contract value was rare for the Group before the year ended 31 March 2017). To cater for the expected demand in warranty works for the coming years, since in the year ended 31 March 2017, the Group also expanded its warranty capacity by recruiting two supervisory level staff to supervise and monitor the works for the warranty which in turn increased the utilisation of warranty provision. Weather was another factor which increased the utilisation of warranty provision, like after typhoons, warranty claims for damaged windows, water leakage and other damages often increased. In this regard, for the year ended 31 March 2016, there was only one typhoon signal 8 or above hoisted. However, the number increased to two and five for the years ended 31 March 2017 and 2018, respectively. These typhoons caused certain damages to the windows / curtain walls of the Group's projects which the project owners required the Group to recover. In this regard, for the years ended 31 March 2017 and 2018, the utilisation of warranty provision amounted to approximately HK$1.3 million and HK$2.9 million, respectively, increased from the amount of HK$0.4 million for the year ended 31 March 2016. Furthermore, the above surge in the annual amount of the warranty costs had to be compounded with the annual inflation effect and the salary increment effect which further had to be compounded for a period of up to 15 years (i.e. the warranty period). This resulted the warranty provision as at 31 March 2017 to be substantially higher than that as at 31 March 2016. The substantial increment was then charged to the consolidated statements of profit or loss and other comprehensive income as the provision for warranty for the year.

The percentage of provision for warranty to revenue decreased to 1.0% for the five months ended 31 August 2018 from approximately 4.5% for the year ended 31 March 2018. The other factors in coming up with the warranty provision as at the five months ended 31 August 2018 (such as contract sum with warranty cover or accumulated recognised sales amount, warranty period of up to a maximum of 15 years, annual increment for the warranty provision and the discounting rate) were without material fluctuations. As such, the ending balances of warranty provision as at 31 August 2018 and 31 March 2018 were also without material fluctuations, leaving not material amount of warranty expense charged to the consolidated statements of profit or loss and other comprehensive income (i.e. approximately HK$1.6 million) for the five months ended 31 August 2018.

For the year ended 31 March 2017, the provision for warranty was mainly for the projects at Tong Chun Street, Tong Yin Street, Chi Shin Street, So Kwun Wat and Lai Ping Road.

For the year ended 31 March 2018, other than the five projects for the previous year as mentioned above, the provision for warranty was also mainly for the projects at Lai Ping Road, Lung Cheung Road and Lohas Park – Package 6.

For the five months ended 31 August 2018, other than the projects for the previous year mentioned above, the provision for warranty was mainly for the project at Pak Shek Kok.

Regarding the percentage of provision for warranty charged to the consolidated statements of profit or loss and other comprehensive income to the total contract sum with warranty cover, the percentage increased to approximately 1.1% for the year ended 31 March 2017 from approximately 0.1% for the year ended 31 March 2016. This was due to the substantial surge in the amount of provision for warranty for the year ended 31 March 2017 comparing with that for the year ended 31 March 2016 together with a relatively mild increase in the total contract sum with warranty cover as at the year ended 31 March 2017 comparing with that as at the year ended 31 March 2016. For the year ended 31 March 2018, the percentage decreased to approximately 0.8%. This was mainly due to the increase in the total contract sum with warranty cover as at the year ended 31 March 2018 as the amount of provision for warranty for the year ended 31 March 2018 remained fairly stable comparing with that for the year ended 31 March 2017. For the five months ended 31 August 2018, the percentage further decreased to approximately 0.1%. As the total contract sum with warranty cover as at 31 August 2018 only recorded a mild increase comparing with that as at 31 March 2018, the substantial drop in the amount of provision for warranty for the five months ended 31 August 2018 was the leading reason resulting such related drop in the percentage for the five months ended 31 August 2018.

(v) Preliminary project costs

Preliminary project costs mainly represent performance bond charges, insurance charges, and other miscellaneous costs, such as quality testing fee, transportation, expenses to produce mock-up of the products to ensure that the finished products will comply with the required specifications, outsourced design fee for some of the other products (such as balustrades, cladding and etc.), cleaning and etc. For each of the three years ended 31 March 2018 and the five months ended 31 August 2018, preliminary project costs amounted to approximately HK$12.4 million, HK$17.4 million, HK$10.6 million and HK$4.9 million, respectively, representing approximately 4.0%, 4.2%, 3.5% and 4.0% of the total cost of sales for the corresponding year/period, respectively. The percentage of preliminary project costs to total cost of sales was fairly stable and thus, the fluctuation was roughly in line with that of the total cost of sales for the corresponding year/period.

(vi) Project staff costs

Project staff costs represent salaries of the project staff in Hong Kong. For each of the three years ended 31 March 2018 and the five months ended 31 August 2018, project staff costs amounted to approximately HK$26.2 million, HK$31.1 million, HK$36.7 million and HK$15.8 million, respectively, representing approximately 8.4%, 7.6%, 12.1% and 12.7% of the total cost of sales for the corresponding year/period, respectively. Project staff costs increased during the Track Record Period mainly due to the increase in the number of the project staff and the salary increment of the project staff in Hong Kong.

(vii) Provision for inventory

Provision for inventory represents provision for the work-in-progress specifically for a project which the overall project was delayed.

Gross profit

It is common in the industry that most of the works will be carried out during the execution-peak stage and thus most of the revenue will then be recognised, resulting most of the gross profit to be achieved accordingly during this period. Normally, the gross profit will be much lower during the pre execution-peak stage as typically, less works are being performed in this stage; also, it is required to pay certain upfront costs, such as insurance expenses, performances bond charges and design fee which have to be recognised as cost of sales at that time, in advance of the payment certificate from its customer based on which the revenue will then be recognised. Furthermore, it is common that gross profit will also be lower in the post execution-peak stage. In this regard, the gross profit margin fluctuation is generally a result of (i) a mix of the different gross profit margin in different execution stages (i.e. the pre execution-peak stage, execution-peak stage and post execution-peak stage) of a project; and (ii) the projects mix (i.e. a mix of different overall gross profit margin for the project portfolio) during the Track Record Period.

For each of the three years ended 31 March 2018 and the five months ended 31 August 2018, (i) gross profit amounted to approximately HK$57.1 million, HK$91.7 million, HK$117.2 million and HK$32.4 million, respectively; and (ii) gross profit margins were 15.5%, 18.3%, 27.8% and 20.6%, respectively.

For the year ended 31 March 2017, gross profit increased by approximately HK$34.5 million or 60.5% to approximately HK$91.7 million for the year ended 31 March 2017 from approximately HK$57.1 million for the year ended 31 March 2016. The gross profit margin of approximately 18.3% for the year ended 31 March 2017 was fairly comparable to that of 15.5% for the year ended 31 March 2016. The mild increase was mainly attributed to (i) the mix of the differences in the execution stages of the projects in the two years; and (ii) a luxury grade residential house project which started to contribute substantial amount of revenue during the year ended 31 March 2017, it involved higher technical complexity and non-standardised designs and allowed the Group to earn a higher gross profit margin.

For the year ended 31 March 2018, gross profit increased by approximately HK$25.5 million or 27.8% to approximately HK$117.2 million for the year ended 31 March 2018 from approximately HK$91.7 million for the year ended 31 March 2017, however, revenue for the year decreased by approximately HK$80.8 million comparing with that for the year ended 31 March 2017. This was due to the substantial increase in gross profit margin to 27.8% for the year ended 31 March 2018 from 18.3% for the year ended 31 March 2017. Other than the mix of the differences in the execution stages of the projects which caused the gross profit margin fluctuations in the two years, another main reason was that certain projects which in aggregate accounted for majority of the total revenue in the year ended 31 March 2018 recorded substantially higher gross profit margins. The Group was able to earn much higher gross profit margins for these projects as they were luxury grade residential house projects which involved higher technical complexity and non-standardised designs.

The luxury grade residential house projects which were the key contributors to the higher gross profit margin for the years ended 31 March 2017 and 2018, as mentioned above, were the projects located in the traditional prime luxury residential areas in Hong Kong. Comparing with other typical normal and standardised grade residential projects, these luxury grade residential house projects comprised of comparatively large number of individual houses/villas. The typical building type for houses/villas is low-rise building structure with low density. The above characteristics of the building type of the luxury grade residential house projects normally do not facilitate standardised design for the curtain wall systems as opposed to the building type of high-rise building complex featured for the Group's other projects. These projects were positioned as luxury grade which the residential units were required to be built with high standards and qualities. Also, these projects involved higher technical complexity which reflected mainly on the specially designed features, and external decorative features mounted on external curtain wall and external wall of buildings. The structures of these higher technical complexity projects involved specially designed curtain walls, specially designed aluminium extrusion, specially designed glass panels, 3-D aluminium panels, design of external architectural aluminium products with many detailed built-in features around the buildings and etc.. All these features required more complicated and precise technical requirements in the design, manufacturing and installation than those building structures involved flat curtain wall, standardised normal and simple building structures. All the above features enabled a higher gross profit margin to be earned by the Group for these luxury grade residential house projects. In this regard, in order to cope with the non-standardised design, high technical complexity and high quality demand, the Group submitted higher quotations for these luxury grade residential house projects in order to cover the expected higher costs and contingencies involved. Due to better cost control, it turned out that the labour costs, material costs, fabrication costs and contingency costs were eventually not as high as originally expected. This amounted to an even higher gross profit margin than originally expected.

The aggregated original contract sum for these luxury grade residential house projects amounted to about HK$300 million. The above luxury grade residential house projects started to contribute substantial amount of revenue for the year ended 31 March 2017 and continued to contribute even more amount of revenue for the year ended 31 March 2018. In particular, for the year ended 31 March 2018, these luxury grade residential house projects were the Group's major projects in the execution-peak stage which contributed majority of the Group's total revenue and gross profit for the year. On the other hand, for the year ended 31 March 2018, the majority of the Group's remaining projects were basically either in the pre execution-peak stage or the post execution-peak stage which contributed a lower gross profit margin. For these luxury grade residential house projects, almost 90% of the aggregated original contract sum had been recognised as revenue for the years ended 31 March 2017 and 2018 which most of the works for the projects had been completed. It was expected that the respective Practical Completion Certificate(s) for the luxury grade residential house projects would be issued in the year ending 31 March 2019. In this regard, the remaining about 10% of the aggregated original contract sum of these luxury grade residential house projects was expected to be recognised as revenue in the year ending 31 March 2019.

For the five months ended 31 August 2018, gross profit decreased by approximately HK$21.4 million or 39.8% to approximately HK$32.4 million for the five months ended 31 August 2018 from approximately HK$53.8 million for the five months ended 31 August 2017. The gross profit margin of approximately 20.6% for the five months ended 31 August 2018 was lower than that of 25.0% for the five months ended 31 August 2017 in which the decrease was mainly attributed to one of the above mentioned luxury projects with higher gross profit margin, contributing substantial portion of total gross profit amount during the five months ended 31 August 2017, had reached post-execution peak stage and thus contributed much less gross profit amount during the five months ended 31 August 2018. As a result, the Group recorded a lower gross profit margin for the five months ended 31 August 2018 as compared to that for the five months ended 31 August 2017.

Other income

Other income remained at low amount during the Track Record Period and mainly represents sales of scrap materials and rental income for the investment properties in Kings Wing Plaza 1, situated in Shatin, Hong Kong. Other income remained fairly stable for each of the two years ended 31 March 2017. For the year ended 31 March 2018 and the five months ended 31 August 2018, as comparing to the other income for the corresponding year/period, the balances of other income increased as they included rental income earned from its investment properties which were newly acquired in August 2017.

Other gains (losses)

The following table sets forth a breakdown of the Group's other gains (losses) during the Track Record Period:

	Year ended 31 March			Five months ended 31 August	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
Exchange gains (losses)	445	1,866	(5,185)	(2,193)	3,528
Gain (loss) on disposal of property, plant and equipment	–	–	102	(57)	–
	445	1,866	(5,083)	(2,250)	3,528

For the year ended 31 March 2017, other gains increased by approximately HK$1.4 million or 319.3% to approximately HK$1.9 million for the year ended 31 March 2017 from approximately HK$0.4 million for the year ended 31 March 2016. Such increase was mainly attributable to the increase in exchange gain from the general depreciation of Renminbi for purchase of raw materials in the PRC during the year.

For the year ended 31 March 2018, there was a negative fluctuation in an amount of approximately HK$6.9 million. The other gains in an amount of approximately HK$1.9 million for the year ended 31 March 2017 swung to the other losses in an amount of approximately HK$5.1 million for the year ended 31 March 2018. Such negative fluctuation was mainly attributable to the exchange losses due to the general appreciation of Renminbi for purchase of raw materials in the PRC during the year.

For the five months ended 31 August 2018, other gains of approximately HK$3.5 million were due to the general depreciation for Renminbi for purchase of raw materials in the PRC during the period.

Impairment losses, net of reversal

The amounts represent impairment losses, net of reversal, made on trade debtors. Details of the amounts for each of the three years ended 31 March 2018 please refer to the sub-section headed "Analysis of Selected Consolidated Statements of Financial Position Items — Trade debtors" in this section below.

The credit balance of an amount of approximately HK$0.2 million for the five months ended 31 August 2018 mainly represented reversal of impairment losses recognised amounted to approximately HK$0.3 million. Details please refer to the sub-section headed "Analysis of Selected Consolidated Statements of Financial Position Items — Impairment assessment on trade debtors and contract assets" in this section below.

Gain on change in fair value of investment properties

The amounts of approximately HK$1.3 million and HK$1.4 million for the year ended 31 March 2018 and for the five months ended 31 August 2018 represented gain on change in fair value of the investment properties acquired in August 2017.

Administrative expenses

The following table sets forth a breakdown of the Group's administrative expenses during the Track Record Period:

	Year ended 31 March			Five months ended 31 August	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
Staff costs	13,386	18,256	29,857	12,074	9,928
Office expenses	1,363	1,426	1,343	538	1,062
Operating lease rental expense	883	1,622	1,052	609	39
Legal and professional fee	123	86	105	30	82
Entertainment and travelling expenses	634	519	448	143	223
Auditor's remuneration	299	400	461	192	250
Depreciation	169	112	2,070	46	1,865
Management fee expenses paid to ultimate holding company	2,678	2,569	1,573	654	654
Others	3,526	1,857	3,225	510	962
	23,061	26,847	40,134	14,796	15,065

For the year ended 31 March 2017, administrative expenses increased by approximately HK$3.8 million or 16.4% to approximately HK$26.8 million for the year ended 31 March 2017 from approximately HK$23.1 million for the year ended 31 March 2016. Such increase was mainly attributable to (i) the increase in staff costs of approximately HK$4.9 million due to higher staff bonus provision as a result of better financial performance of the Group; and (ii) the increase in operating lease rental expense of approximately HK$0.7 million as a result of expansion of the Hong Kong rented office premises and increase in unit rental price for the rented office premises before the Group moving its offices to the self-owned property acquired in August 2017.

For the year ended 31 March 2018, administrative expenses increased by approximately HK$13.3 million or 49.5% to approximately HK$40.1 million for the year ended 31 March 2018 from approximately HK$26.8 million for the year ended 31 March 2017. Such increase was mainly attributable to (i) the discretionary share awards and share options under Hanison's share award scheme and Hanison's share option scheme[1] in an aggregated amount of approximately HK$12.5 million allocated to the Group, among which, approximately HK$12.1 million was included in the administrative expenses; and (ii) the increase in depreciation of approximately HK$2.0 million due to the acquisition of property, plant and equipment in August 2017 which mainly comprised the office units of a commercial property at Kings Wing Plaza 1 situated in Shatin, Hong Kong, being used as the Group's office premises.

The administrative expenses remained relatively stable at approximately HK$14.8 million and HK$15.1 million for each of the five months ended 31 August 2017 and 2018, respectively.

Office expenses of the administrative expenses mainly represent printing and stationery, computer expenses, internet fee, postage and courier, telephone expenses and other office expenses such as electricity and water charges.

1 For the share awards, the fair value of services received from the grantees determined by reference to the fair value of the award shares granted at the grant date is expensed on a straight-line basis over the vesting period. The share awards were granted on 10 March 2017 and were vested on 30 June 2018. For the year ended 31 March 2017, approximately HK$0.9 million of the discretionary share awards under Hanison's share award scheme allocated to the Group was included in the management fee expenses paid to the ultimate holding company rather than the staff costs.

For the share options, they vest immediately at the date of grant, the fair value of the share options granted is recognised immediately in the consolidated statements of profit or loss and other comprehensive income. The share options were granted on 5 September 2017.

For further details of the share awards and share options allocated to the Group, please refer to "Note 38. Share-based Payment Transactions" of the Accountants' Report set out in Appendix I of this listing document.

For details of Hanison's share award scheme and share option scheme, grant of share award scheme and grant of share options, please refer to Hanison's annual report for the year ended 31 March 2018, Hanison's announcements dated 10 March 2017 and 5 September 2017, respectively.

Management fee expenses paid to ultimate holding company represented the administrative and corporate expenses allocated to the Group from Hanison (being the Company's ultimate holding company before the Distribution). The expenses were allocated according to the extent of the time and resources spent by the relevant individuals' services provided to the Group which is an equitable and reasonable basis. The Directors have confirmed that such related party transaction giving rise to the management fee expenses was conducted on arm's length basis and normal commercial terms and the terms were no less favorable to the Group than terms available to or from independent third parties. As such, the related party transaction is in the interest of the Group as a whole. On this basis, the management fee expenses paid to ultimate holding company was considered to be fair and reasonable. Such management fee expenses were paid to ultimate holding company during the Track Record Period for the reason that certain administrative functions of the Group and the Remaining Group were shared between the Group and the Remaining Group. As at the Latest Practicable Date, all essential administrative functions of the Group have been set up and are being carried out independently by the Group without the support of the Remaining Group. In this regard, no similar management fee expenses would be paid to ultimate holding company thereafter.

Others of the administrative expenses mainly represent repair and maintenance, motor vehicles expenses, building management fee, land use tax (土地使用稅) and property tax (房產稅) for the use of the properties in the PRC's fabrication plant in Huizhou, the PRC and other miscellaneous administrative expenses.

Finance costs

The following table sets forth a breakdown of the Group's finance costs during the Track Record Period:

	Year ended 31 March			Five months ended 31 August	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
Interests on:					
– bank loans	1,477	7	929	756	–
– other loan	–	293	60	60	–
– bank overdraft interest	–	1	–	–	–
– amount due to a fellow subsidiary	125	–	–	–	–
Imputed interest expense on provisions	208	745	1,657	661	891
	1,810	1,046	2,646	1,477	891

Imputed interest expense on provisions represents the discounting effect on the future cash outflows for the warranty provision during the warranty period of up to maximum of 15 years.

For the year ended 31 March 2017, finance costs decreased by approximately HK$0.8 million or 42.2% to approximately HK$1.0 million for the year ended 31 March 2017 from approximately HK$1.8 million for the year ended 31 March 2016. Such decrease was mainly attributable to the decrease in interests on bank loans as a result of much shorter period of bank loans presence for the year ended 31 March 2017 than that for the year ended 31 March 2016. The Group's two bank loans were fully repaid at end of the year ended 31 March 2016 which one of them was originally drawn down at early of the year ended 31 March 2016 while another one was carried forward from the year ended 31 March 2015 and thus, incurring nearly a full year's interest expense for the two loans for the year ended 31 March 2016. However, a replacement bank loan was only drawn down in March 2017 leaving the interest to be minimal for the year ended 31 March 2017.

For the year ended 31 March 2018, finance costs increased by approximately HK$1.6 million or 153.0% to approximately HK$2.6 million for the year ended 31 March 2018 from approximately HK$1.0 million for the year ended 31 March 2017. Such increase was mainly attributable to (i) the increase in interest on bank loans, this was in turn due to that the abovementioned replacement bank loan drawn down in March 2017 was fully repaid in September 2017 and thus approximately six months of interests was incurred for the year ended 31 March 2018, compared with less than one month of interest incurred for the year ended 31 March 2017 in respect of the bank loan; and (ii) higher imputed interest expense on provisions for warranty provision.

For the five months ended 31 August 2018, finance costs decreased by approximately HK$0.6 million or 39.7% to approximately HK$0.9 million for the five months ended 31 August 2018 from approximately HK$1.5 million for the five months ended 31 August 2017. Such decrease was mainly due to that the finance costs for the five months ended 31 August 2017 included mainly bank loan interests and imputed interest expense on provisions which was an accounting interest without actual cash outflow. Since the Group has fully repaid the bank loans during the year ended 31 March 2018 and therefore no bank loan interests were incurred for the five months ended 31 August 2018.

Profit before taxation

During each of the three years ended 31 March 2018, profit before taxation were increasing from approximately HK$35.1 million for the year ended 31 March 2016 to approximately HK$67.1 million for the year ended 31 March 2017 and slightly decreased to approximately HK$65.0 million for the year ended 31 March 2018. For the five months ended 31 August 2018, profit before taxation substantially decreased to approximately HK$11.4 million from approximately HK$65.0 million for the year ended 31 March 2018, this was not only due to its non-full financial year performance, but also the decrease in the annualised turnover amount, lower gross profit margin percentage and the substantial increase in listing expense during the period.

Taxation

The Group's taxation mainly represents Hong Kong profits tax provided during the Track Record Period which was calculated at a flat rate of 16.5% of the estimated assessable profit. No PRC Enterprise Income tax were provided for the year ended 31 March 2016 as the assessable profit of the Group's PRC operation was wholly absorbed by the tax losses brought forward. PRC Enterprise Income Tax were provided for the years ended 31 March 2017 and 2018 and the five months ended 31 August 2018 at the rate of 25% for the relevant years/period, which is under the Law of PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of EIT Law.

The Group's taxation for the year/period can be reconciled to the profit before taxation in the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March			Five months ended 31 August	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Profit before taxation	35,139	67,050	64,950	36,214	11,368
Tax at the applicable income tax rate of 16.5%	5,798	11,063	10,717	5,975	1,876
Tax effect of expenses not deductible for tax purpose	155	676	2,244	1,089	2,128
Tax effect of income not taxable for tax purpose	(245)	(11)	(285)	–	(231)
Utilisation of tax losses previously not recognised	(2,087)	–	–	–	–
Tax effect of tax losses not recognised	498	1	–	–	–
Tax effect of deductible temporary differences not recognised	–	–	2,881	–	–
Tax effect of deductible temporary differences previously not recognised	–	–	–	–	(1,628)
Effect of different tax rate of a subsidiary operating in other jurisdiction	(169)	(16)	(719)	261	269
Others	(75)	–	–	–	–
Taxation for the year/period	3,875	11,713	14,838	7,325	2,414

For the year ended 31 March 2017, taxation of the Group increased by approximately HK$7.8 million or 202.3% to approximately HK$11.7 million for the year ended 31 March 2017 from approximately HK$3.9 million for the year ended 31 March 2016. Such increase was primarily due to (i) the increase in the amount of approximately HK$5.3 million if taxed at the applicable income tax rate of 16.5% resulting from the Group's increase in the profit before taxation; and (ii) that there was utilisation of tax losses previously not recognised of approximately HK$2.1 million for the year ended 31 March 2016 whereas there was none for the year ended 31 March 2017.

For the year ended 31 March 2018, taxation of the Group increased by approximately HK$3.1 million or 26.7% to approximately HK$14.8 million for the year ended 31 March 2018 from approximately HK$11.7 million for the year ended 31 March 2017. Such increase was primarily due to (i) the increase in the tax effect of expenses not deductible for tax purpose of approximately HK$1.6 million for the year which mainly comprised listing expenses; and (ii) there was tax effect of deductible temporary differences not recognised for the year ended 31 March 2018 but none for the year ended 31 March 2017.

For the five months ended 31 August 2018, taxation of the Group decreased by approximately HK$4.9 million or 67.0% to approximately HK$2.4 million for the five months ended 31 August 2018 from approximately HK$7.3 million for the five months ended 31 August 2017. Such decrease was mainly due to the decrease in the amount of approximately HK$4.1 million if taxed at the applicable income tax rate of 16.5% resulting from the Group's decrease in the profit before taxation.

The following table sets forth the Group's effective tax rate during the Track Record Period:

	For the year ended 31 March			Five months ended 31 August	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
Profit before taxation	35,139	67,050	64,950	36,214	11,368
Taxation charge	3,875	11,713	14,838	7,325	2,414
Effective tax rate *note*	11.0%	17.5%	22.8%	20.2%	21.2%

Note: Effective tax rate is calculated by dividing taxation charge for the year/period with profit before taxation for the respective year/period.

For the year ended 31 March 2017, the effective tax rate of the Group was higher than that for the year ended 31 March 2016 as there was no utilisation of tax losses for the year ended 31 March 2017 whereas there was approximately HK$2.1 million for the year ended 31 March 2016.

For the year ended 31 March 2018, the effective tax rate of the Group was higher than that for the year ended 31 March 2017 as (i) the tax effect of expenses not deductible for tax purpose increased by approximately HK$1.6 million which was in turn mainly resulting from listing expenses; and (ii) there was tax effect of deductible temporary differences not recognised for the year ended 31 March 2018 but none for the year ended 31 March 2017.

For the five months ended 31 August 2018, the effective tax rate of the Group of approximately 21.2% was slightly higher than that for the five months ended 31 August 2017 of approximately 20.2%. Such increase was mainly attributable to the tax effect of the non-deductible listing expenses incurred during the five months ended 31 August 2018.

Other comprehensive (expense) income – exchange differences arising on translation of a foreign operation

The amounts represent the exchange differences arising on translation of the net assets relating to the PRC operation denominated in Renminbi.

For the years ended 31 March 2016 and 2017 and the five months ended 31 August 2018, Renminbi depreciated and accordingly, resulted in the exchange losses in the reserve for the year/period.

For the year ended 31 March 2018, Renminbi appreciated and accordingly, resulted in the exchange gain in the reserve for the year.

Profit for the year/period and total comprehensive income for the year/period

For the year ended 31 March 2017, the Group's profit for the year increased by approximately HK$24.1 million or 77.0% to approximately HK$55.3 million for the year ended 31 March 2017 from approximately HK$31.3 million for the year ended 31 March 2016. This was mainly a combined effect of (i) the increase in revenue and the related gross profit amount with improved gross profit margin; and offset by (ii) the increase in administrative expenses mainly due to the increase in staff costs arising from higher staff bonus provision as a result of better financial performance of the Group; and (iii) the increase in taxation with higher effective tax rate as there was no utilisation of tax losses for the year.

For the year ended 31 March 2017, the Group's total comprehensive income increased by approximately HK$22.6 million or 76.3% to approximately HK$52.1 million for the year ended 31 March 2017 from approximately HK$29.6 million for the year ended 31 March 2016. The trend replicated closely with that of the profit for the year as the exchange losses arising on translation of a foreign operation maintained at a comparatively low amount at approximately HK$1.7 million and approximately HK$3.2 million for the years 31 March 2016 and 2017, respectively.

For the year ended 31 March 2018, the Group's profit for the year decreased by approximately HK$5.2 million or 9.4% to approximately HK$50.1 million for the year ended 31 March 2018 from approximately HK$55.3 million for the year ended 31 March 2017. This was mainly due to a combined effect of (i) the substantial increase in administrative expense primarily as a result of the increase in staff costs due to the allocation of Hanison's share awards and share options to the Group; (ii) listing expenses incurred only for the year ended 31 March 2018; and offset by (iii) the increase in the gross profit amount mainly as a result of the substantial gross profit margin improvement in the year.

For the year ended 31 March 2018, the Group's total comprehensive income on the other hand increased by approximately HK$4.5 million or 8.7% to approximately HK$56.7 million for the year ended 31 March 2018 from approximately HK$52.1 million for the year ended 31 March 2017. This was mainly due to the material positive fluctuation for exchange differences arising on translation of a foreign operation for the year ended 31 March 2018 due to the appreciation of Renminbi for the year.

For the five months ended 31 August 2018, the Group's profit for the period decreased by approximately HK$19.9 million or 69.0% to approximately HK$9.0 million for the five months ended 31 August 2018 from approximately HK$28.9 million for the five months ended 31 August 2017. This was mainly due to (i) the decrease in the revenue and the related gross profit amount; (ii) increase in listing expense of approximately HK$**[REDACTED]**; and offset by (iii) the increase in other gains of approximately HK$5.8 million resulted from general depreciation for Renminbi for purchase of raw materials in the PRC during the period; and (iv) the decrease in taxation of approximately HK$4.9 million mainly as a result of lower taxable profit generated for the period.

For the five months ended 31 August 2018, the Group's total comprehensive income decreased by approximately HK$28.4 million or 88.8% to approximately HK$3.6 million for the five months ended 31 August 2018 from approximately HK$32.0 million for the five months ended 31 August 2017. This was mainly due to (i) the decrease in profit for the period mentioned in the previous paragraph; and (ii) that there was an exchange loss arising on translation of a foreign operation for the five months ended 31 August 2018 whereas there was an exchange gain arising on translation of a foreign operation for the five months ended 31 August 2017.

Net profit margin for the year/period

During each of the three years ended 31 March 2018, net profit margin kept steadily increasing from approximately 8.5%, 11.0% and 11.9%, respectively. However, the net profit margin for the five months ended 31 August 2018 decreased to approximately 5.7%. Such decrease was primarily due to (i) the decrease in gross profit margin to approximately 20.6% for the five months ended 31 August 2018 from approximately 27.8% for the year ended 31 March 2018; and (ii) the substantial increase in the listing expenses for the five months ended 31 August 2018 comparing to that for the year ended 31 March 2018.

SUMMARY OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below presents the summary of consolidated statements of financial position of the Group as at each of the three years ended 31 March 2018 and 31 August 2018 extracted from the Accountants' Report as set out in Appendix I to this listing document.

Consolidated statements of financial position

	As at 31 March			As at 31 August
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Investment properties	–	–	60,300	61,700
Property, plant and equipment	23,568	21,258	112,710	111,060
Prepaid lease payments	6,032	5,472	5,851	5,287
Deferred tax assets	56	58	6	155
	29,656	26,788	178,867	178,202
CURRENT ASSETS				
Inventories	28,723	33,006	26,593	38,295
Prepaid lease payments	213	201	207	200
Debtors, deposits and prepayments	12,399	12,957	69,872	53,682
Contract assets	45,789	56,296	66,933	61,948
Amount due from fellow subsidiaries	2,865	6,444	–	731
Amount due from immediate holding company	–	228,038	–	–
Bank balances and cash	47,814	47,055	40,646	74,963
	137,803	383,997	204,251	229,819
CURRENT LIABILITIES				
Trade and other payables	49,871	41,228	59,245	70,040
Provisions	17,106	39,039	29,895	35,433
Contract liabilities	126	3,530	3,313	1,648
Amount due to ultimate holding company	–	2,969	–	–
Amount due to immediate holding company	33,477	–	77,452	84,016
Amounts due to fellow subsidiaries	15,465	37,143	–	–
Bank and other loans	–	127,028	–	–
Taxation payable	3,031	8,336	8,238	9,993
	119,076	259,273	178,143	201,130
Net current assets	18,727	124,724	26,108	28,689
Total assets less current liabilities	48,383	151,512	204,975	206,891
NON-CURRENT LIABILITIES				
Provisions	25,064	76,088	76,246	75,096
Deferred tax liabilities	–	–	37	471
	25,064	76,088	76,283	75,567
	23,319	75,424	128,692	131,324
CAPITAL AND RESERVES				
Share capital	11,000	11,000	–	–
Reserves	12,319	64,424	128,692	131,324
	23,319	75,424	128,692	131,324

ANALYSIS OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

On 14 August 2017, the Group acquired the office units of a commercial property in Kings Wing Plaza 1, situated in Shatin, Hong Kong. Part of the office was leased out for rental income purposes. The investment properties were valued at the fair value as approximately HK$60.3 million and HK$61.7 million as at 31 March 2018 and 31 August 2018, respectively, by an independent property valuer. The value was arrived at by reference to the income capitalisation method which is based on the capitalisation of the net income potential by adopting an appropriate capitalisation rate, which is derived from analysis of sale transactions and interpretation of prevailing investor requirements or expectations. For further details of the fair value measurements, please refer to "Note 17. Investment Properties" of the Accountants' Report set out in Appendix I of this listing document.

Property, plant and equipment

Property, plant and equipment mainly consist of buildings, plant and machinery in the Group's fabrication plant in the PRC and other miscellaneous fixed assets. As at each of the three years ended 31 March 2018 and 31 August 2018, the carrying value of property, plant and equipment were approximately HK$23.6 million, HK$21.3 million, HK$112.7 million and HK$111.1 million, respectively.

As at 31 March 2017, property, plant and equipment slightly decreased by approximately HK$2.3 million to approximately HK$21.3 million as at 31 March 2017 from approximately HK$23.6 million as at 31 March 2016. This was mainly due to (i) the depreciation expenses and the negative exchange adjustments arising from the translation of the year end balance of the property, plant and equipment in its PRC operation recorded in Renminbi as its functional currency to HK dollar as its presentation currency of the Group; and offset by (ii) the additions of plant and machinery during the year ended 31 March 2017.

As at 31 March 2018, property, plant and equipment substantially increased by approximately HK$91.5 million to approximately HK$112.7 million as at 31 March 2018 from approximately HK$21.3 million as at 31 March 2017. This was mainly due to the acquisition of a commercial property at an amount of approximately HK$89.1 million for certain units in Kings Wing Plaza 1, situated in Shatin, Hong Kong, on 14 August 2017. For details of the acquisition, please refer to "Note 34. Acquisition of a Subsidiary" of the Accountants' Report set out in Appendix I to this listing document.

As at 31 August 2018, property, plant and equipment slightly decreased by approximately HK$1.7 million or 1.5% to approximately HK$111.1 million as at 31 August 2018 from approximately HK$112.7 million as at 31 March 2018. This was mainly due to the depreciation expenses and the negative exchange adjustments arising from the translation of the period end balance of the property, plant and equipment in its PRC operation recorded in Renminbi as its functional currency to HK dollar as its presentation currency of the Group during the five months ended 31 August 2018.

Prepaid lease payments

Prepaid lease payments (both in the non-current assets and current assets) represent the up-front payments to lease the medium-term leasehold land interests in the PRC and are charged to the consolidated statements of profit or loss and other comprehensive income on a straight-line basis over the term of the relevant lease. The balances remained fairly stable as at the end of the Track Record Period.

Inventories

Inventories primarily consist of (i) raw materials of building materials used in the Design, Supply and Installation Projects, such as aluminium, steel products and glass; and (ii) work-in-progress of semi-processed products both located in the Group's fabrication plant and the outsourced factories. The following table sets out a breakdown of the inventories as at the end of the Track Record Period:

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	15,479	22,723	14,850	16,026
Work-in-progress	13,244	10,283	11,743	22,269
	28,723	33,006	26,593	38,295
Percentage of inventories to revenue[note]	7.8%	6.6%	6.3%	10.2%

Note: Percentage of inventory to revenue is calculated by dividing the inventory balance as at the year/period end with the revenue of the respective year or the annualised revenue for the five months ended 31 August 2018.

It is common in the industry to incur comparatively substantial cash outflows in the early stage of a project, among others, to purchase raw materials just in time for their further processing and the subsequent utilisation and installation in the later stage which the revenue will be substantially recognised. The Group's inventories are purchased specifically on project-by-project basis. Once the fabrication process is completed, the finished products will be delivered to the construction sites for installation. In this regard, the Group's inventory turnover days are relatively short.

Percentage of inventories to revenue ratio were fairly stable as at each of the three years ended 31 March 2018 with a slightly higher percentage for the year ended 31 March 2016. The higher percentage for the year ended 31 March 2016 was a result of a higher inventories level being processed for their subsequent utilisation and installation in the year ended 31 March 2017 which the revenue recognised was the highest during each of the three years ended 31 March 2018.

Percentage of inventories to revenue ratio increased to approximately 10.2% for the five months ended 31 August 2018 as the inventory balance stood at a relatively high level at approximately HK$38.3 million as at 31 August 2018. The higher inventory balance was mainly for (i) two projects at Lohas Park – Package 6 and Pak Shek Kok, respectively, which were roughly in their execution-peak stage and stocking up of inventory level is necessary for utilisation; and (ii) the project at Lok Wo Sha which had been commenced and expected to have higher level of inventories being utilised and installed subsequent to the Track Record Period.

The following table sets forth the Group's inventory turnover days during the Track Record Period:

	Year ended 31 March			**Five months ended 31 August**
	2016	**2017**	**2018**	**2018**
	Day	*Day*	*Day*	*Day*
Inventory turnover days	29.8	27.5	35.8	39.6

Note: Inventory turnover days is calculated based on the average of the beginning and ending balance of inventories divided by cost of sales for the year/period and multiplied by the number of days of the year (i.e. 365 days for a full year). Cost of sales for the five months ended 31 August 2018 is annualised for this purpose.

The inventory turnover days remained relatively stable at approximately 29.8 days, 27.5 days and 35.8 days for the years ended 31 March 2016, 2017 and 2018, respectively, and generally within the reasonable range of the processing time in the Group's fabrication plant and the outsourced factories.

The inventory turnover days was approximately 39.6 days for the five months ended 31 August 2018 which was slightly higher than that for the year ended 31 March 2018. As previously explained, around the period end, there was stocking up of the period end inventory balance which resulted the higher inventory turnover days for the five months ended 31 August 2018.

As at the Latest Practicable Date, all of the Group's inventories as at 31 August 2018 were subsequently utilised.

Debtors, deposits and prepayments

The following table sets forth a breakdown of the Group's debtors, deposits and prepayments as at the end of the Track Record Period:

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade debtors	4,989	5,359	62,026	44,687
Value-added tax ("**VAT**") receivables	3,058	4,249	3,080	5,189
Deposits and prepayments	3,945	2,719	3,020	2,987
Prepaid listing expenses	–	–	**[REDACTED]**	**[REDACTED]**
Other receivables	407	630	795	614
	12,399	12,957	69,872	53,682

The Group allows a credit period of 30 to 90 days to its customers. Before accepting any new customer, the Group will internally assess the credit quality of the potential customers and define appropriate credit limit. Other receivables are unsecured, interest-free and repayable on demand.

Trade debtors

Trade debtors represent the amounts billed for work performed but not yet paid by the customers. The balances amounted to approximately HK$5.0 million, HK$5.4 million, HK$62.0 million and HK$44.7 million as at 31 March 2016, 2017 and 2018 and 31 August 2018, respectively.

The Group's balances of trade debtors as at each of the year/period end, to a substantial extent, depend on the progress of individual project around the financial year/period end which in turn affect the timing of payment certificates issued by the architects and thus, further affect the balances of trade debtors accordingly. Furthermore, project profile such as the individual projects, number of projects and the value of the projects that the Group were carrying out around the financial year/period end will materially affect the balances of trade debtors accordingly. If the above vary substantially from year to year or period to period, it will also lead to significant variances of the yearly or period end balances of trade debtors.

The balances of trade debtors as at 31 March 2016 and 2017 remained relatively stable at a low level. This was due to that based on the project progress and project profile, there was no material projects having high level of works that the Group were carrying out around the respective year end. In other words, the projects contributed most of the revenue for the years ended 31 March 2016 and 2017 were (i) in the early or late stage of on-site installation works near the year end which normally has a comparatively much lower amount of works to be performed by the Group; or (ii) that their respective Practical Completion Certificates had been issued in the middle of the financial year which signifying the completion of the installation works and end of the execution phase well ahead of the year end. Due to the lower amount of works or even no significant works to be performed by the Group near the year end, the amount of payment certificates issued by the customers was low or even nil for the relevant projects and accordingly, resulting the low balance of trade debtors as at both the years ended 31 March 2016 and 2017. For example, the aforementioned projects contributing most of the revenue but comparatively having lower level of works near the year end included, (i) for the year ended 31 March 2016, the projects at Tong Chun Street, Castle Road, Conduit Road, Tong Yin Street, Chi Shin Street, So Kwun Wat, Kau To Shan, Mount Nicholson Road and Grampian Road which contributed approximately HK$284.9 million of revenue to the Group and accounted for approximately 77.5% of the Group's total revenue for the year ended 31 March 2016; and (ii) for the year ended 31 March 2017, the projects at Castle Road, Conduit Road, Tong Yin Street, Chi Shin Street, So Kwun Wat, Lai Ping Road and Kau To Shan which contributed approximately HK$442.3 million of revenue to the Group and accounted for approximately 88.1% of the Group's total revenue for the year ended 31 March 2017.

As at 31 March 2018, trade debtors increased substantially by approximately HK$56.7 million to approximately HK$62.0 million as at 31 March 2018 from approximately HK$5.4 million as at 31 March 2017. The increase was mainly due to the substantial amount of the payment certificates issued in the last two months of the year ended 31 March 2018 whereas the amount of payment certificates issued in the last two months of the years ended 31 March 2016 and 2017 were not material. As at 31 March 2018, approximately HK$55.9 million (or 90.2%) of the outstanding trade balances aged within 60 days whereas that as at 31 March 2016 and 2017 were only approximately HK$4.3 million and HK$3.3 million, respectively. That means substantial amount of the payment certificates were issued to the Group in the last two months of the year ended 31 March 2018 which was in turn due to the progress of the projects. Among this, approximately HK$44.5 million of the trade debtors with their payment certificates issued from 31 January to 31 March 2018 were arising from the projects at Lung Cheung Road, Lohas Park – Package 6 and Pak Shek Kok which accounted for approximately 71.8% of the total trade debtors as at 31 March 2018. These three projects contributed approximately HK$142.1 million of revenue to the Group, which accounted for approximately 33.7% of the Group's total revenue for the year ended 31 March 2018. In particular, for the above mentioned three projects, they were in the execution-peak stage and specifically, also in the middle stage of carrying out the on-site installation works around the year ended 31 March 2018. In other words, significant amount of revenue were clustered being recognised around the year end which built up the higher balance of trade debtors as at 31 March 2018.

As at 31 August 2018, trade debtors decreased by approximately HK$17.3 million to approximately HK$44.7 million as at 31 August 2018 from approximately HK$62.0 million as at 31 March 2018. The decrease was mainly a combined effect of (i) the decrease in balance for the project at Lung Cheung Road of approximately HK$22.8 million as the Group only recognised approximately 26% of the project's original contract sum as revenue for the five months ended 31 August 2018 while for the year ended 31 March 2018, nearly 65% of its original contract sum was recognised as revenue; (ii) the decrease in balance for the project at An Tuo Hill of approximately HK$4.8 million as there was no revenue contribution from the project during the five months ended 31 August 2018 while there was revenue recognised for the year ended 31 March 2018; and offset by (iii) the increase in balances with an aggregate amount of HK$6.1 million for the projects at Lohas Park – Package 6, Lohas Park – Package 7 and Pak Shek Kok as these three projects, which their revenue in aggregate accounted for approximately 56.3% of the total revenue for the five months ended 31 August 2018, were in the execution-peak stage around the period end.

From the above, it can be seen that (i) the major projects contributed to the revenue for the year ended 31 March 2018 were different from that of the previous two years; and (ii) the major projects contributed to the revenue for the five months ended 31 August 2018 were different from that for the years ended 31 March 2016 and 2017 and not identical with that for the year ended 31 March 2018. The status of progress for each of the major projects around the respective year/period end was also different. These distinctiveness and uniqueness of the projects profile and project progress around the respective year/period end thus significantly affect the level of balances for the trade debtors as at the end of the Track Record Period.

The Group allows a credit period of 30 to 90 days to customers.

The following table sets forth an ageing analysis of the trade debtors, based on invoice date, as at the end of the Track Record Period:

	As at 31 March			As at 31 August
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	2,841	3,276	31,170	31,561
31 – 60 days	1,472	–	24,768	3,810
61 – 90 days	8	–	–	5,690
Over 90 days	668	2,083	6,088	3,626
	4,989	5,359	62,026	44,687

Before the application of HKFRS 9 on 1 April 2018, management closely monitors the credit quality of trade debtors and considers the trade debtors that are neither past due nor impaired to be of a good credit quality based on their historical repayments. Included in the Group's trade debtors balance are trade debtors with aggregate carrying amount of approximately HK$1.4 million, HK$2.1 million and HK$6.1 million which are past due as at 31 March 2016, 31 March 2017 and 31 March 2018, respectively, for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. There are no balances included in other receivables which have been past due.

The following table sets forth the ageing analysis of trade debtors which are past due but not impaired as at the dates indicated:

	As at 31 March		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Past due but not impaired:			
31 – 60 days	694	–	–
61 – 90 days	8	–	–
Over 90 days	668	2,083	6,088
	1,370	2,083	6,088

The following table sets forth the movement in the impairment losses recognised on trade debtors:

	Year ended 31 March		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Balance at the beginning of the year	927	–	–
Impairment losses recognised	–	–	3,548
Reversal of impairment losses recognised	(927)	–	–
Balance at the end of the year	–	–	3,548

Upon the application of HKFRS 9, loss allowance for trade debtors has been measured at an amount equal to lifetime expected credit losses.

For purpose of impairment assessment, the other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses.

In determining the expected credit losses, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

Details of the impairment assessment of trade debtors are set out in the paragraph headed "Impairment assessment on trade debtors and contract assets" of this sub-section below.

For the year ended 31 March 2016, the customer fully settled the long outstanding balance during the year and thus, the Group made reversal of the impairment loss accordingly.

For the year ended 31 March 2018, the Group made an impairment loss on a trade debtor of approximately HK$3.5 million, which was due to the unsettled long outstanding balance. Although the Group chased the payment a number of times, such trade debtor did not settle the amount. The Group then considered that the carrying amount of the trade debtor would not be recovered in the future. Accordingly, provision of impairment loss was made. Except for the balance which the impairment had been made, all the remaining outstanding balance with this trade debtor as at 31 March 2018 had been subsequently settled in June 2018.

The movement of the impairment losses in respect of trade debtors for the five months ended 31 August 2018 is set out in the paragraph headed "Impairment assessment on trade debtors and contract assets" of this sub-section below.

The following table sets forth the Group's trade debtors turnover days during the Track Record Period:

	For the year ended 31 March			**Five months ended 31 August**
	2016	**2017**	**2018**	**2018**
	No. of days	*No. of days*	*No. of days*	*No. of days*
Trade debtors turnover days	7.5	3.8	29.2	51.7

Note: Trade debtors turnover days is calculated based on the average of the beginning and ending balance of trade debtors divided by revenue for the year/period and multiplied by the number of days of the year (i.e. 365 days for a full year). Revenue for the five months ended 31 August 2018 is annualised for this purpose.

For each of the three years ended 31 March 2018, the Group's trade debtors turnover days were approximately 7.5 days, 3.8 days and 29.2 days, respectively, and were below the low end of the Group's credit period range of 30 to 90 days as the Group's customers normally early settle the amount due. For the trade debtors' turnover days for the year ended 31 March 2018, although it was still below the 30 days credit period, it increased substantially to 29.2 days due to the substantial increase in trade debtors balance as at 31 March 2018.

For the five months ended 31 August 2018, the Group's trade debtors turnover days were approximately 51.7 days which were within the Group's credit period range of 30 to 90 days. Comparing with that for the year ended 31 March 2018, it was substantially increased. This was mainly due to that a longer credit term was mutually agreed between the Group and a customer for a project which it contributed nearly 30% of the revenue to the Group for the five months ended 31 August 2018 and the balance due from that customer accounted for nearly 40% of the Group's total trade debtors as at 31 August 2018. The credit terms for this customer was 54 days from certification by the quantity surveyor which was longer than the typical credit terms for other customers of 44 days.

As at the Latest Practicable Date, approximately HK$43.9 million or 98.3% of the Group's trade debtors as at 31 August 2018 was settled.

Value-added tax receivables

VAT receivables as at each of three years ended 31 March 2018 and 31 August 2018 can be used to offset for further VAT payable for the fabrication plant in the PRC.

As at 31 March 2016, 2017 and 2018 and 31 August 2018, the Group recorded VAT receivables of approximately HK$3.1 million, HK$4.2 million, HK$3.1 million and HK$5.2 million, respectively, which the balances were generally maintained at a comparatively stable low level, among which the balances as at 31 March 2017 and 31 August 2018 increased slightly. Such increases were mainly due to the increase in purchase of raw materials by the Group's fabrication plant in the PRC. This generally aligned with the higher inventories balances as at 31 March 2017 and 31 August 2018.

Deposits and prepayments

The balances mainly represent rental deposits, purchase deposits, prepaid medical insurance and other miscellaneous deposits and prepayments. The balance remained fairly stable and low at approximately HK$3.9 million, HK$2.7 million, HK$3.0 million and HK$3.0 million, respectively as at 31 March 2016, 2017 and 2018 and 31 August 2018, respectively.

Prepaid listing expenses

Prepaid listing expenses as at the year ended 31 March 2018 and 31 August 2018 represented prepaid profession fees for the Spin-off.

Contract assets and contract liabilities

	As at 1 April	As at 31 March			As at 31 August
	2015	**2016**	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets					
Provision of design, supply and installation of aluminium windows and curtain walls services	33,168	45,789	56,296	66,933	61,948

	As at 1 April	As at 31 March			As at 31 August
	2015	**2016**	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Contract liabilities					
Provision of design, supply and installation of aluminium windows and curtain walls services	(916)	(126)	(3,530)	(3,313)	(1,648)

The balances of contract assets and contract liabilities mainly comprised retention money. As at 31 March 2016, 2017 and 2018 and 31 August 2018, the retention money was approximately HK$36.0 million, HK$48.3 million, HK$53.7 million and HK$41.6 million, respectively.

The Group has enforceable rights to considerations from customers for the provision of design, supply and installation of aluminium windows and curtain walls services. Contract assets arise when the Group has right to consideration for completion of design, supply and installation of aluminium windows and curtain walls and not yet billed under the relevant contracts, and their right is conditioned on factors other than passage of time. It is assessed for impairment in accordance with HKFRS 9. Any amount previously recognised as a contract asset is reclassified to trade debtors when such right becomes unconditional other than the passage of time.

Upon the application of HKFRS 9, loss allowance for contract assets has been measured at an amount equal to lifetime expected credit losses. Details of the impairment assessment of contract assets are set out in the paragraph headed "Impairment assessment on trade debtors and contract assets" of this sub-section below.

Contract assets included retention money and works performed but not yet certified and billed. For the retention money, the balance as at 31 March 2018 mainly comprised (i) retention money from the same projects existed as at 31 March 2017 which most of the balances were carried forward from the year ended 31 March 2017; and (ii) new retention money for the year which mostly from the projects at Lung Cheung Road and Lohas Park – Package 6. For the works performed but not yet certified and billed, the balance as at 31 March 2017 was mainly for the project at Lai Ping Road whereas the balance as at 31 March 2018 was mainly for the projects at Lohas Park – Package 6 and Pak Shek Kok.

As at 31 March 2018, contract assets increased by approximately HK$10.6 million to approximately HK$66.9 million from approximately HK$56.3 million as at 31 March 2017. This was attributed to (i) the increase in retention money of approximately HK$5.4 million; and (ii) the increase in works performed but not yet certified and billed of approximately HK$5.2 million. For the former, it was mainly due to (i) the new retention money for the year from the projects at Lung Chueng Road and Lohas Park – Package 6 which started to contribute revenue to the Group for the year ended 31 March 2018; and (ii) additional retention money for the project at Lai Ping Road. For the latter, there were more works performed but not yet certified and billed for the projects at Lohas Park -Package 6 and Pak Shek Kok as at 31 March 2018 than for the project at Lai Ping Road as at 31 March 2017 due to different working stages for the above projects as at the respective year end.

As at 31 August 2018, contract assets decreased by approximately HK$5.0 million to approximately HK$61.9 million from approximately HK$66.9 million as at 31 March 2018. This was attributed to (i) the decrease in retention money of approximately HK$12.1 million; and offset by (ii) the increase in works performed but not yet certified and billed of approximately HK$7.1 million. For the former, it was mainly due to (i) that the amounts of retention money from certain projects (such as the projects at Conduit Road, So Kwun Wat, Chi Shin Street and Lai Ping Road) were released by the corresponding customers as a result of the expiry of the respective retention period. For the latter, there were more works performed but not yet certified and billed for certain projects (such as the projects at Pak Shek Kok, Lohas Park – Package 6, Jervois Street (detailed location: Nos 53, 55, 57 and 59, Jervois Street, Hong Kong) and Area 115, Tin Shui Wai) as at 31 August 2018 than that for the projects at Lohas Park – Package 6 and Pak Shek Kok as at 31 March 2018 due to different working stages for the above projects as at the respective year/period end.

For the contract assets amounted to approximately HK$61.9 million as at 31 August 2018, approximately HK$29.1 million or 47.0% were subsequently billed/settled as at the Latest Practicable Date. The following table sets forth a breakdown by project for the contract assets as at 31 August 2018 and the subsequent billed/settled of it:

	Retention money	Works performed but not yet certified and billed	Total
	HK$'million	*HK$'million*	*HK$'million*
As at 31 August 2018			
Project locations[Note]:			
Lai Ping Road	5.0	0.9	5.9
Chi Shin Street	3.5	–	3.5
So Kwun Wat	2.6	–	2.6
Lung Cheung Road	5.0	0.7	5.7
Lohas Park – Package 6	7.3	8.0	15.3
Mount Nicholson Road	4.5	–	4.5
Tong Chun Street	3.9	–	3.9
Tong Yin Street	3.4	–	3.4
Pak Shek Kok	–	4.4	4.4
Others	6.8	6.5	13.3
Total contract assets (Gross amount)	42.0	20.5	62.5
Impairment loss	(0.5)	(0.1)	(0.6)
Total contract assets as at 31 August 2018 (net amount)	41.5	20.4	61.9
Subsequently billed and settled	–	(20.4)	(20.4)
Subsequently settled	(8.7)	–	(8.7)
As at the Latest Practicable Date	32.8	–	32.8
Approximate % of net contract assets which have been subsequently billed/settled	(21.0%)	(100.0%)	(47.0%)

Note: For the purpose of this table, contracts with same project location and customer were categorised under the same project. For detailed locations of the projects, please refer to the sub-section headed "Principal Components of Results of Operation – Revenue" in this section.

All the balance of works performed but not yet certified and billed as at 31 August 2018 were subsequently billed as at the Latest Practicable Date. However, majority of the balance of retention money as at 31 August 2018 remained unsettled as at the Latest Practicable Date as the defects liability period of the respective projects had yet to expire.

The amount of receipt in advance from a customer is netted off against retention money on a particular contract basis and presented as contract liabilities. For the contract liabilities as at 1 April 2015, 31 March 2016, 2017 and 2018, approximately HK$0.9 million, HK$0.1 million, HK$nil and HK$3.3 million, respectively were recognised as revenue in the consolidated statements of profit or loss and other comprehensive income during the year ended 31 March 2016, 2017 and 2018 and the five months ended 31 August 2018, respectively.

Retention money

The retention money is unsecured and interest-free and represents the monies withheld by customers of contract works fully recoverable within one to two years from the date of completion of respective design, supply and installation of aluminium windows and certain walls services projects in accordance with the terms specified in the relevant contracts.

Some of the Group's customers will usually withhold 10% of each interim payment as retention money until the accumulated retention money reaches 5% of the total contract sum. Upon satisfactory completion of the installation works of whole project as set out in the contract, the architect for the building project will issue a Practical Completion Certificate. Generally, upon the issuance of the Practical Completion Certificate, half of the retention money of such project will be released to the Group, while the remaining half will be released to the Group upon the issuance of the certificate that the identified defects in respect of the entire building project have been made good.

During the Track Record Period, the Group is responsible, at its own costs, for remedial works that may arise from defective works or materials used. The retention money does not have any significant financing component for financing benefit.

The retention money is to be settled at the end of the Track Record Period as follows:

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
On demand or within one year	32,023	37,999	27,658	18,816
After one year	3,988	10,331	26,061	22,807
	36,011	48,330	53,719	41,623
Percentage of retention money to revenue[note]	9.8%	9.6%	12.8%	11.0%

Note: Percentage of retention money to revenue is calculated by dividing the retention money as at the year/period end with the revenue of the respective year/period. Revenue for the five months ended 31 August 2018 is annualised for this purpose.

The withholding of retention money by the Group's customers based on their interim payments which in turn depends on the Group's amount of works done and revenue recognised implies that there is close relationship between retention money and revenue.

As at 31 March 2016 and 2017, percentage of retention money to revenue remained comparable at 9.8% and 9.6%, respectively, and approaching the 10% of the normal withholding percentage.

As at 31 March 2018, the percentage of retention money to revenue increased to 12.8%. Such increase was mainly due to that there were more projects with substantially higher amount of the retention money and with their respective amount of the retention money reached or almost reached their related cap amount for the year ended 31 March 2017 being carried forward to the year ended 31 March 2018, while these projects contributed comparatively much lower revenue in the year ended 31 March 2018 (such as the projects at Tong Yin Street, Chi Shin Street and So Kwun Wat).

As at 31 August 2018, the percentage of retention money to revenue was approximately 11.0% which was comparable to that of approximately 12.8% as at 31 March 2018.

Contract liabilities

If the progress payment from the customers exceeds the revenue recognised to date under the output method, then the Group recognises a contract liability for the difference.

The balance increased from approximately HK$0.1 million as at 31 March 2016 to approximately HK$3.5 million as at 31 March 2017 and remained fairly stable at approximately HK$3.3 million as at 31 March 2018. The high balances as at 31 March 2017 and 2018 were mainly due to the receipt in advance from a customer who paid 30% of the project's contract sum as a deposit to the Group. Since the Group only supplied aluminium products but not installation services on this project, and that the aluminium products were still under fabrication, no revenue was recognised for this project for the years ended 31 March 2017 and 2018 and therefore, the balance remained in the contract liabilities as at the year ended 31 March 2017 and 2018.

As at 31 August 2018, the balance decreased to approximately HK$1.6 million. This was mainly due to that the Group started delivering the aluminium products to the aforementioned customer during the five months ended 31 August 2018. Accordingly, part of the deposit was then recognised as revenue during the period resulting the decrease in the balance as at 31 August 2018 comparing to that as at 31 March 2018.

Impairment assessment on trade debtors and contract assets

In order to minimise credit risk, the Group makes periodic collective assessment on the recoverability of trade debtors and contract assets and develops and maintains the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the management uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's internal credit risk grading assessment comprises the following categories:

Category	Description	Basis for recognising expected credit losses ("ECL")
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	Lifetime ECL – not credit-impaired
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired

In determining the expected credit losses for trade debtors and contract assets, the management of the Group has taken into account the historical default experience and the future prospect of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, as well as any cash flows that are expected from the realisation of the collateral, in estimating the probability of default of each of the trade debtors and contract assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

The following table provides information about the exposure to credit risk and the expected credit losses for trade debtors and contract assets which are assessed collectively based on internal credit grading as at 31 August 2018.

Internal credit rating	Average loss rate	Gross carrying amount	Impairment losses
		HK$'000	*HK$'000*
Performing	0.9%	103,915	900
Doubtful	1.1%	3,660	40
In default	100.0%	3,262	3,262
		110,837	4,202

The expected credit losses on trade debtors and contract assets are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 90 days past due because historical experience has indicated that these receivables are generally not recoverable.

A trade debtor and contract asset is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade debtors are over three years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

There has been no change in the estimation techniques or significant assumptions made during the five months ended 31 August 2018 in assessing the loss allowance for the trade debtors and contract assets.

The movement of the impairment losses in respect of trade debtors and contract assets during the five months ended 31 August 2018 is as follows:

	Lifetime ECL-not credit-impaired	**Lifetime ECL-credit-impaired**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2018 *(note)*	1,152	3,548	4,700
Exchange adjustments	–	(286)	(286)
Impairment losses recognised	67	–	67
Reversal of impairment losses recognised	(279)	–	(279)
At 31 August 2018	940	3,262	4,202

Note: The Group has initially applied HKFRS 9 at 1 April 2018 and comparative information is not restated.

There is no transfer between the above categories during the five months ended 31 August 2018.

Trade and other payables

The following table sets forth a breakdown of the Group's trade and other payables as at the end of the Track Record Period:

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payable	7,106	4,210	5,560	7,075
Retention payable – amount payable within one year	7,436	11,051	14,392	14,137
Accrued costs for construction works	24,296	8,035	22,447	23,326
Accrued operating costs and charges	2,799	4,212	308	791
Accrued staff costs	8,234	13,720	15,288	19,381
Accrued listing expenses	–	–	**[REDACTED]**	**[REDACTED]**
Rental deposits received	–	–	444	444
	49,871	41,228	59,245	70,040

Trade payables and accrued costs for construction work

The Group's trade payable mainly represents the payables for materials and the subcontracting fee. The credit period on purchase of goods and payment of subcontractors' works ranges from 0 to 90 days. The following table sets forth an ageing analysis of the trade payable, based on invoice date, as at the end of the Track Record Period:

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	2,396	1,615	2,225	2,006
31 – 60 days	122	994	710	3,450
61 – 90 days	1,015	261	254	253
Over 90 days	3,573	1,340	2,371	1,366
	7,106	4,210	5,560	7,075

The accrued costs for construction work represents the subcontracting cost accrued as at the end of the Track Record Period for the installation works undertaken by the subcontractors but not yet been certified by the Group due to time lag. The subcontracting cost will be accrued taking into account the timing of the last monthly payment certification issued by the Group before the year/period end date and the next monthly payment certification to be issued which the issuance time gap for the two payment certificates is usually one month.

The following table sets forth the turnover days for the trade payables and the accrued costs for construction work during the Track Record Period:

	Year ended 31 March			Five months ended 31 August
	2016	2017	2018	2018
	No. of days	*No. of days*	*No. of days*	*No. of days*
Trade payables and the accrued costs for construction work turnover days	39.9	33.3	37.1	57.7

Note: Trade payables and the accrued costs for construction work turnover days is calculated based on the average of the beginning and ending balance of the summation of trade payables and the accrued costs for construction work divided by cost of materials and subcontracting and other charges in aggregate in the total cost of sales for the year/period and multiplied by the number of days of the year (i.e. 365 days for a full year). Cost of materials and subcontracting and other charges for the five months ended 31 August 2018 is annualised for this purpose.

For each of the three years ended 31 March 2018, the turnover days for the trade payables and the accrued costs for construction work remained relatively stable which were also within the range of 0 to 90 days credit period granted by the Group's suppliers and the subcontractors.

For the five months ended 31 August 2018, the turnover days for the trade payables and the accrued costs for construction work increased to 57.7 days. Although it was within the range of 0 to 90 days credit period granted by the Group's suppliers and the subcontractors, comparing to that for the year ended 31 March 2018, it increased substantially. This was mainly due to that the Group had mutually agreed the credit term with a customer at 54 days from certification by the quantity surveyor which was longer than the typical credit terms of 44 days for other customers as set out in the paragraph headed "Trade debtors" of this sub-section above. As such, in order to manage and alleviate the pressure for its working capital, the Group had extended the time for repayment of the related trade payable(s).

Retention payable – amount payable within one year

The retention payable represents the monies withheld by the Group which are payable to the Group's subcontractors upon expiry of the related defects liability period. Generally, the Group provides a defects liability period to its customers, which begins on the date of the Practical Completion Certificate and normally ranges from 12 to 24 months, subject to the relevant terms of the contracts. During the defects liability period, the Group is responsible, at its own cost, for remedial works that may arise from defective works or materials used. In order to protect the Group's interest, correspondingly, the Group generally withholds 10% of each payment to its subcontractors as retention money. In general, the total amount of the retention money will not exceed 5% of the subcontracting fee. Subject to the terms of the relevant contracts, the retention money will generally be released after the end of the defects liability period.

The withholding of retention money by the Group based on its interim payments to the subcontractors in turn depends on the amounts of the subcontractors' works done and thus the subcontracting and other charges payable. This implies that there is close relationship between retention payable and subcontracting and other charges for the year/period.

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Retention payable – amount payable within one year	7,436	11,051	14,392	14,137
Percentage of retention payable to subcontracting and other charges	7.8%	11.1%	17.1%	21.0%

Note: Percentage of retention payable to subcontracting and other charges is calculated by dividing the retention payable as at the year/period end with the subcontracting and other charges for the respective year/period. Subcontracting and other charges for the five months ended 31 August 2018 is annualised for this purpose.

As at 31 March 2016 and 2017, percentage of retention payable to subcontracting and other charges remained at approximately 7.8% and approximately 11.1%, respectively, which was either within or approximating the 10% of the normal withholding percentage.

As at 31 March 2018, the percentage of retention payable to subcontracting and other charges increased to approximately 17.1%. Such increase was mainly due to that certain projects accumulated comparatively high balance of retention payable as at 31 March 2018 which had not yet been released to the relevant subcontractors as the respective defects liability period had yet to expire, while such projects incurred much lower subcontracting and other charges for the year ended 31 March 2018 than that for the previous year (such as the projects at Tong Yin Street, Chi Shin Street and So Kwun Wat).

As at 31 August 2018, the percentage of retention payable to subcontracting and other charges further increased to approximately 21.0% from that of approximately 17.1% as at 31 March 2018. Such increase was mainly due to a combined effect of (i) the fairly stable retention payable balance as at 31 August 2018 comparing with that as at 31 March 2018; and (ii) the much lower amount of subcontracting and other charges for the five months ended 31 August 2018 comparing with that for the year ended 31 March 2018. For the former, the stable balance is mainly a combined effect of (i) that the Group started to release the retention payable for certain projects (including the projects at Tong Chun Street, Tong Yin Street, Chi Shin Street and Mount Nicholson Road) to the relevant subcontractors during the five months ended 31 August 2018; and such amount of the decrease in the retention payable was just about to offset (ii) the increase in the retention payable for the projects at Lung Cheung Road, Lohas Park – Package 6 and Pak Shek Kok. For the latter, the annualised amount of the subcontracting and other charges incurred for the five months ended 31 August 2018 was much lower than that for the year ended 31 March 2018. Also, the percentage of subcontracting and other charges to the cost of sales for the five months ended 31 August 2018 was approximately 22.5% which was also lower than that of approximately 27.6% for the year ended 31 March 2018.

Accrued operating costs and charges

The balance mainly represents accrued audit fee, accrued renovation cost for the rented office premise and others. Overall, the balance remained low as at the end of the Track Record Period with a comparatively higher balance as at the year ended 31 March 2017 as there was a one-off accrued renovation cost for the rented office premise. As at 31 March 2018, the balance decreased as there was no accrued renovation cost for the rented office premise and the balance was relatively low. As at 31 August 2018, the balance remained relatively low at approximately HK$0.8 million.

Accrued staff costs

The balance mainly represents accrued salary and provision of bonus.

As at 31 March 2017, the balance increased by approximately HK$5.5 million or 66.6% to approximately HK$13.7 million from approximately HK$8.2 million as at 31 March 2016. Such increase was mainly due to the increase in the provision of bonus by approximately HK$4.0 million.

As at 31 March 2018, the balance slightly increased by approximately HK$1.6 million or 11.4% to approximately HK$15.3 million from approximately HK$13.7 million as at 31 March 2017. Such increase was mainly due to the increase in accrued salary by approximately HK$0.9 million.

As at 31 August 2018, the balance increased by approximately HK$4.1 million or 26.8% to approximately HK$19.4 million from approximately HK$15.3 million as at 31 March 2018. Such increase was mainly due to the increase in provision of bonus by approximately HK$2.7 million.

Provisions

The following table sets forth a breakdown of the Group's warranty provision and provision for rectification work as at the end of Track Record Period:

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Warranty provision	5,476	24,314	42,164	42,574
Provision for rectification work	36,694	90,813	63,977	67,955
	42,170	115,127	106,141	110,529
Current liabilities	17,106	39,039	29,895	35,433
Non-current liabilities	25,064	76,088	76,246	75,096
	42,170	115,127	106,141	110,529

Warranty provision

As at 31 March 2017, the balance increased by approximately HK$18.8 million or 344.0%, to approximately HK$24.3 million from approximately HK$5.5 million as at 31 March 2016. This was due to the provision of warranty expense of approximately HK$19.4 million, utilisation of approximately HK$1.3 million and the imputed interest expense on provision for warranty provision of approximately HK$0.7 million during the year ended 31 March 2017.

As at 31 March 2018, the balance increased by approximately HK$17.9 million or 73.4%, to approximately HK$42.2 million from approximately HK$24.3 million as at 31 March 2017, which was due to the provision of warranty expense of approximately HK$19.1 million, utilisation of approximately HK$2.9 million and the imputed interest expense on provision for warranty provision of approximately HK$1.7 million during the year ended 31 March 2018.

As at 31 August 2018, the balance increased slightly by approximately HK$0.4 million or 1.0%, to approximately HK$42.6 million from approximately HK$42.2 million as at 31 March 2018, which was due to the provision of warranty expense of approximately HK$1.6 million, utilisation of approximately HK$2.1 million and the imputed interest expense on warranty provision of approximately HK$0.9 million during the five months ended 31 August 2018.

The fluctuations of the balances for the warranty provision as at the end of the Track Record Period were mainly due to the amount of provision of warranty expense charged to the consolidated statements of profit or loss and other comprehensive income for each of the corresponding year/period which had been discussed in the above sub-section headed "Principal Components of Results of Operations — Provision for warranty charged to the consolidated statements of profit or loss and other comprehensive income" in this section.

Provision for rectification work

As at 31 March 2017, the balance increased by approximately HK$54.1 million or 147.5% to approximately HK$90.8 million from approximately HK$36.7 million as at 31 March 2016. This was mainly due to that more sizeable projects with their respective rectification works became foreseeable but with comparatively less rectification works being carried out during the year ended 31 March 2017. This resulted the substantial balance of the provision for rectification work remained as at 31 March 2017. In this regard, the key projects contributing most of the year ended balance of the provision for rectification work as at 31 March 2017 were the projects at Tong Yin Street, Chi Shin Street, So Kwun Wat and Kau To Shan which in aggregate amounted to approximately HK$67.3 million or accounted for approximately 74.1% of the total balance as at 31 March 2017.

As at 31 March 2018, the balance decreased by approximately HK$26.8 million or 29.6% to approximately HK$64.0 million from approximately HK$90.8 million as at 31 March 2017. This was mainly due to the carrying out of the rectification work and utilisation of the balance during the year, in particular for the projects at Tong Yin Street, Chi Shin Street and Mount Nicholson Road. The key projects contributing most of the year end balance of the provision for rectification work as at 31 March 2018 were the projects at Lai Ping Road, Tong Yin Street and Chi Shin Road which in aggregate amounted to approximate HK$50.9 million or accounted for approximately 79.6% of the total balance as at 31 March 2018.

As at 31 August 2018, the balance increased by approximately HK$4.0 million or 6.2% to approximately HK$68.0 million from approximately HK$64.0 million as at 31 March 2018. The increase was a combined effect of (i) that four projects (mainly for the projects at Lung Cheung Road, Lohas Park – Package 6 and Pak Shek Kok) with their respective rectification works became foreseeable and the Group started to recognise the provision of approximately HK$23.9 million for the five months ended 31 August 2018; and offset by (ii) the carrying out of the rectification work and utilisation of the balance of approximately HK$19.9 million, in particular for the projects at Tong Yin Street, Chi Shin Street, So Kwun Wat and Lai Ping Road. In this regard, the key projects contributing most of the period end balance of the provision for rectification work as at 31 August 2018 were the projects at Lai Ping Road, Lung Cheung Road, Lohas Park – Package 6, Tong Yin Street and Chi Shin Street, which in aggregate amounted to approximately HK$59.8 million or accounted for approximately 88.0% of the total balance as at 31 August 2018.

Amounts due from/due to fellow subsidiaries

Amounts due from fellow subsidiaries were approximately HK$2.9 million, HK$6.4 million, HK$nil and HK$0.7 million as at 31 March 2016, 2017 and 2018 and 31 August 2018, respectively.

Amounts due to fellow subsidiaries were approximately HK$15.5 million, HK$37.1 million, HK$nil and HK$nil as at 31 March 2016, 2017 and 2018 and 31 August 2018, respectively.

All the balances arising from related party transactions during the respective year, if any, were fully settled during each of the three years ended 31 March 2018 and left over the remaining balances of amounts due from/due to fellow subsidiaries as at the year end date of each of the Track Record Period being non-trade in nature. Such balances were arising from fund transfers from/to the Group as a result of the centralised treasury policy of the Hanison Group maintained to achieve a more flexible and efficient treasury management within the Hanison Group. As at 31 August 2018, there was an amount due from fellow subsidiaries of approximately HK$0.7 million remained outstanding which mainly represented the rental income received for the five months ended 31 August 2018 in connection with the Office Tenancy Agreements entered into between the Group and the Remaining Group with the term commenced in December 2017. Details of the Office Tenancy Agreements please refer to the sub-section headed "Continuing Connected Transactions – Fully Exempt Continuing

Connected Transactions – 1. De minimis transaction with the Remaining Group – Tenancy agreement" in this listing document. The amount will be settled immediately before the Distribution. As at the date immediately before the Distribution, there will be no inter-company loans or balances between the Group and the Remaining Group, save for certain inter-company balances arising from the ongoing connected transactions between the Group and the Remaining Group. Based on the above and the Group's own banking facilities, the Directors consider that the Group will be financially independent of the Remaining Group upon completion of the Spin-off.

The balances were unsecured, non-interest bearing and repayable on demand.

Amounts due from/due to immediate holding company

Amounts due from immediate holding company were HK$nil, approximately HK$228.0 million, HK$nil and HK$nil as at 31 March 2016, 2017 and 2018 and 31 August 2018, respectively. Included in the amount due from immediate holding company as at 31 March 2017 was an amount of approximately HK$119.7 million arising from the payment to an independent third party on behalf of the immediate holding company for the settlement of the consideration of investment properties acquired by the immediate holding company during the year ended 31 March 2017.

Amounts due to immediate holding company were approximately HK$33.5 million, HK$nil, HK$77.5 million and HK$84.0 million as at 31 March 2016, 2017 and 2018 and 31 August 2018, respectively.

The balances with the immediate holding company were arising from fund transfers with the Group. The balances were non-trade in nature and were unsecured, non-interest bearing and repayable on demand.

As represented by the Directors, the amount due to immediate holding company will be settled upon the Listing. As at the date immediately before the Distribution, there will be no inter-company loans or balances between the Group and the Remaining Group, save for certain inter-company balances arising from the ongoing connected transactions between the Group and the Remaining Group. Based on the above and the Group's own banking facilities, the Directors consider that the Group will be financially independent of the Remaining Group upon completion of the Spin-off.

Amount due to ultimate holding company

The amount due to the ultimate holding company were approximately HK$nil, HK$3.0 million, HK$nil and HK$nil as at 31 March 2016, 2017 and 2018 and 31 August 2018, respectively.

The amount was non-trade in nature, unsecured, non-interest bearing and repayable on demand.

As at the date immediately before the Distribution, there will be no inter-company loans or balances between the Group and the Remaining Group, save for certain inter-company balances arising from the ongoing connected transactions between the Group and the Remaining Group. Based on the above and the Group's own banking facilities, the Directors consider that the Group will be financially independent of the Remaining Group upon completion of the Spin-off.

Operating lease commitments

As leasee

As at the end of each of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	125	1,387	94	79
In the second to fifth year inclusive	-	1,286	27	2
	125	2,673	121	81

Operating lease payments represent fixed rentals payable by the Group for its office and car parking space. Lease was negotiable for a term of not more than three years.

As lessor

As at the end of each of the reporting period, the Group had contracted with tenants for the following future minimum lease payments in respect of the investment properties:

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	–	–	1,555	1,555
In the second to fifth year inclusive	–	–	2,721	2,073
	–	–	4,276	3,628

Lease are negotiable for lease term of not more than three years.

TRADING OUT OF ACCUMULATED LOSSES AS AT 1 APRIL 2015

As at 1 April 2015, the Group recorded accumulated losses of approximately HK$18.4 million. Such accumulated losses had been accumulated over a period of years reflective of poor market sentiment dating back from the financial crisis of 2008. After the departure of the then general manager in 2010, and also in order to manage the loss making position, Mr. Chuk Kin Lun and Mr. Lee Cheuk Hung, the Company's executive Directors, spearheaded a period of deliberate expansion of the Group's business which, as market conditions in Hong Kong improved, resulted in revenue and profitability growing successfully over the three years prior to the Track Record Period. During that period, the Group strengthened its management team and operations team, and implemented a number of measures to improve, among other things, tender and project management, and operational capacity and efficiency. The management team also approached property developers and architect firms to promote the Group's products and services in order to enhance the Group's market presence. As a result of the Group's efforts, in 2013, the Group was awarded a design, supply and installation contract for a prestigious luxury housing development project. The contracted works were completed in 2016, contributing to overall profitability over that period. The Group considered that the award of this project also had the effect of enhancing the Group's reputation for high end project work in the market and was a factor relevant to it winning other tenders that built revenue throughout the three years prior to the Track Record Period.

As a result of the Group's efforts to expand its business in the above and aided by the improved market conditions in Hong Kong, the Group was able to turnaround in its financial performance during the financial year ended 31 March 2012. Thereafter, the profit for the year increased from approximately HK$0.8 million for the year ended 31 March 2013 to approximately HK$31.1 million for the year ended 31 March 2015. As a result, the Group was also able to gradually decrease its accumulated losses during the three years prior to the Track Record Period, and the position further improved to become accumulated profits of approximately HK$12.8 million as at 31 March 2016.

INDEBTEDNESS

Bank and other loans

The status of the Group's bank and other loans as at the respective financial position dates is as follows:

	As at 31 March			As at 31 August	As at 31 December
	2016	**2017**	**2018**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000 (unaudited)*
Bank loans	–	120,000	–	–	–
Other loan	–	7,028	–	–	–
	–	127,028	–	–	–
Secured	–	120,000	–	–	–
Unsecured	–	7,028	–	–	–
	–	127,028	–	–	–

For the year ended 31 March 2016, 2017 and 2018 and the five months ended 31 August 2018, the Group's banking facilities were shared with other subsidiaries of the Remaining Group. The banking facilities were guaranteed by Hanison Construction (BVI), the immediate holding company of the Company and also a wholly owned subsidiary of Hanison. As at the Latest Practicable Date, the Group is arranging its own banking facilities for an aggregate amount of HK$220 million with three banks in Hong Kong, of which HK$120 million is available to the Group as at the Latest Practicable Date, and the remaining HK$100 million will be available upon the Listing.

As at 31 March 2016, there was no bank loans as all of them were fully repaid by end of the year.

As at 31 March 2017, the loan drawdowns were made on behalf of a company within the Hanison Group as a result of the centralised treasury policy of the Hanison Group. The bank loans carried interest at market rates of Hong Kong Interbank Offered Rate plus 1.2% per annum. The Group's other loan of RMB6.3 million (equivalent to HK$7,028,000) as at 31 March 2017 was unsecured, interest bearing at fixed interest rate of 4.9% per annum, and repayable within one year.

As at 31 March 2018, 31 August 2018 and 31 December 2018, there were no loans as all of the loans were fully repaid.

As at 31 December 2018, the Group had access to banking facilities granted by various banks in an aggregate amount of approximately HK$900.0 million. Except for one banking facility in an aggregate amount of HK$120.0 million which is only available for the Group, all other banking facilities are shared with other subsidiaries of the Remaining Group. Among the available amount of the banking facilities, approximately HK$170.4 million was jointly utilised by the Group and the other subsidiaries of the Remaining Group, leaving the remaining amount of approximately HK$729.6 million being unutilised. The Group will not have access to the Remaining Group's facilities after completion of the Spin-off. The Group has arranged for banking facilities with three banks in Hong Kong for an aggregate amount of HK$220 million, of which HK$120 million is available to the Group as at the Latest Practicable Date, and the remaining HK$100 million will be available upon the Listing. For the available banking facility of HK$120 million to the Group as at the Latest Practicable Date, the corporate guarantee provided by Hanison Construction Holdings (BVI) will be released and replaced by Million Hope Industries (BVI) upon the Listing.

Amount due to immediate holding company

	As at 31 March			As at 31 August	As at 31 December
	2016	**2017**	**2018**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000 (unaudited)*
Amount due to immediate holding company	33,477	–	77,452	84,016	86,747

The amount due to immediate holding company was arising from fund transfer with the Group.

The amount due to immediate holding company was non-trade in nature and was unsecured, non-interest bearing and repayable on demand.

The balances of bank and other loans and the amount due to immediate holding company as at 31 March 2016, 2017 and 2018 and 31 August 2018 were approximately HK$33.5 million, HK$127.0 million, HK$77.5 million and HK$84.0 million, respectively. Other than the above bank and other loans and the amount due to immediate holding company, the Group had no other indebtedness.

As at 31 December 2018, the Group had banking facilities granted by various banks in an aggregate amount of approximately HK$900 million, among which approximately HK$780 million was shared limit with other subsidiaries of the Remaining Group. As at 31 December

2018, the Group had no bank borrowing. The Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, the Group has not experienced any difficulties in obtaining bank loans nor any default in repayment on bank and other loans.

PERFORMANCE BONDS AND CONTINGENT LIABILITIES

Performance bonds

As at 31 March 2016, 2017 and 2018, 31 August 2018 and 31 December 2018, the Group had outstanding performance bonds in respect of construction contracts amounting to approximately HK$62.6 million, HK$100.8 million, HK$87.2 million, HK$109.1 million and HK$109.6 million, respectively. Hanison Construction (BVI) provided corporate guarantees for these outstanding performance bonds granted to the Group. Such corporate guarantees will be released upon Listing.

Contingent liabilities

Million Hope Industries (HK) and certain fellow subsidiaries of the Company provides a joint and several guarantee to an insurance company in respect of a surety bond facility granted to Million Hope Industries (HK) and its fellow subsidiaries and an amount of approximately HK$178.1 million, HK$205.5 million, HK$57.4 million and HK$57.4 million was utilised by the fellow subsidiaries of the Company as at 31 March 2016, 2017 and 2018 and 31 August 2018, respectively. In October 2018, Million Hope Industries (HK) was removed as a party to the facility while remaining as one of the guarantors of the facility. As at 31 December 2018, approximately HK$57.4 million was utilised by the fellow subsidiaries of the Company. All liability under the guarantee will be released upon the Listing.

No provision for financial guarantee contracts has been recognised in the historical consolidated financial statements as, in the opinion of the Directors, the fair value of the financial guarantee on initial recognition and the amount of provision to be recognised subsequently was insignificant.

Save as disclosed above, and apart from intra-group liabilities and normal trade payables, the Group did not have any mortgages, charges, debt securities, term loans, other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, or any guarantees or other materials contingent liabilities at the close of business on 31 December 2018.

NET CURRENT ASSETS

	As at 31 March			As at 31 August	As at 31 December
	2016	2017	2018	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*	*(audited)*	*(unaudited)*
CURRENT ASSETS					
Inventories	28,723	33,006	26,593	38,295	41,333
Prepaid lease payments	213	201	207	200	199
Debtors, deposits and prepayments	12,399	12,957	69,872	53,682	64,746
Contract assets	45,789	56,296	66,933	61,948	55,142
Amount due from fellow subsidiaries	2,865	6,444	–	731	1,315
Amount due from immediate holding company	–	228,038	–	–	–
Taxation recoverable	–	–	–	–	7,037
Bank balances and cash	47,814	47,055	40,646	74,963	44,747
	137,803	383,997	204,251	229,819	214,519
CURRENT LIABILITIES					
Trade and other payables	49,871	41,228	59,245	70,040	70,079
Provisions	17,106	39,039	29,895	35,433	30,569
Contract liabilities	126	3,530	3,313	1,648	4,832
Amount due to ultimate holding company	–	2,969	–	–	–
Amount due to immediate holding company	33,477	–	77,452	84,016	86,747
Amounts due to fellow subsidiaries	15,465	37,143	–	–	–
Bank and other loans	–	127,028	–	–	–
Taxation payable	3,031	8,336	8,238	9,993	–
	119,076	259,273	178,143	201,130	192,227
NET CURRENT ASSETS	18,727	124,724	26,108	28,689	22,292

As at 31 March 2016, the Group had a net current assets position of approximately HK$18.7 million. This was mainly attributable to a combined effect of (i) the bank balances and cash of approximately HK$47.8 million; (ii) contract assets of approximately HK$45.8 million; (iii) inventories of approximately HK$28.7 million; and offset by (iv) trade and other payables of approximately HK$49.9 million; and (v) aggregate amount of approximately HK$48.9 million due to various inter companies mainly as a result of the centralised treasury policy within the Hanison Group.

As at 31 March 2017, the Group's net current assets increased by approximately HK$106.0 million to approximately HK$124.7 million as at 31 March 2017. Such increase was mainly due to a combined effect of (i) that there was substantial amount due from immediate holding company amounting to approximately HK$228.0 million as at 31 March 2017 mainly arising from the centralised treasury policy within the Hanison Group whereas there was HK$nil as at 31 March 2016; and offset by (ii) the bank and other loans amounting to approximately HK$127.0 million as at 31 March 2017 whereas there was HK$nil as at 31 March 2016.

As at 31 March 2018, the Group's net current assets decreased by approximately HK$98.6 million to approximately HK$26.1 million as at 31 March 2018. Such decrease was mainly attributable to (i) that there was amount due to immediate holding company amounting to approximately HK$77.5 million as at 31 March 2018 whereas there was amount due from immediate holding company amounting to approximately HK$228.0 million as at 31 March 2017; and offset by (ii) the increase in debtors, deposits and prepayments of approximately HK$56.9 million which in turn was mainly due to the increase in trade debtors as a result of the progress of individual projects; (iii) that there was HK$nil balance of amount due to fellow subsidiaries as at 31 March 2018 whereas the balance amounted to approximately HK$37.1 million as at 31 March 2017; and (iv) that there was HK$nil balance of bank and other loans as at 31 March 2018 whereas the balance of which amounted to approximately HK$127.0 million as at 31 March 2017 and such fluctuation was due to full repayment of the loans during the year ended 31 March 2018. The above fluctuations of the inter companies balance were mainly a result of the centralised treasury policy within the Hanison Group.

As at 31 August 2018, the Group's net current assets increased by approximately HK$2.6 million to approximately HK$28.7 million as at 31 August 2018. Such increase was mainly due to (i) the increase in bank balances and cash by approximately HK$34.3 million; and offset by (ii) the decrease in debtors, deposits and prepayments by approximately HK$16.2 million which in turn was mainly due to the decrease in trade debtors as a result of the decrease in balance for the projects at Lung Cheung Road and An Tuo Hill; (iii) decrease in contract assets by approximately HK$5.0 million which in turn was mainly due to the decrease in retention money receivable resulting from the release of retention money by certain customers as a result of the expiry of retention period; and (iv) increase in amount due to immediate holding company by approximately HK$6.6 million.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, the Group mainly financed its operations through internally generated cash flows and utilised the banking facilities for performance bonds for carrying out its projects. In the long term, the Directors believe that the Group's operation will continue to be financed in this way. As part of the Reorganisation, Hanison Construction (BVI), the immediate holding company of the Company, prior to the completion of the Spin-off, will inject an amount to the Group to increase the net asset value of the Group to an amount of not less than HK$500 million upon Listing. For reference only, based on the audited consolidated net asset value of the Group as at 31 August 2018 and taking into account the expected listing expenses to be incurred, the estimated reference amount to be injected is approximately HK$379.7 million in aggregate. This will provide the Group with further working capital for its future operation.

Cash flows

The following table sets forth a condensed summary of the Group's consolidated statements of cash flows during the Track Record Period:

	Year ended 31 March			Five months ended 31 August	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Net cash from operating activities	65,666	114,696	5,295	3,359	30,997
Net cash (used in)/from investing activities	(3,945)	(233,527)	226,740	32,325	(3,027)
Net cash (used in)/from financing activities	(48,368)	118,198	(238,643)	(47,315)	6,564
Net increase/(decrease) in cash and cash equivalents	13,353	(633)	(6,608)	(11,631)	34,534
Cash and cash equivalents at the beginning of the year/period	34,543	47,814	47,055	47,055	40,646
Effect of foreign exchange rate changes	(82)	(126)	199	260	(217)
Cash and cash equivalents at the end of the year/period, representing bank balances and cash	47,814	47,055	40,646	35,684	74,963

Cash flows from operating activities

The Group derives cash inflow from operating activities primarily from the receipt of payments from the contract works. Cash outflow from the Group's operating activities primarily includes costs of inventories, subcontracting and other charges, preliminary project costs (comprising performance bond charges, insurance charges and other miscellaneous costs), project staff costs in Hong Kong, and all other operating expenses such as administrative staff costs and other miscellaneous expenses.

Year ended 31 March 2016

For the year ended 31 March 2016, the Group recorded a profit before taxation of approximately HK$35.1 million and net cash from operating activities of approximately HK$65.7 million. The difference was mainly attributable to (i) adjustment for net provisions made of approximately HK$39.6 million (representing warranty provision and provision for rectification work) for the year ended 31 March 2016; (ii) a net cash outflow for movement in working capital of approximately HK$6.5 million; and (iii) interest paid of approximately HK$1.6 million and Hong Kong Profits Tax paid of approximately HK$2.0 million for the year ended 31 March 2016.

For the net cash outflow for movement in working capital of approximately HK$6.5 million for the year ended 31 March 2016, it was mainly due to (i) the increase in contract assets/liabilities (net) of approximately HK$13.4 million which in turn was mainly related to the increase in retention money withheld by the Group's customers; (ii) utilisation of provisions of approximately HK$9.2 million (representing warranty provision and provision for rectification work); and at the same time mainly offset by (iii) the decrease in debtors, deposits and prepayments of approximately HK$11.8 million; and (iv) the increase in trade and other payables of approximately HK$8.6 million which in turn was mainly attributable to the increases in trade payable, accrued cost for construction works and accrued staff costs.

Year ended 31 March 2017

For the year ended 31 March 2017, the Group recorded a profit before taxation of approximately HK$67.1 million and net cash from operating activities of approximately HK$114.7 million. The difference was mainly attributable to (i) adjustment for net provisions made of approximately HK$99.5 million (representing warranty provision and provision for rectification work) for the year ended 31 March 2017; (ii) a net cash outflow for movement in working capital of approximately HK$46.6 million; and (iii) Hong Kong Profits Tax paid of approximately HK$6.4 million for the year ended 31 March 2017.

For the net cash outflow for movement in working capital of approximately HK$46.6 million for the year ended 31 March 2017, it was mainly due to (i) the increase in contract assets/liabilities (net) of approximately HK$7.1 million which in turn was mainly related to the increases in retention money withheld by the Group's customers; and (ii) the utilisation of provisions of approximately HK$27.3 million (representing warranty provision and provision for rectification work).

Year ended 31 March 2018

For the year ended 31 March 2018, the Group recorded a profit before taxation of approximately HK$65.0 million and net cash from operating activities of approximately HK$5.3 million. The difference was mainly attributable to (i) adjustment for net provisions made of approximately HK$39.4 million (representing warranty provision and provision for rectification work) for the year ended 31 March 2018; (ii) a net cash outflow for movement in working capital of approximately HK$91.2 million; and (iii) Hong Kong Profits Tax paid of approximately HK$14.8 million for the year ended 31 March 2018.

For the net cash outflow for movement in working capital of approximately HK$91.2 million for the year ended 31 March 2018, it was mainly due to (i) the increase in debtors, deposits and prepayments of approximately HK$58.7 million, mainly as there was substantial amount of payment certificates issued in the last two months of the year ended 31 March 2018 giving rise to the related substantial increase in trade debtors; (ii) the increase in contract assets/liabilities (net) of approximately HK$10.9 million which in turn was mainly related to the increase in retention money withheld by the Group's customers and works performed but not yet certified and billed; (iii) utilisation of provisions of approximately HK$50.1 million (representing warranty provision and provision for rectification work); and partially offset by (iv) the increase in trade and other payables of approximately HK$17.5 million which was mainly due to the increase in accrued costs for construction works that the installation works have been undertaken by the subcontractors but not yet been certified by the Group due to time lag.

Five months ended 31 August 2018

For the five months ended 31 August 2018, the Group recorded a profit before taxation of approximately HK$11.4 million and net cash from operating activities of approximately HK$31.0 million. The difference was mainly attributable to (i) adjustment for net provisions made of approximately HK$25.4 million (representing warranty provision and provision for rectification work) for the five months ended 31 August 2018; and (ii) a net cash outflow for working capital of approximately HK$6.9 million. During the five months ended 31 August 2018, no Hong Kong Profit tax was paid as there was no such tax due for payments during the period.

For the net cash outflow for movement in working capital of approximately HK$6.9 million for the five months ended 31 August 2018, it was mainly due to (i) the increase in inventories of approximately HK$12.8 million which was mainly resulted from stocking up of inventory level for certain projects which were roughly or expected to be in the execution-peak stage around or at the period end; (ii) utilisation of provisions of approximately HK$22.0 million (representing warranty provision and provision for rectification work); and offset by (iii) the decrease in debtors, deposits and prepayments of approximately HK$13.6 million which in turn was mainly resulted from the decrease of trade debtors balance for certain projects; and (iv) the increase in trade and other payables of approximately HK$11.7 million which was mainly due to the increase in accrued staff costs for the provision of bonus and the increase in the accrued listing fee.

Cash flows from investing activities

During the Track Record Period, the Group's cash flows for investing activities primarily consisted of (i) (advances to)/repayment from immediate holding company and fellow subsidiaries; and (ii) purchase of investment properties and property, plant and equipment.

Year ended 31 March 2016

For the year ended 31 March 2016, the Group recorded net cash used in investing activities of approximately HK$3.9 million which was mainly due to (i) advance to fellow subsidiaries of approximately HK$4.4 million; (ii) purchase of property, plant and equipment of approximately HK$1.3 million; and offset by (iii) repayment from fellow subsidiaries of approximately HK$1.7 million.

Year ended 31 March 2017

For the year ended 31 March 2017, the Group recorded net cash used in investing activities of approximately HK$233.5 million which was mainly due to (i) advance to immediate holding company of approximately HK$228.0 million which included an amount of approximately HK$119.7 million arising from the payment to an independent third party on behalf of the immediate holding company for the settlement of the consideration of the investment properties acquired by the immediate holding company during the year ended 31 March 2017; (ii) advance to fellow subsidiaries of approximately HK$4.3 million; and (iii) purchases of property, plant and equipment of approximately HK$1.9 million.

Year ended 31 March 2018

For the year ended 31 March 2018, the Group recorded net cash from investing activities of approximately HK$226.7 million which was mainly due to (i) repayment from immediate holding company of approximately HK$228.0 million; (ii) repayment from fellow subsidiaries of approximately HK$8.4 million; and offset by (iii) purchases of the investment properties in Hong Kong and property, plant and equipment of approximately HK$7.9 million in aggregate; and (iv) advance to fellow subsidiaries of approximately HK$2.0 million.

Five months ended 31 August 2018

For the five months ended 31 August 2018, the Group recorded net cash used in investing activities of approximately HK$3.0 million which was due to purchase of property, plant and equipment.

Cash flows from financing activities

During the Track Record Period, the Group's cash flows for financing activities primarily consisted of repayment of bank loans, new bank and other loans raised and advance from/(repayment to) immediate holding company, fellow subsidiaries and ultimate holding company.

Year ended 31 March 2016

For the year ended 31 March 2016, the Group recorded net cash used in financing activities of approximately HK$48.4 million which was mainly due to (i) repayments of bank loans of approximately HK$120.0 million; and offset by (ii) advance from immediate holding company of approximately HK$19.9 million; and (iii) new bank and other loans raised of approximately HK$50.0 million.

Year ended 31 March 2017

For the year ended 31 March 2017, the Group recorded net cash from financing activities of approximately HK$118.2 million which was mainly due to (i) new bank and other loans raised of approximately HK$127.0 million which were in turn mainly made on behalf of a company within the Hanison Group as a result of the centralised treasury policy of the Hanison Group; (ii) advance from fellow subsidiaries of approximately HK$21.8 million; and offset by (iii) repayment to immediate holding company of approximately HK$33.5 million.

Year ended 31 March 2018

For the year ended 31 March 2018, the Group recorded net cash used in financing activities of approximately HK$238.6 million which was mainly due to (i) repayments of bank and other loans of approximately HK$157.0 million; (ii) repayment to immediate holding company of approximately HK$71.3 million; (iii) repayment to fellow subsidiaries of approximately HK$38.1 million; and offset by (iv) new bank and other loans raised of approximately HK$29.8 million.

Five months ended 31 August 2018

For the five months ended 31 August 2018, the Group recorded net cash from financing activities of approximately HK$6.6 million which was solely due to advance from immediate holding company.

CAPITAL EXPENDITURE

During each of the three years ended 31 March 2018 and the five months ended 31 August 2018, the Group incurred capital expenditure for the addition of (i) property, plant and equipment; and (ii) investment properties.

For the years ended 31 March 2016 and 2017, capital expenditure were comparatively low at approximately HK$1.3 million and approximately HK$1.9 million, respectively, which mainly included purchases of plant and machinery.

For the year ended 31 March 2018, the Group incurred substantial capital expenditure to acquire a subsidiary with the major assets of (i) the investment properties of approximately HK$56.3 million as at the date of acquisition; and (ii) office units being used as the Group's office premise and car parking spaces of a commercial property, Kings Wing Plaza 1, situated in Shatin, Hong Kong, amounted to approximately HK$89.1 million as at the date of acquisition.

For the five months ended 31 August 2018, capital expenditure were comparatively low at approximately HK$3.0 million, which mainly included purchases of motor vehicles.

WORKING CAPITAL

The Directors are of the opinion that, taking into consideration (i) the internal resources; (ii) the injection, prior to the completion of the Spin-off, from the Remaining Group to the Group to increase the net asset value of Group to an amount of not less than HK$500 million upon Listing; and (iii) the Group's own banking facilities, the Group has sufficient working capital for its present requirements for at least the next 12 months commencing on the date of this listing document.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Save as disclosed in the sub-section headed "Performance Bonds and Contingent Liabilities" above in this section, the Group has not entered into any material off balance sheet commitments or arrangements during the Track Record Period and up to the Latest Practicable Date.

DISTRIBUTABLE RESERVES

As at 31 August 2018, the Company did not have any distributable reserve available for distribution to Shareholders.

KEY FINANCIAL RATIOS

The following table sets out a summary of the Group's key financial ratios during the Track Record Period:

		Year ended 31 March			Five months ended 31 August
	Notes	2016	2017	2018	2018
Return on total assets	1	18.7%	13.5%	13.1%	5.3%
Return on equity	2	134.1%	73.4%	38.9%	16.4%
Net profit margin	3	8.5%	11.0%	11.9%	5.7%
Interest coverage	4	20.4 times	65.1 times	25.5 times	13.8 times

		As at 31 March			As at 31 August
	Notes	2016	2017	2018	2018
Current ratio	5	1.2 times	1.5 times	1.1 times	1.1 times
Gearing ratio	6	143.6%	168.4%	60.2%	64.0%
Net debt to equity ratio	7	N/A (no net debts)	106.0%	28.6%	6.9%

Notes:

1. Return on total assets is calculated by dividing profit for the respective year/period with total assets as at the end of the respective year/period multiplied by 100%. Profit for the period is adjusted on an annualised basis.
2. Return on equity is calculated by dividing profit for the respective year/period with total equity as at the end of the respective year/period multiplied by 100%. Profit for the period is adjusted on an annualised basis.
3. Net profit margin is calculated by dividing profit for the year/period with revenue for the respective year/period multiplied by 100%.
4. Interest coverage is calculated by dividing profit before finance costs and taxation charge with finance costs for the respective year/period.
5. Current ratio is calculated by dividing total current assets with total current liabilities as at the end of the respective year/period.
6. Gearing ratio is calculated by dividing total debts which represent bank and other loans and the amount due to immediate holding company in aggregate with total equity as at the end of the respective year/period multiplied by 100%.
7. Net debt to equity ratio is calculated by dividing bank and other loans and the amount due to immediate holding company in aggregate minus bank balances and cash with total equity as at the end of the respective year/period multiplied by 100%.

Return on total assets

For the year ended 31 March 2017, return on total assets decreased to approximately 13.5% from 18.7% for the year ended 31 March 2016. This was due to that although profit for the year ended 31 March 2017 increased by approximately 77.0%, total assets as at 31 March 2017 increased even more substantially by approximately 145.3%. The substantial increase in the total assets as at 31 March 2017 was due to the substantial amount of amount due from immediate holding company of approximately HK$228.0 million as at 31 March 2017 whereas the balance was nil as at 31 March 2016. The amount due from immediate holding company was non-trade in nature and not used for the Group's operation and thus no related profit was generated in this regard. As such, the return on total assets decreased.

For the year ended 31 March 2018, return on total assets was approximately 13.1% which was comparable to that for the year ended 31 March 2017 of approximately 13.5%.

For the five months ended 31 August 2018, return on total assets decreased to approximately 5.3% from 13.1% for the year ended 31 March 2018. Such decrease was primarily attributed to lower profit earned and the increase in the listing expenses for the five months ended 31 August 2018.

Return on equity

For the year ended 31 March 2017, return on equity decreased to approximately 73.4% from 134.1% for the year ended 31 March 2016. This was due to that although profit for the year ended 31 March 2017 increased by approximately 77.0%, equity as at 31 March 2017 increased even more substantially by approximately 223.4%.

For the year ended 31 March 2018, return on equity further decreased to approximately 38.9% from 73.4% for the year ended 31 March 2017. Such decrease was primarily attributed to the lower profit earned for the year ended 31 March 2018 while the equity increased for the year ended 31 March 2018.

For the five months ended 31 August 2018, return on equity further decreased to approximately 16.4% from 38.9% for the year ended 31 March 2018. Such decrease was primarily attributed to lower profit earned and the increase in the listing expenses for the five months ended 31 August 2018.

Net profit margin

For the year ended 31 March 2017, net profit margins increased to approximately 11.0% from 8.5% for the year ended 31 March 2016. Such increase was primarily caused by the increase in gross profit margin of approximately 18.3% for the year ended 31 March 2017 from 15.5% for the year ended 31 March 2016.

For the year ended 31 March 2018, net profit margins remained stable at approximately 11.9% comparing with that for the year ended 31 March 2017 of approximately 11.0%. The stable net profit margin was a result of the offsetting effect between the increase in the administrative expenses mainly caused by the increase in staff costs and the increase in the gross profit for the year ended 31 March 2018.

For the five months ended 31 August 2018, net profit margins decreased to approximately 5.7% from approximately 11.9% for the year ended 31 March 2018. Such decrease was primarily due to (i) decrease in gross profit margin of approximately 20.6% for the five months ended 31 August 2018 from approximately 27.8% for the year ended 31 March 2018; and (ii) the increase in the listing expenses for the five months ended 31 August 2018.

Interest coverage

For the year ended 31 March 2017, interest coverage increased to approximately 65.1 times from 20.4 times for the year ended 31 March 2016. The increase was primarily due to the increase in profit for the year and the decrease in the finance costs. The increase in profit before finance costs and income tax was approximately 84.3% and the decrease in finance costs was approximately 42.2% for the year ended 31 March 2017.

For the year ended 31 March 2018, interest coverage decreased to 25.5 times from 65.1 times for the year ended 31 March 2017. Such decrease was due to (i) the decrease in profit for the year ended 31 March 2018 of approximately 9.4%; and (ii) the significant increase in finance costs of approximately 153.0%.

For the five months ended 31 August 2018, interest coverage decreased to 13.8 times from 25.5 times for the year ended 31 March 2018. Such decrease was mainly due to the decrease in profit before taxation for the five months ended 31 August 2018.

Current ratio

Current ratio remained relatively stable at approximately 1.2 times, 1.5 times, 1.1 times and 1.1 times as at 31 March 2016, 2017 and 2018 and 31 August 2018, respectively.

Gearing ratio

As at the year ended 31 March 2016, the gearing was due to the amount due to immediate holding company and the gearing ratio was approximately 143.6%.

As at the year ended 31 March 2017, the gearing was due to bank and other loans and the gearing ratio was approximately 168.4%. Due to the centralised treasury policy of the Hanison Group, the Group's loan drawdowns were made on behalf of the other companies within the Hanison Group.

As at the year ended 31 March 2018, the gearing ratio was due to the amount due to immediate holding company and the gearing ratio was approximately 60.2%.

As at 31 August 2018, the gearing ratio was due to the amount due to immediate holding company and the gearing ratio was approximately 64.0%.

The fluctuations of the gearing ratios during the Track Record Period was due to the centralised treasury policy of the Hanison Group which resulted the gearing of the amount due to immediate holding company and the bank and other loans balances. Upon Listing, the Group will be financially independent and thus, will make its financial decisions independently based on its own financing needs.

Net debt to equity ratio

There was no net debts as at the year ended 31 March 2016 as bank balances and cash exceeded the amount due to immediate holding company.

As at the year ended 31 March 2017, net debt to equity ratio of the Group was approximately 106.0%. This was due to the relative high debts position comparing with its equity position as the high debts position was drawdowns on behalf of the other companies within the Hanison Group due to the centralised treasury policy of the Hanison Group. Upon Listing, the Group will be financially independent and thus, will make its financial decisions independently based on its own financing needs.

As at 31 March 2018, net debt to equity ratio of the Group was approximately 28.6%.

As at 31 August 2018, net debt to equity ratio of the Group was approximately 6.9%.

The fluctuations of the net debt to equity ratio during the Track Record Period was due to the centralised treasury policy of the Hanison Group. Upon Listing, the Group will be financially independent and thus, will make its financial decisions independently based on its own financing needs.

RELATED PARTY TRANSACTIONS

During the Track Record Period, the Group had certain related party transactions in relation to (i) design, supply and installation of aluminum windows and curtain walls services; (ii) equity-settled share-based payments charged by ultimate holding company; (iii) interest expenses; (iv) management fee expenses; (v) rental expenses; and (vi) rental income.

The Group had a commitment in relation to contracts entered into with fellow subsidiaries in respect of provision of design, supply and installation of aluminium windows and curtain walls services and the outstanding contract sum amounted to approximately HK$18.2 million, HK$4.8 million, HK$2.4 million and HK$nil as at 31 March 2016, 2017 and 2018 and 31 August 2018, respectively. In the opinion of the Directors, the remaining contracted commitment will be fulfilled and completed prior to the Listing.

These related party transactions were conducted in accordance with terms as agreed between the Group and the respective related parties. The Directors have confirmed that (i) all related party transactions during the Track Record Period were conducted on arm's length basis and normal commercial terms which were no less favorable to the Group than available to or from independent third parties and thus, are in the interest of the Group as a whole; (ii) these related party transactions would not distort the Group's results of operations for the Track Record Period or make the Group's historical results not reflective of the Group's future; (iii) except for the rental expenses in respect of the car parking spaces and the rental income, all the other related party transactions will discontinue upon the Listing; and (iv) all of the outstanding amounts due from and due to the related parties are non-trade in nature and all the related balances as at 31 March 2018, if any, will be settled prior to the Listing.

For further details on related party transactions and balances, please refer to "Note 25. Amounts due from Immediate Holding Company/Fellow Subsidiaries/A Subsidiary; Note 29. Amounts due to Ultimate Holding Company/Immediate Holding Company/Fellow Subsidiaries; and Note 39, Related Party Transactions" of the Accountants' Report set out in Appendix I to this listing document.

CAPITAL RISK MANAGEMENT AND FINANCIAL RISK MANAGEMENT

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 its shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes amounts due to ultimate holding company, immediate holding company and fellow subsidiaries, bank and other loans, net of cash and cash equivalents and equity, comprising share capital and reserves.

For further details on the Group's capital risk management, please refer to "Note 40. Capital Risk Management" of the Accountants' Report set out in Appendix I to this listing document.

Financial risk management

The Group's financial instruments include trade debtors, other receivables, amounts due from/to group companies, bank balances and cash, trade and other payables and bank and other loans. The Group's activities expose it to a variety of financial risks which comprise market risk (including currency risk and interest rate risk), credit risk and liquidity risk. For further details on the Group's financial risk management objectives and policies, please refer to "Note 41. Financial Instruments" of the Accountants' Report set out in Appendix I to this listing document.

PROPERTIES INTEREST

The carrying values of the Group's owner-occupied buildings in Hong Kong and leasehold land and buildings in the PRC from the audited consolidated statements of financial position as at 31 August 2018 were in aggregate amounted to approximately HK$105.5 million while the unaudited fair value of the above properties valued by an independent valuer as at 31 December 2018 was approximately HK$131.9 million. For the Group's investment properties in Hong Kong, their fair value from the consolidated statements of financial position as at 31 August 2018 was approximately HK$61.7 million while the unaudited fair value for the investment properties as valued by the independent valuer as at 31 December 2018 was approximately HK$62.6 million. The table below sets forth the reconciliation of the value of the properties from the audited consolidated statements of financial position as at 31 August 2018 to their respective unaudited fair value valued by the valuer as at 31 December 2018:

	Buildings in Hong Kong and leasehold land and buildings in the PRC	Investment properties
	HK$'000	*HK$'000*
Carrying values/fair value as at 31 August 2018	105,538	61,700
Less: depreciation/amortisation for the four months ended 31 December 2018	(1,469)	–
Exchange adjustments	(151)	–
Net book values/value as at 31 December 2018	103,918	61,700
Add: Fair value gain	27,982	900
Valuation as at 31 December 2018 per valuation report set out in Appendix III to this listing document	131,900	62,600

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Listing on the audited consolidated net tangible assets of the Group as at 31 August 2018, as if the Listing had taken place on that day.

The unaudited pro forma statement of 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 as at 31 August 2018 or any future dates following the Listing.

The following unaudited pro forma statement of 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 August 2018 as extracted from the Accountants' Report set out in Appendix I to this listing document, and adjusted as follows:

		Pro forma adjustment		
	Audited consolidated net tangible assets of the Group as at 31 August 2018 *(Note 1)*	**Estimated listing expenses** *(Note 2)*	**Unaudited pro forma adjusted consolidated net tangible assets of the Group**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share** *(Note 3)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on **[REDACTED]** Shares issued prior to the Listing	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

[REDACTED]

[REDACTED]

DESIGN, SUPPLY AND INSTALLATION PROJECTS ON HAND

The following table reconciles the value of design, supply and installation projects for new buildings on hand as at the Latest Practicable Date to the amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at 31 August 2018:

	HK$'million
Value of design, supply and installation projects for new buildings (i.e. excluding existing buildings and repair, maintenance and others) on hand as at the Latest Practicable Date	623.2
Add:	
• Value of design, supply and installation for renovation works projects for existing buildings on hand as at the Latest Practicable Date	10.9
• Value of repair, maintenance and others projects on hand as at the Latest Practicable Date	1.3
• Revenue recognised from 1 September 2018 to the Latest Practicable Date	142.9
Less:	
• Value of design, supply and installation projects for new buildings on hand which have been awarded but the contracts have yet to be entered into as at 31 August 2018	(172.6)
• Value of design, supply and installation projects for new buildings and repair, maintenance and others projects newly awarded from 1 September 2018 to the Latest Practicable Date	(84.8)
Amount of the transaction price allocated to performance obligation that are unsatisfied (or partially unsatisfied) as at 31 August 2018	520.9

LISTING EXPENSES

The Directors estimate that the total amount of expenses in relation to the Listing is approximately HK$**[REDACTED]**, which was/will be recognised as expenses in the Group's consolidated statements of profit or loss and other comprehensive income for the years ended/ending 31 March 2018 and 2019.

DIVIDENDS

There was no dividend declared during the Track Record Period and up to the Latest Practicable Date. The Group may declare dividends in the future after taking into account the results of operations, earnings, capital requirements, general financial condition, and other factors as the Directors may deem relevant at such time. The declaration of dividends is subject to the discretion of the Directors and the approval of the Shareholders (except for interim dividends) as may be necessary. Any declaration and payment as well as the amount of dividends will be subject to the constitutional documents of the Company and the Companies Law. The Group currently does not have a fixed dividend policy.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

The Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which, had they been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

MATERIAL ADVERSE CHANGE

Save as disclosed in the sub-sections headed "Recent Developments and Material Adverse Change" and "Listing Expenses" under the section headed "Summary" of this listing document, the Directors confirm that, up to the date of this listing document, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 August 2018 (being the date to which the latest audited consolidated financial statements of the Group were prepared), and there is no event since 31 August 2018 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this listing document.

The following is the text of a report set out on pages I-1 to I-96, received from the Company's reporting accountants, [Deloitte Touche Tohmatsu], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this listing document.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MILLION HOPE INDUSTRIES HOLDINGS LIMITED AND VMS SECURITIES LIMITED

Introduction

We report on the historical financial information of Million Hope Industries Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-96, which comprises the consolidated statements of financial position of the Group as at 31 March 2016, 31 March 2017, 31 March 2018 and 31 August 2018, the statement of financial position of the Company as at 31 March 2018 and 31 August 2018, 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 of the Group for each of the three years ended 31 March 2018 and for the five months ended 31 August 2018 (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-96 forms an integral part of this report, which has been prepared for inclusion in the listing document of the Company dated 28 February 2019 (the "Document") in connection with the initial listing of shares of the Company on the Main Board 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 the 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 the 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 the 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, 31 March 2018 and 31 August 2018 and the Company's financial position as at 31 March 2018 and 31 August 2018, 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 five months ended 31 August 2017 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 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 15 to the Historical Financial Information which states that no dividends have been paid in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
28 February 2019

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 ("HKFRSs") 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 dollars ("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			Five months ended 31 August	
	NOTES	2016	2017	2018	2017	2018
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
Revenue	6	367,768	501,938	421,146	215,129	157,072
Cost of sales		(310,645)	(410,266)	(303,966)	(161,320)	(124,666)
Gross profit		57,123	91,672	117,180	53,809	32,406
Other income	8	1,515	1,405	1,799	928	1,278
Other gains (losses)	9	445	1,866	(5,083)	(2,250)	3,528
Impairment losses, net of reversal	10	927	–	(3,548)	–	212
Gain on change in fair value of investment properties		–	–	1,316	–	1,400
Administrative expenses		(23,061)	(26,847)	(40,134)	(14,796)	(15,065)
Finance costs	11	(1,810)	(1,046)	(2,646)	(1,477)	(891)
Listing expenses		–	–	[REDACTED]	–	[REDACTED]
Profit before taxation	12	35,139	67,050	64,950	36,214	11,368
Taxation	14	(3,875)	(11,713)	(14,838)	(7,325)	(2,414)
Profit for the year/period		31,264	55,337	50,112	28,889	8,954
Other comprehensive (expense) income:						
Item that may be subsequently reclassified to profit or loss:						
Exchange differences arising on translation of a foreign operation		(1,714)	(3,232)	6,541	3,115	(5,360)
Total comprehensive income for the year/period		29,550	52,105	56,653	32,004	3,594
Earnings per share *(HK$)*						
Basic	16	312,640	553,370	501,120	288,890	89,540

STATEMENTS OF FINANCIAL POSITION

		THE GROUP				THE COMPANY	
		As at 31 March			As at 31 August	As at 31 March	As at 31 August
	NOTES	2016	2017	2018	2018	2018	2018
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets							
Investment properties	17	–	–	60,300	61,700	–	–
Property, plant and equipment	18	23,568	21,258	112,710	111,060	–	–
Prepaid lease payments	19	6,032	5,472	5,851	5,287	–	–
Investment in a subsidiary	20	–	–	–	–	–	–
Deferred tax assets	30	56	58	6	155	–	–
		29,656	26,788	178,867	178,202	–	–
Current assets							
Inventories	21	28,723	33,006	26,593	38,295	–	–
Prepaid lease payments	19	213	201	207	200	–	–
Debtors, deposits and prepayments	22	12,399	12,957	69,872	53,682	951	205
Contract assets	23	45,789	56,296	66,933	61,948	–	–
Amount due from a subsidiary	25	–	–	–	–	73,373	77,780
Amounts due from fellow subsidiaries	25	2,865	6,444	–	731	–	–
Amount due from immediate holding company	25	–	228,038	–	–	–	–
Bank balances and cash	26	47,814	47,055	40,646	74,963	–	–
		137,803	383,997	204,251	229,819	74,324	77,985

		THE GROUP				THE COMPANY	
		As at 31 March			As at 31 August	As at 31 March	As at 31 August
	NOTES	2016	2017	2018	2018	2018	2018
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities							
Trade and other payables	27	49,871	41,228	59,245	70,040	806	4,886
Provisions	28	17,106	39,039	29,895	35,433	–	–
Contract liabilities	23	126	3,530	3,313	1,648	–	–
Amount due to ultimate holding company	29	–	2,969	–	–	–	–
Amount due to immediate holding company	29	33,477	–	77,452	84,016	77,452	83,362
Amounts due to fellow subsidiaries	29	15,465	37,143	–	–	–	–
Amounts due to subsidiaries		–	–	–	–	–	5,171
Bank and other loans	30	–	127,028	–	–	–	–
Taxation payable		3,031	8,336	8,238	9,993	–	–
		119,076	259,273	178,143	201,130	78,258	93,419
Net current assets (liabilities)		18,727	124,724	26,108	28,689	(3,934)	(15,434)
Total assets less current liabilities		48,383	151,512	204,975	206,891	(3,934)	(15,434)
Non-current liabilities							
Provisions	28	25,064	76,088	76,246	75,096	–	–
Deferred tax liabilities	31	–	–	37	471	–	–
		25,064	76,088	76,283	75,567	–	–
		23,319	75,424	128,692	131,324	(3,934)	(15,434)
Capital and reserves							
Share capital	32	11,000	11,000	–	–	–	–
Reserves	33	12,319	64,424	128,692	131,324	(3,934)	(15,434)
		23,319	75,424	128,692	131,324	(3,934)	(15,434)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				
	Share capital	Other reserve	Exchange reserve	Accumulated (losses) profits	Total
	HK$'000	*HK$'000* *(note)*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2015	11,000	–	1,190	(18,421)	(6,231)
Profit for the year	–	–	–	31,264	31,264
Exchange differences arising on translation of a foreign operation	–	–	(1,714)	–	(1,714)
Total comprehensive (expense) income for the year	–	–	(1,714)	31,264	29,550
At 31 March 2016 and 1 April 2016	11,000	–	(524)	12,843	23,319
Profit for the year	–	–	–	55,337	55,337
Exchange differences arising on translation of a foreign operation	–	–	(3,232)	–	(3,232)
Total comprehensive (expense) income for the year	–	–	(3,232)	55,337	52,105
At 31 March 2017 and 1 April 2017	11,000	–	(3,756)	68,180	75,424
Profit for the year	–	–	–	50,112	50,112
Exchange differences arising on translation of a foreign operation	–	–	6,541	–	6,541
Total comprehensive income for the year	–	–	6,541	50,112	56,653
Adjustment arising from the Reorganisation (defined in note 2)	(11,000)	7,615	–	–	(3,385)
At 31 March 2018	–	7,615	2,785	118,292	128,692
Adjustment *(note 3)*	–	–	–	(962)	(962)
At 1 April 2018	–	7,615	2,785	117,330	127,730
Profit for the period	–	–	–	8,954	8,954
Exchange differences arising on translation of a foreign operation	–	–	(5,360)	–	(5,360)
Total comprehensive (expense) income for the period	–	–	(5,360)	8,954	3,594
As at 31 August 2018	–	7,615	(2,575)	126,284	131,324

	Attributable to owners of the Company				
	Share capital	Other reserve	Exchange reserve	Accumulated profits	Total
	HK$'000	*HK$'000* *(note)*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2017	11,000	–	(3,756)	68,180	75,424
Profit for the period (unaudited)	–	–	–	28,889	28,889
Exchange differences arising on translation of a foreign operation (unaudited)	–	–	3,115	–	3,115
Total comprehensive income for the period	–	–	3,115	28,889	32,004
At 31 August 2017 (unaudited)	11,000	–	(641)	97,069	107,428

Note: Other reserve represents the difference between the Group's investment cost of HK$3,385,000 in Million Hope Industries Limited ("Million Hope Industries (HK)"), a subsidiary of the Company, and the entire share capital of HK$11,000,000 of Million Hope Industries (HK).

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Five months ended 31 August	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(Unaudited)*	*HK$'000*
Operating activities					
Profit before taxation	35,139	67,050	64,950	36,214	11,368
Adjustments for:					
Interest income	(15)	(19)	(16)	(4)	(3)
Interest expense	1,810	1,046	2,646	1,477	891
Depreciation of property, plant and equipment	169	112	2,070	46	1,865
Net provisions made	39,585	99,476	39,432	30,053	25,447
Gain on change in fair value of investment properties	–	–	(1,316)	–	(1,400)
(Gain) loss on disposal of property, plant and equipment	–	–	(102)	57	–
(Reversal of) impairment loss recognised on trade debtors	(927)	–	3,548	–	–
Impairment loss recognised on inventories	–	–	1,462	–	–
Impairment loss, net of reversal, subject to expected credit losses ("ECL")	–	–	–	–	(212)
Operating cash flows before movements in working capital	75,761	167,665	112,674	67,843	37,956
(Increase) decrease in inventories	(4,223)	(2,943)	10,810	(592)	(12,803)
Decrease (increase) in debtors, deposits and prepayments	11,781	(964)	(58,655)	(72,976)	13,602
(Increase) decrease in contract assets/liabilities, net	(13,411)	(7,103)	(10,854)	(14,501)	3,320
Increase (decrease) in trade and other payables	8,565	(8,284)	17,542	39,518	11,677
Utilisation of provisions	(9,217)	(27,264)	(50,075)	(14,817)	(21,950)
Increase in amounts due from fellow subsidiaries	–	–	–	–	(731)
Cash from operating activities	69,256	121,107	21,442	4,475	31,071
Interest paid	(1,602)	(1)	(1,289)	(1,116)	–
Hong Kong Profits Tax paid	(1,988)	(6,389)	(14,786)	–	–
PRC Enterprise Income Tax paid	–	(21)	(72)	–	(74)
Net cash from operating activities	65,666	114,696	5,295	3,359	30,997

	Year ended 31 March			Five months ended 31 August	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*Unaudited*)	*HK$'000*
Investing activities					
Interest received	15	19	16	4	3
(Advance to) repayment from immediate holding company	–	(228,038)	228,038	26,115	–
Advance to fellow subsidiaries	(4,388)	(4,343)	(1,968)	(1,968)	–
Repayment from fellow subsidiaries	1,726	764	8,412	8,412	–
Purchase of investment properties	–	–	(2,684)	–	–
Proceeds from disposal of property, plant and equipment	–	–	188	27	–
Purchase of property, plant and equipment	(1,298)	(1,929)	(5,262)	(265)	(3,030)
Net cash (used in) from investing activities	(3,945)	(233,527)	226,740	32,325	(3,027)
Financing activities					
Advance from (repayment to) immediate holding company	19,908	(33,477)	(71,328)	–	6,564
New bank and other loans raised	50,000	127,028	29,783	29,783	–
Repayments of bank and other loans	(120,000)	–	(156,986)	(36,986)	–
Advance from fellow subsidiaries	2,028	21,782	1,001	1,001	–
Repayment to fellow subsidiaries	(304)	(104)	(38,144)	(38,144)	–
Advance from (repayment to) ultimate holding company	–	2,969	(2,969)	(2,969)	–
Net cash (used in) from financing activities	(48,368)	118,198	(238,643)	(47,315)	6,564
Net increase (decrease) in cash and cash equivalents	13,353	(633)	(6,608)	(11,631)	34,534
Cash and cash equivalents at the beginning of the year/period	34,543	47,814	47,055	47,055	40,646
Effect of foreign exchange rate changes	(82)	(126)	199	260	(217)
Cash and cash equivalents at the end of the year/period, representing bank balances and cash	47,814	47,055	40,646	35,684	74,963

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL

Million Hope Industries Holdings Limited (the "Company") was incorporated and registered in the Cayman Islands as an exempted company with limited liability on 20 February 2018 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 Document. The ultimate holding company of the Company is Hanison Construction Holdings Limited ("Hanison"), a company incorporated in the Cayman Islands with its shares listed on the Main Board of the Stock Exchange, and its immediate holding company is Hanison Construction Holdings (BVI) Limited ("Hanison Construction (BVI)"), a company incorporated in the British Virgin Islands ("BVI").

The Company is an investment holding company and its subsidiaries are principally engaged in design, supply and installation of aluminium windows and curtain walls.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there is no statutory audit requirements.

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 and the principles of merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

The Company and the companies now comprising the Group were wholly owned subsidiaries of Hanison. To rationalise the structure of the Group in the preparation for the listing of the Company's shares on the Main Board of the Stock Exchange (the "Listing"), the Company and the companies now comprising the Group underwent a series of reorganisation (the "Reorganisation") which involved the following steps:

(a) On 20 February 2018, the Company was incorporated in the Cayman Islands under the name of "Million Hope Holdings Limited" with an authorised share capital of HK$380,000 divided into 3,800,000 shares of HK$0.1 each with one share of the Company allotted and issued to the initial subscriber at par. On the same date, the initial subscriber transferred his one share of the Company to Hanison Construction (BVI) at par. On 13 March 2018, 99 shares of the Company were further allotted and issued to Hanison Construction (BVI) at par. On 14 March 2018, the name of Company was changed to "Million Hope Industries Holdings Limited".

(b) On 15 February 2018, Million Hope Industries (BVI) Limited ("Million Hope Industries (BVI)") was incorporated in the BVI. On 13 March 2018, one share of Million Hope Industries (BVI) was allotted and issued to the Company at US$1. Accordingly, Million Hope Industries (BVI) became a wholly owned subsidiary of the Company.

(c) On 15 February 2018, Million Hope (BVI) Limited ("Million Hope (BVI)") was incorporated in the BVI. On 13 March 2018, one share of Million Hope (BVI) was allotted and issued to Million Hope Industries (BVI) at US$1. Accordingly, Million Hope (BVI) became a wholly owned subsidiary of Million Hope Industries (BVI).

(d) On 2 January 2018, Paramount Forward Limited ("Paramount Forward") was incorporated in the BVI. On 28 March 2018, one share of Paramount Forward was allotted and issued to Million Hope (BVI), credited as fully paid up. Accordingly, Paramount Forward became a wholly owned subsidiary of Million Hope (BVI).

(e) On 28 March 2018, Paramount Forward acquired the entire issued share capital of Million Hope Industries (HK) at a consideration of approximately HK$3,385,000. The consideration represented the historical investment cost in Million Hope Industries (HK) by Rich Color Limited, a fellow subsidiary of the Company. The consideration for the transfer was settled by way of a promissory note issued by Paramount Forward to Rich Color Limited.

(f) On 28 March 2018, Million Hope (BVI) acquired the entire issued share capital of Heroic Elite Investments Limited ("Heroic Elite"), which indirectly holds investment properties of the Group. and took assignment of a shareholder's loan owing by Heroic Elite in the principal amount of HK$153,409,000 for an aggregate consideration of approximately HK$153.4 million.

Pursuant to the Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group.

The Group resulting from the Reorganisation continued to be controlled by Hanison (other than the acquisition of Waller Holdings Limited ("Waller Holdings") and its subsidiary, Rich Victory (Hong Kong) Limited ("Rich Victory"), (collectively referred to "Waller Holdings Group") as disclosed in note 34) and is regarded as a continuing entity. Therefore, the Reorganisation is considered as a business combination under common control and accounted for under merger accounting as mentioned below.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the five months ended 31 August 2017 include the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the years ended 31 March 2016, 31 March 2017 and 31 March 2018 and the five months ended 31 August 2017 (other than the acquisition of Waller Holdings Group), or since their respective date of incorporation, where there is a shorter period. The consolidated statements of financial position 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 their respective date of incorporation/acquisition, where applicable.

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 applied HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations) issued by HKICPA that are effective for the accounting period beginning on 1 April 2018, including HKFRS 15 "Revenue from Contracts with Customers", throughout the Track Record Period, except that the Group adopted HKFRS 9 "Financial Instruments" from 1 April 2018.

The Group chooses to apply the transition relief given in HKFRS 9 and has not restated the financial information for the three years ended 31 March 2018 in the year of the initial application. The Group discloses accounting policies for financial instruments in note 4 for both periods: accounting policies which conform with HKFRS 9 that are applicable from 1 April 2018 onwards and accounting policies which conform with HKAS 39 "Financial Instruments: Recognition and Measurement" that are applicable for each of the three years ended 31 March 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39. Any difference between the previous carrying amounts and the carrying amounts at the beginning of the annual reporting period that includes the date of initial application is recognised in the opening accumulated profits or other components of equity, as appropriate.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed below.

Summary of effects arising from initial application of HKFRS 9

Classification and measurement of financial assets

All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

Impairment under ECL model

As at 1 April 2018, the additional credit loss allowance charged against trade debtors and contract assets of HK$1,152,000 and deferred tax of HK$190,000 have been recognised against accumulated profits.

The impact of credit loss allowance for trade debtors and contract assets as at 31 March 2018 reconciled to the beginning loss allowance and deferred tax as at 1 April 2018 is as follows:

	Trade debtors	Contract assets	Deferred tax
	HK$'000	*HK$'000*	*HK$'000*
At 31 March 2018 — HKAS 39	3,548	–	–
Amounts remeasured through accumulated profits	492	660	(190)
At 1 April 2018 — HKFRS 9	4,040	660	(190)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
4 Effective for annual periods beginning on or after a date to be determined
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and revised HKFRSs will have no material impact on the consolidated financial statements in the foreseeable 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 upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows, respectively, by the Group.

Under HKAS 17, the Group has already recognised 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.

Other than certain requirements which are also applicable to lessor, 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 August 2018, the Group has non-cancellable operating lease commitments of HK$81,000 as disclosed in note 36. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

The Group currently considers refundable rental deposits received of HK$444,000 as at 31 August 2018 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. Based on the facts and circumstances as at 31 August 2018, the directors of the Company do not expect the application of HKFRS 16 will have material impact on the financial position and financial performance of the Group.

The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) — Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application.

In addition, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognised the cumulative effect of initial application to opening accumulated profits without restating comparative information.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the accounting policies which conform with 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 Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis, except for investment properties that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and 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 the 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 "Leases", 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 are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. 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 year 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing carrying values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses or first came under the common control, where this is a shorter period.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to non-financial assets, which include investment properties which are subsequently measured under fair value model and financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Investment in a subsidiary

Investment in a subsidiary is included in the Company's statement of financial position and is stated at cost less any identified impairment loss.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses 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

The Group 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 customers.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Revenue is measured based on the consideration specific a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer.

Provision of design, supply and installation of aluminium windows and curtain walls services

Revenue recognition

The Group provides design, supply and installation of aluminium windows and curtain walls services under long-term contracts with customers. Such contracts are entered into before the design, supply and installation of aluminium windows and curtain walls services begin. The Group's supply and installation of aluminium windows and curtain walls enhances an asset that the external customers control as the Group performs. Revenue from provision of design, supply and installation of aluminium windows and curtain walls services is therefore recognised over time using outputmethod, i.e. based on surveys of supply and installation of aluminium windows and curtain walls services completed by the Group to date as certified by independent surveyors appointed by the customers in relation to the work completed by the Group. The directors of the Company consider that output method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations under HKFRS 15.

Contract assets and contract liabilities

The Group has enforceable rights to consideration from customers for the provision of design, supply and installation of aluminium windows and curtain walls services. Contract assets arise when the Group has right to consideration for completion of design, supply and installation of aluminium windows and curtain walls and not yet billed under the relevant contracts, and their right is conditioned on factors other than passage of time. It is assessed for impairment in accordance with HKFRS 9. Any amount previously recognised as a contract asset is reclassified to trade debtors when such right becomes unconditional other than the passage of time. Remaining rights and progress payment received in a particular contract is accounted for and presented on a net basis, as either a contract asset or a contract liability. If the progress payment received exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer of the Group with a significant benefit of financing the transfer of goods or services to customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties of the contract.

Notwithstanding the above, a contract does not have a significant financing component in circumstances where payment in advance or in arrear are in accordance with the typical payment terms of the relevant industry, which has a primary purpose other than financing.

Warranties

If a customer does not have the options to purchase a warranty separately, the Group accounts for the warranty in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e service-type warranties). The Group's accounting policy for recognition of warranty provision is described in the accounting policy for provisions below.

Costs to fulfil a contract

The Group incurs costs to fulfil a contact in its construction contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which is recognises as asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. It is assessed for impairment in accordance with HKFRS 9.

Other income

The Group also has the following sources of major other income.

Revenue from the sales of scrap materials is recognised when control of the scrap materials has transferred to the customer, being at the point the scrap materials are delivered to the customer.

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.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their 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 properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are 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 and 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 item is derecognised.

Property, plant and equipment

Property, plant and equipment including buildings held for own use in the production or supply of goods or services, or for administrative purpose are stated in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of 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 lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Prepaid lease payments

Prepaid lease payments represent the up-front payments to lease medium-term leasehold land interests in the People's Republic of China (the "PRC") and are charged to the consolidated statements of profit or loss and other comprehensive income on a straight-line basis over the term of the relevant lease.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element 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 property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments (before application of HKFRS 9 on 1 April 2018)

Financial assets and financial liabilities are recognised 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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 and points 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 debtors, other receivables, amount due from immediate holding company, amounts due from fellow subsidiaries, amount due from a subsidiary and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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 financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets 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
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becomes probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for trade debtors 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.

For financial assets carried at amortised cost, 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 debtors, where the carrying amount is reduced through the use of an allowance account. When a trade debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment 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 an entity after deducting all of its liabilities. Equity instruments issued by the Company 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 fee and points 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 amortised cost

Financial liabilities including trade and other payables, amount due to ultimate holding company, amount due to immediate holding company, amounts due to fellow subsidiaries and bank and other loans are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at fair value through profit or loss ("FVTPL"), are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all risks and rewards of ownership of the asset to another entity.

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.

Financial instruments (after application of HKFRS 9 on 1 April 2018)

Financial assets and financial liabilities are recognised 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fee and points 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of financial asset within the timeframe established by the market concerned and are initially measured at fair value, plus transaction cost.

All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on a specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

All of the Group's financial assets are subsequently measured at amortised cost.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets and other items which are subject to impairment under HKFRS 9 (including trade debtors, contract assets, other receivables, amounts due from fellow subsidiaries, amount due from a subsidiary, amount due from immediate holding company, bank balances and cash, and financial guarantee contracts). The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

The Group always recognises lifetime ECL for trade debtors and contract assets. The ECL on these assets are assessed collectively using a provision matrix grouping of various customers with similar credit risk characteristics. For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of an evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies and other similar organisations.

In particular, the following information is taken into account when assessing whether the credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increase in credit risk on other financial instruments of the same debtors; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk since initial recognition and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer of the borrower; or
- a breach of contract, such as a default or past due event; or
- it is becoming probably that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. A write-off constitutes a derecognition event. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice when appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the correspondence adjustment is recognised through a loss allowance account.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all risks and rewards of ownership of the asset to another entity.

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.

Financial liabilities and equity instruments

Classification as debt or equity

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 an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

(i) the amount of the loss allowance determined in accordance with HKFRS 9; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

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.

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 the 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).

Impairment losses on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible 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 relevant 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 asset individually, 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 to sale 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Taxation

Income tax expense represents the sum of the tax 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 the 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 profit. 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 profit 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 the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in a subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment is only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the 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 asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which 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 the reporting period.

The measurement of deferred tax liabilities and assets 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 purpose of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered 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 business 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, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of preparing the Historical Financial Information, the assets and liabilities of the Group's foreign operation are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using the exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period unless exchange rate fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Retirement benefits costs

Payments to the Group's state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered services entitling them to the contributions.

The Group operates the MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% to 10% of the relevant payroll costs for each employee to the MPF Scheme, subject to a cap of monthly relevant income of HK$30,000 for the MPF Scheme, which contribution is matched by employees.

The employees of the Group in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

Short-term and other long-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 and annual 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 employees up to the reporting date. 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.

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.

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 directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations, that the directors of the Company have made in the process of applying the Group's accounting policies and that have the significant effect on the amounts recognised in the Historical Financial Information.

Deferred taxation on investment properties

For the purpose of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolio and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred tax on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Key sources of estimation uncertainty

Management had made the following estimations that have the most significant effect on the amounts recognised in the Historical Financial Information and a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of investment properties

Investment properties are carried in the consolidated statements of financial position at 31 March 2018 and 31 August 2018 at their fair value of HK$60,300,000 and HK$61,700,000, respectively (note 17). The fair value was based on valuation of these properties conducted by Jones Lang LaSalle Limited, an independent property valuer. In determining the fair values of the Group's investment properties, the valuer applied a market value basis which involves, inter-alia, significant unobservable inputs and significant judgements, representing appropriate market rent and capitalisation rate.

Provision of ECL for trade debtors and contract assets

Before the application of HKFRS 9, the Group makes allowances for trade debtors and contract assets based on the assessment of the recoverability, creditworthiness of customers and ages of trade debtors and contract assets.

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. Impairment on trade debtors is made based on estimation of the future cash flows discounted at the original effective interest rates. If the financial condition of the customers of the Group deteriorates, resulting in an impairment of their ability to make payments, additional impairment may be required.

Since the application of HKFRS 9 on 1 April 2018, management estimates the amount of loss allowance for ECL on trade debtors and contract assets that are measured at amortised cost based on the credit risk of trade debtors and contract assets. When measuring ECL, the Group uses reasonable and supportable forward-looking information (for example, the current and forecasted economic growth rates and unemployment rate in Hong Kong, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. The assessment of the credit risk of trade debtors and contract assets involve high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

As at 31 March 2016, 31 March 2017, 31 March 2018 and 31 August 2018, the carrying amounts of trade debtors and contract assets were HK$4,989,000 and HK$45,789,000, HK$5,359,000 and HK$56,296,000, HK$62,026,000 and HK$66,933,000, and HK$44,687,000 and HK$61,948,000, respectively.

Provisions

Significant estimates are involved in the determination of provisions related to warranty costs and rectification work. Accordingly, management exercises considerable judgment in determining whether there is a present obligation as a result of a past event at the reporting date, whether it is more likely than not that such warranty services and rectification work will result an outflow of resources and whether the amount of the obligation can be reliably estimated with reference to the relevant correspondences and contracts with customers. The management estimates the cost for warranty services and rectification work with regard to the Group's experience in addressing such matters. As at 31 March 2016, 31 March 2017, 31 March 2018 and 31 August 2018, the Group recognised provision related to warranty costs and rectification work amounting to HK$42,170,000, HK$115,127,000, HK$106,141,000 and HK$110,529,000, respectively (note 28).

6. REVENUE

Revenue represents the fair value of amounts received and receivable from the provision of design, supply and installation of aluminium windows and curtain walls services by the Group to external customers which is recognised over time. The Group's revenue is derived from long-term contracts in relation to provision of design, supply and installation of aluminium windows and curtain walls services in Hong Kong and the PRC during the Track Record Period.

	Year ended 31 March			**Five months ended 31 August**	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Provision of design, supply and installation of aluminium windows and curtain walls services	367,768	501,938	421,146	215,129	157,072

The customers of the Group are mainly property developers and main contractors in Hong Kong and the PRC. All of the Group's provision of design, supply and installation of aluminium windows and curtain walls services are made directly with the customers. Contracts with the Group's customers are mainly fixed-price contracts, except for the variation orders.

Disaggregation of revenue

	Year ended 31 March			Five months ended 31 August	
By contract type	**2016**	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Design, supply and installation for curtain walls, aluminium windows, doors and other products for new buildings *(notes i and ii)*	245,410	347,555	242,888	141,623	68,308
Design, supply and installation for aluminium windows, doors and other products for new buildings *(note ii)*	116,913	153,869	162,161	72,885	87,000
Design, supply and installation for renovation works for existing buildings	2,435	191	14,737	–	892
Repairing, maintenance and others *(note iii)*	3,010	323	1,360	621	872
Total	367,768	501,938	421,146	215,129	157,072

Notes:

i The contract type involves aluminium windows, doors and other products in addition to curtain walls. The curtain walls are the principal products for the contract type and the principal revenue from this contract type is also from curtain walls.

ii Other products represent balustrade, louvre, cladding, window wall, canopy and grille.

iii Others mainly represent mock up.

Transaction price allocated to the remaining performance obligations

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of each reporting period.

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Provision of design, supply and installation of aluminium windows and curtain walls services	489,906	285,782	516,585	520,934

Based on the information available to the Group at the end of each reporting period, the directors of the Company expect the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts in respect of provision of design, supply and installation of aluminium windows and curtain walls services as of 31 March 2016, 31 March 2017, 31 March 2018 and 31 August 2018 will be recognised as revenue during the years ended/ending 31 March 2017 to 31 March 2021.

7. SEGMENT INFORMATION

The Group is engaged in a single operating segment focusing on the provision of design, supply and installation of aluminium windows and curtain walls services. This operating segment has been identified on the basis of internal management reports that are regularly reviewed by the directors of the Company, being the chief operating decision makers, for the purpose of result allocation and performance assessment. Therefore, no further analysis of segment information is presented.

Geographical information

Information about the Group's revenue from external customers is presented based on the geographical location of the projects:

	Year ended 31 March			Five months ended 31 August	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
Hong Kong	342,941	483,397	377,094	173,304	152,181
PRC	24,827	18,541	44,052	41,825	1,631
Other (Saipan)	–	–	–	–	3,260
	367,768	501,938	421,146	215,129	157,072

Information about the Groups non-current assets (excluding deferred tax assets) is presented based on the location of the assets:

	As at 31 March			As at 31 August
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	400	340	152,443	154,801
PRC	29,200	26,390	26,418	23,246
	29,600	26,730	178,861	178,047

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group during the Track Record Period are as follows:

	Year ended 31 March			Five months ended 31 August	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Customer a	156,984	145,414	–*	–*	–*
Customer b	96,315	149,973	94,173	38,593	47,959
Customer c	–*	78,071	–*	–*	19,358
Customer d	N/A	50,478	151,547	103,493	–*
Customer e	N/A	N/A	63,398	–*	25,797
Customer f	N/A	–*	43,011	41,825	N/A
Customer g	–*	–*	–*	–*	41,329

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

8. OTHER INCOME

	Year ended 31 March			Five months ended 31 August	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Sales of scrap materials	1,135	1,272	1,268	856	609
Rental income	–	–	410	–	648
Interest income	15	19	16	4	3
Others	365	114	105	68	18
	1,515	1,405	1,799	928	1,278

9. OTHER GAINS (LOSSES)

	Year ended 31 March			Five months ended 31 August	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
Exchange gains (losses)	445	1,866	(5,185)	(2,193)	3,528
Gain (loss) on disposal of property, plant and equipment	–	–	102	(57)	–
	445	1,866	(5,083)	(2,250)	3,528

10. IMPAIRMENT LOSSES, NET OF REVERSAL

	Year ended 31 March			Five months ended 31 August	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
Net impairment losses reversed (recognised) on:					
– trade debtors	927	–	(3,548)	–	140
– contract assets	–	–	–	–	72
	927	–	(3,548)	–	212

11. FINANCE COSTS

	Year ended 31 March			Five months ended 31 August	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
Interests on:					
– bank loans	1,477	7	929	756	–
– other loan	–	293	60	60	–
– bank overdraft interest	–	1	–	–	–
– amount due to a fellow subsidiary	125	–	–	–	–
Imputed interest expense on provisions	208	745	1,657	661	891
	1,810	1,046	2,646	1,477	891

12. PROFIT BEFORE TAXATION

	Year ended 31 March			Five months ended 31 August	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):					
Directors' remuneration *(note 13)*					
Fee	13	15	565	236	235
Other emoluments	4,129	5,120	5,552	2,354	2,610
Equity-settled share-based payments	–	505	9,586	3,619	1,826
	4,142	5,640	15,703	6,209	4,671
Other staff costs					
Salaries and other benefits	46,245	55,825	58,087	23,436	24,216
Retirement benefits scheme contributions for other staff	2,848	5,262	4,468	1,624	2,319
Equity-settled share-based payments	–	438	2,927	492	634
Total staff costs	53,235	67,165	81,185	31,761	31,840
Less: Staff costs included in cost of inventories	(13,674)	(16,885)	(14,597)	(5,982)	(6,141)
	39,561	50,280	66,588	25,779	25,699
Auditor's remuneration	299	400	461	192	250
Depreciation of property, plant and equipment	3,225	2,849	4,916	1,195	3,042
Less: Depreciation expenses included in costs of inventories	(3,056)	(2,737)	(2,846)	(1,149)	(1,177)
	169	112	2,070	46	1,865
Operating lease rentals in respect of rented premises	883	1,622	1,052	609	39
Cost of inventories recognised as expenses	137,194	162,690	131,710	58,797	50,515
Impairment loss recognised on inventories	–	–	1,462	–	–
Gross rental income under operating leases	–	–	(410)	–	(648)
Less: Direct operating expenses that generated rental income during the year/period	–	–	146	–	3
	–	–	(264)	–	(645)
Release of prepaid lease payments included in cost of inventories	213	201	207	84	86

13. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executives' emoluments

Mr. Wong Sue Toa, Stewart and Mr. Tai Sai Ho were appointed as directors of the Company on 20 February 2018 and redesignated as non-executive directors on 9 August 2018. Mr. Chuk Kin Lun and Mr. Lee Cheuk Hung were appointed as executive directors and joint managing directors of the Company on 9 August 2018. Mr. Cha Mou Sing, Payson was appointed as an non-executive director on 9 August 2018. Mr. Yip Kai Yung, Professor Ho Richard Yan Ki and Mr. Poon Kan Young were appointed as independent non-executive directors of the Company on 22 February 2019 and no emoluments were paid or payable to them during the Track Record Period. Details of the emoluments paid or payable to other 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:

	Fees	Salaries and other benefits	Performance related incentive payments	Retirement benefits scheme contributions	Ex-gratia payments	Share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000* *(note iv)*	*HK$'000*	*HK$'000* *(note v)*	*HK$'000* *(note vi)*	*HK$'000*
Year ended 31 March 2016							
Executive directors *(note ii)*							
Mr. Chuk Kin Lun	–	484	601	72	94	–	1,251
Mr. Lee Cheuk Hung	–	1,006	400	74	–	–	1,480
Non-executive directors *(note iii)*							
Mr. Cha Mou Sing, Payson	13	–	–	–	–	–	13
Mr. Wong Sue Toa, Stewart	–	434	–	65	585	–	1,084
Mr. Tai Sai Ho	–	273	–	41	–	–	314
Total emoluments	13	2,197	1,001	252	679	–	4,142
Year ended 31 March 2017							
Executive directors *(note ii)*							
Mr. Chuk Kin Lun	–	727	1,095	109	–	30	1,961
Mr. Lee Cheuk Hung	–	1,132	600	78	–	44	1,854
Non-executive directors *(note iii)*							
Mr. Cha Mou Sing, Payson	15	–	–	–	–	95	110
Mr. Wong Sue Toa, Stewart	–	525	–	79	–	224	828
Mr. Tai Sai Ho	–	330	–	49	396	112	887
Total emoluments	15	2,714	1,695	315	396	505	5,640

	Fees	Salaries and other benefits	Performance related incentive payments	Retirement benefits scheme contributions	Ex-gratia payments	Share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000* *(note iv)*	*HK$'000*	*HK$'000* *(note v)*	*HK$'000* *(note vi)*	*HK$'000*
Year ended 31 March 2018							
Executive directors *(note ii)*							
Mr. Chuk Kin Lun	–	705	1,427	106	–	1,973	4,211
Mr. Lee Cheuk Hung	–	1,174	1,100	107	–	888	3,269
Non-executive directors *(note iii)*							
Mr. Cha Mou Sing, Payson	565	–	–	–	–	1,748	2,313
Mr. Wong Sue Toa, Stewart	–	498	–	75	–	3,318	3,891
Mr. Tai Sai Ho	–	313	–	47	–	1,659	2,019
Total emoluments	565	2,690	2,527	335	–	9,586	15,703
Five months ended 31 August 2017 (unaudited)							
Executive directors *(note ii)*							
Mr. Chuk Kin Lun	–	290	595	43	–	822	1,750
Mr. Lee Cheuk Hung	–	489	458	43	–	370	1,360
Non-executive directors *(note iii)*							
Mr. Cha Mou Sing, Payson	236	–	–	–	–	450	686
Mr. Wong Sue Toa, Stewart	–	233	–	35	–	1,318	1,586
Mr. Tai Sai Ho	–	146	–	22	–	659	827
Total emoluments	236	1,158	1,053	143	–	3,619	6,209

	Fees	Salaries and other benefits	Performance related incentive payments	Retirement benefits scheme contributions	Ex-gratia payments	Share-based payments	Total
	HK'000	*HK'000*	*HK'000* *(note iv)*	*HK'000*	*HK'000* *(note v)*	*HK'000* *(note vi)*	*HK'000*
Five months ended 31 August 2018							
Executive directors *(note ii)*							
Mr. Chuk Kin Lun	–	491	595	74	–	413	1,573
Mr. Lee Cheuk Hung	–	520	458	49	–	183	1,210
Non-executive directors *(note iii)*							
Mr. Cha Mou Sing, Payson	235	–	–	–	–	270	505
Mr. Wong Sue Toa, Stewart	–	226	–	34	–	640	900
Mr. Tai Sai Ho	–	142	–	21	–	320	483
Total emoluments	235	1,379	1,053	178	–	1,826	4,671

Notes:

i. Mr. Chuk Kin Lun and Mr. Lee Cheuk Hung act as the chief executives of the Company and their emoluments disclosed above include those for services rendered by them as the chief executives.

ii. The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group.

iii. The non-executive director's emoluments of Mr. Cha disclosed above was for his service in the capacity of non-executive director of Hanison. The non-executive directors' emoluments of Mr. Wong and Mr. Tai shown above were for their services in connection with the management of the affairs of the Group in the capacity of executive director of Hanison.

iv. The performance related incentive payments are determined based on the performance of the individual and the Group's performance and profitability for the Track Record Period.

v. Ex-gratia payment is given to the directors of the Company to recognise the long service and contribution to the Group.

vi. Share-based payments represent contribution borne by the Group arising from the share options and share awards granted to certain directors of the Company under the share option scheme and share award scheme of Hanison.

(b) Employees' emoluments

The five highest paid individuals included three, two, five, five (unaudited) and five directors of the Company for the years ended 31 March 2016, 31 March 2017 and 31 March 2018 and for the five months ended 31 August 2017 and 31 August 2018 respectively, details of whose emoluments are included above. The emoluments of the remaining highest paid individuals during the Track Record Period were as follows:

	Year ended 31 March			Five months ended 31 August	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Employees					
– salaries and other benefits	1,637	2,638	–	–	–
– performance related incentive payments	290	575	–	–	–
– retirement benefits scheme contributions	99	166	–	–	–
– equity-settled share-based payments	–	3	–	–	–
	2,026	3,382	–	–	–

The emoluments of the aforesaid employees were within the following bands:

	Year ended 31 March			Five months ended 31 August	
	2016	2017	2018	2017	2018
	Number of employees	*Number of employees*	*Number of employees*	*Number of employees* *(unaudited)*	*Number of employees*
Nil to HK$1,000,000	1	nil	nil	nil	nil
HK$1,000,001 to HK$1,500,000	1	3	nil	nil	nil

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or 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 of the Company has waived any emoluments during the Track Record Period.

14. TAXATION

	Year ended 31 March			Five months ended 31 August	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
The taxation charge comprises:					
Current taxation					
Hong Kong Profits Tax	3,931	11,693	14,574	6,422	1,148
PRC Enterprise Income Tax	–	22	175	746	791
	3,931	11,715	14,749	7,168	1,939
Deferred taxation *(note 31)*	(56)	(2)	89	157	475
	3,875	11,713	14,838	7,325	2,414

For the Track Record Period, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. For the year ending 31 March 2019, Hong Kong Profits Tax of the qualified entity is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of EIT Law, the tax rate of the PRC subsidiaries is 25% for the Track Record Period.

No provision for PRC Enterprise Income Tax for the year ended 31 March 2016 had been made in the Historical Financial Information as the assessable profit was wholly absorbed by the tax losses brought forward.

Taxation for the year/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			Five months ended 31 August	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Profit before taxation	35,139	67,050	64,950	36,214	11,368
Tax at the applicable income tax rate of 16.5%	5,798	11,063	10,717	5,975	1,876
Tax effect of expenses not deductible for tax purpose	155	676	2,244	1,089	2,128
Tax effect of income not taxable for tax purpose	(245)	(11)	(285)	–	(231)
Utilisation of tax losses previously not recognised	(2,087)	–	–	–	–
Tax effect of tax losses not recognised	498	1	–	–	–
Tax effect of deductible temporary differences not recognised	–	–	2,881	–	–
Tax effect of deductible temporary differences previously not recognised	–	–	–	–	(1,628)
Effect of different tax rate of a subsidiary operating in other jurisdiction	(169)	(16)	(719)	261	269
Others	(75)	–	–	–	–
Taxation for the year/period	3,875	11,713	14,838	7,325	2,414

15. DIVIDENDS

No dividend was paid or proposed by the Company since its incorporation or by the companies now comprising the Group during the Track Record Period.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company for the Track Record Period is based on the following data:

	Year ended 31 March			Five months ended 31 August	
	2016	**2017**	**2018**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Earnings					
Profit for the year/period attributable to owners of the Company for the purpose of basic earnings per share	31,264	55,337	50,112	28,889	8,954
	Number of shares	*Number of shares*	*Number of shares*	*Number of shares*	*Number of shares*
Weighted average number of shares					
Weighted average number of ordinary shares for the purpose of basic earnings per share	100	100	100	100	100

The weighted average number of shares for the purpose of calculating basic earnings per share for the Track Record Period has been determined on the assumption that the Reorganisation in this Document had been effective on 1 April 2015.

No diluted earnings per share is presented as there was no potential ordinary share during the Track Record Period.

17. INVESTMENT PROPERTIES

The Group

	HK$'000
FAIR VALUE	
At 1 April 2015, 31 March 2016 and 31 March 2017	–
Acquisition of a subsidiary *(note 34)*	56,300
Additions	2,684
Gain on change in fair value	1,316
At 31 March 2018	60,300
Gain on change in fair value	1,400
At 31 August 2018	61,700

The fair value of the Group's investment properties at 31 March 2018 and 31 August 2018 has been arrived at on the basis of a valuation carried out on that date by Jones Lang LaSalle Limited ("JLL"), an independent property valuer not connected with the Group. JLL has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The address of JLL is 6/F, Three Pacific Place, 1 Queen's Road East, Hong Kong.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

As at 31 March 2018 and 31 August 2018, the valuation of properties amounting to HK$60,300,000 and HK$61,700,000, respectively, was arrived at by reference to the income capitalisation method which is based on the capitalisation of the net income potential by adopting an appropriate capitalisation rate, which is derived from analysis of sale transactions and interpretation of prevailing investor requirements or expectations.

Summary of fair value hierarchy and Level 3 fair value measurements

All of 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 properties. All investment properties of the Group are valued by reference to a Level 3 fair value measurement.

There are no transfers between different levels within the fair value hierarchy during the year ended 31 March 2018 and the five months ended 31 August 2018.

Level 3 valuation methodologies

Below is a table which presents the significant unobservable inputs:

		Significant unobservable inputs *(note)*	
Income capitalisation approach	**Fair value**	**Capitalisation rate**	**Monthly market rent (for square foot)**
	HK$'000		
Commercial properties			
As at 31 March 2018	60,300	2.5%	HK$20.3 to HK$22.1
As at 31 August 2018	61,700	2.5%	HK$20.6 to HK$22.5

Note: The relationship of unobservable inputs to fair value are (i) the higher the capitalisation rate, the lower the fair value; and (ii) the higher the market rent, the higher the fair value.

18. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Plant and machinery	Furniture and fixtures	Office equipment	Leasehold improvements	Motor vehicles	Moulds	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST								
At 1 April 2015	26,246	16,261	732	5,360	1,190	1,949	246	51,984
Exchange adjustments	(1,063)	(544)	(7)	(129)	(9)	(51)	(2)	(1,805)
Additions	–	930	45	277	46	–	–	1,298
At 31 March 2016	25,183	16,647	770	5,508	1,227	1,898	244	51,477
Exchange adjustments	(1,511)	(837)	(12)	(183)	(18)	(73)	(2)	(2,636)
Additions	–	1,638	122	25	144	–	–	1,929
At 31 March 2017	23,672	17,448	880	5,350	1,353	1,825	242	50,770
Exchange adjustments	2,538	1,508	47	289	24	124	–	4,530
Additions	815	–	–	99	3,793	555	–	5,262
Acquisition of a subsidiary *(note 34)*	89,070	–	–	–	–	–	–	89,070
Disposals	–	–	–	–	–	(474)	–	(474)
At 31 March 2018	116,095	18,956	927	5,738	5,170	2,030	242	149,158
Exchange adjustments	(2,125)	(1,265)	(22)	(288)	(31)	(106)	(2)	(3,839)
Additions	–	–	23	884	–	2,123	–	3,030
At 31 August 2018	113,970	17,691	928	6,334	5,139	4,047	240	148,349
DEPRECIATION								
At 1 April 2015	7,413	10,386	648	4,560	1,039	1,154	246	25,446
Exchange adjustments	(322)	(298)	(5)	(109)	(2)	(24)	(2)	(762)
Provided for the year	1,273	1,249	36	437	11	219	–	3,225
At 31 March 2016	8,364	11,337	679	4,888	1,048	1,349	244	27,909
Exchange adjustments	(526)	(494)	(8)	(169)	(4)	(43)	(2)	(1,246)
Provided for the year	1,201	1,225	39	230	14	140	–	2,849
At 31 March 2017	9,039	12,068	710	4,949	1,058	1,446	242	29,512
Exchange adjustments	1,026	978	39	274	8	83	–	2,408
Provided for the year	3,004	1,382	22	154	192	162	–	4,916
Eliminated on disposals	–	–	–	–	–	(388)	–	(388)
At 31 March 2018	13,069	14,428	771	5,377	1,258	1,303	242	36,448
Exchange adjustments	(929)	(896)	(15)	(278)	(7)	(74)	(2)	(2,201)
Provided for the period	1,779	577	17	98	305	266	–	3,042
At 31 August 2018	13,919	14,109	773	5,197	1,556	1,495	240	37,289
CARRYING VALUES								
At 31 March 2016	16,819	5,310	91	620	179	549	–	23,568
At 31 March 2017	14,633	5,380	170	401	295	379	–	21,258
At 31 March 2018	103,026	4,528	156	361	3,912	727	–	112,710
At 31 August 2018	100,051	3,582	155	1,137	3,583	2,552	–	111,060

The above items of property, plant and equipment are depreciated on a straight-line basis at the following useful lives:

Buildings	20 years – 30 years
Leasehold improvements	Over the shorter of the term of the lease period or 5 years
Other assets	5 years

19. PREPAID LEASE PAYMENTS

The Group

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The prepaid lease payments comprise:				
Leasehold land in the PRC	6,245	5,673	6,058	5,487
Analysed for reporting purposes as:				
Current asset	213	201	207	200
Non-current asset	6,032	5,472	5,851	5,287
	6,245	5,673	6,058	5,487

20. INVESTMENT IN A SUBSIDIARY

The Company

	As at 31 March	As at 31 August
	2018	**2018**
	HK$'000	*HK$'000*
Unlisted investment, at cost	–	–

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Attributable equity interests of the Group as at					Principal activities	Notes
				31 March			31 August	Date of this report		
				2016	2017	2018	2018			
Heroic Elite	BVI 27 February 2017	Hong Kong	US$1	N/A	100%	100%	100%	100%	Investment holding	(a)
Million Hope Industries (BVI)	BVI 15 February 2018	Hong Kong	US$1	N/A	N/A	100%	100%	100%	Investment holding	(a), (f)
Million Hope Industries (HK)	Hong Kong 10 August 1990	Hong Kong	HK$11,000,000	100%	100%	100%	100%	100%	Design, supply and installation of aluminium windows and curtain walls	(b)
Million Hope (BVI)	BVI 15 February 2018	Hong Kong	US$1	N/A	N/A	100%	100%	100%	Investment holding	(a)
Paramount Forward	BVI 2 January 2018	Hong Kong	US$1	N/A	N/A	100%	100%	100%	Investment holding	(a)
Rich Victory	Hong Kong 5 December 2014	Hong Kong	HK$1	N/A	N/A	100%	100%	100%	Property investment	(d), (e)
Sunny Oriental Limited ("Sunny Oriental")	Hong Kong 24 October 2007	Hong Kong	HK$1	100%	100%	100%	100%	100%	Investment holding	(b)
Waller Holdings	BVI 17 November 2014	Hong Kong	US$1	N/A	N/A	100%	100%	100%	Investment holding	(a)
美興新型建築材料(惠州) 有限公司 Million Hope New-Tech Building Supplies (Huizhou) Limited ("Million Hope (Huizhou)")	PRC 27 May 2008	PRC	HK$65,000,000	100%	100%	100%	100%	100%	Manufacture of aluminium windows and design, supply and installation of aluminium windows	(c)

Except for a subsidiary established in the PRC which is a wholly foreign-owned enterprise and has a financial year end of 31 December, all subsidiaries now comprising the Group are limited liabilities companies and have adopted 31 March as their financial year end date.

Notes:

(a) No audited financial statements of Heroic Elite, Million Hope Industries (BVI), Million Hope (BVI), Paramount Forward and Waller Holdings have been prepared since their respective dates of incorporation as they were incorporated in a jurisdiction where there are no statutory audit requirements.

(b) The statutory financial statements of Million Hope Industries (HK) and Sunny Oriental for the years ended 31 March 2016, 31 March 2017 and 31 March 2018 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by Deloitte Touche Tohmatsu.

(c) The statutory financial statements of Million Hope (Huizhou) for the year ended 31 December 2015, 31 December 2016 and 31 December 2017 were prepared in accordance with the relevant accounting principles and regulations applicable to entities established in the PRC and were audited by 惠州市正大會計師事務所有限公司, certified public accountants registered in the PRC.

(d) The statutory financial statements of Rich Victory for the period from 5 December 2014 (date of incorporation) to 31 December 2015 and the year ended 31 December 2016 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by Ernst & Young, certified public accountants registered in Hong Kong.

(e) No statutory financial statements of Rich Victory have been prepared for the 15 months period ended 31 March 2018 as the financial statements have not yet been due to issue.

(f) Other than Million Hope Industries (BVI), which is directly held by the Company, all other companies are indirectly held by the Company.

21. INVENTORIES

The Group

	As at 31 March			As at 31 August
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	15,479	22,723	14,850	16,026
Work in progress	13,244	10,283	11,743	22,269
	28,723	33,006	26,593	38,295

22. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade debtors	4,989	5,359	62,026	44,687
Value-added tax receivables	3,058	4,249	3,080	5,189
Deposits and prepayments	3,945	2,719	3,020	2,987
Prepaid listing expenses	–	–	**[REDACTED]**	**[REDACTED]**
Other receivables	407	630	795	614
	12,399	12,957	69,872	53,682

The Group allows a credit period of 30 to 90 days to its customers. Before accepting any new customer, the Group will internally assess the credit quality of the potential customers and define appropriate credit limit. Other receivables are unsecured, interest-free and repayable on demand. The following is an aging analysis of the trade debtors presented based on the invoice date at the end of each reporting period:

	As at 31 March			As at 31 August
	2016	**2017**	**2018**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	2,841	3,276	31,170	31,561
31–60 days	1,472	–	24,768	3,810
61–90 days	8	–	–	5,690
Over 90 days	668	2,083	6,088	3,626
	4,989	5,359	62,026	44,687

Before the application of HKFRS 9 on 1 April 2018, management closely monitors the credit quality of trade debtors and considers the trade debtors that are neither past due nor impaired to be of a good credit quality based on their historical repayments. Included in the Group's trade debtors balance are trade debtors with aggregate carrying amount of HK$1,370,000, HK$2,083,000 and HK$6,088,000 which are past due at 31 March 2016, 31 March 2017 and 31 March 2018, respectively, for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. There are no balances included in other receivables which have been past due.

The following is an aging analysis of trade debtors which are past due but not impaired:

	As at 31 March		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
31–60 days	694	–	–
61–90 days	8	–	–
Over 90 days	668	2,083	6,088
	1,370	2,083	6,088

Movement in the impairment losses recognised on trade debtors:

	Year ended 31 March		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Balance at the beginning of the year	927	–	–
Impairment losses recognised	–	–	3,548
Reversal of impairment losses recognised	(927)	–	–
Balance at the end of the year	–	–	3,548

Upon the application of HKFRS 9, loss allowance for trade debtors has been measured at an amount equal to lifetime ECL.

For purpose of impairment assessment, the other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month ECL .

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

Details of the impairment assessment of trade debtors are set out in note 24.

The Company

	As at 31 March	As at 31 August
	2018	2018
	HK$'000	*HK$'000*
Prepaid listing expenses	[REDACTED]	[REDACTED]

23. CONTRACT ASSETS AND CONTRACT LIABILITIES

The Group

	As at 1 April	As at 31 March			As at 31 August
	2015	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets					
Provision of design, supply and installation of aluminium windows and curtain walls services	33,168	45,789	56,296	66,933	61,948
Contract liabilities					
Provision of design, supply and installation of aluminium windows and curtain walls services	(916)	(126)	(3,530)	(3,313)	(1,648)

The amount of receipt in advance from a customer is netted off against retention money on a particular contract basis and presented as contract liabilities. For the contract liabilities as at 1 April 2015, 31 March 2016, 31 March 2017 and 31 March 2018, HK$916,000, HK$126,000, HK$nil and HK$3,260,000 are recognised as revenue in profit or loss during the year ended 31 March 2016, 31 March 2017, 31 March 2018 and the five months ended 31 August 2018, respectively.

There were no impairment losses recognised on any contract assets for the years ended 31 March 2016, 31 March 2017 and 31 March 2018.

The Group has rights to considerations from customers for the provision of design, supply and installation of aluminium windows and curtain walls services. Contract assets arise when the Group has right to consideration for completion of design, supply and installation of aluminium windows and curtain walls services and not yet billed under the relevant contracts, and their right is conditioned on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade debtors when such right becomes unconditional other than the passage of time.

Upon the application of HKFRS 9, loss allowance for contract assets has been measured at an amount equal to lifetime ECL. Details of the impairment assessment of contact assets are set out in note 24.

Included in carrying amounts of contract assets and contract liabilities as stated above comprises retention money of HK$36,011,000, HK$48,330,000 and HK$53,719,000 and HK$41,623,000 as at 31 March 2016, 31 March 2017 , 31 March 2018 and 31 August 2018, respectively. As at 31 March 2016, 31 March 2017, 31 March 2018 and 31 August 2018, the balances included retention money from fellow subsidiaries amounting to HK$2,921,000, HK$1,045,000, HK$1,108,000 and HK$196,000, respectively.

Retention money is unsecured and interest-free and represented the monies withheld by customers of contract works fully recoverable within 1 to 2 years from the date of completion of respective design, supply and installation of aluminium windows and curtain walls services projects in accordance with the terms specified in the relevant contracts. Upon satisfactory completion of the installation works of whole project as set out in the contract, the architect for the building project will issue a practical completion certificate. Generally, upon the issuance of the practical completion certificate, half of the retention money of such project will be released to the Group, while the remaining half will be released to the Group upon the issuance of the certificate that identified defects in respect of the entire building project have been made good. During the Track Record Period, the Group is responsible, at its own costs, for remedial works that may arise from defective works or materials used. The retention money does not have any significant financing component for financing benefit.

The retention money is to be settled at the end of each reporting period as follows:

	As at 31 March			As at 31 August
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
On demand or within one year	32,023	37,999	27,658	18,816
After one year	3,988	10,331	26,061	22,807
	36,011	48,330	53,719	41,623

24. IMPAIRMENT ASSESSMENT ON TRADE DEBTORS AND CONTRACT ASSETS

In order to minimise credit risk, the Group makes periodic collective assessment on the recoverability of trade debtors and contract assets and develops and maintains the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the management uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's internal credit risk grading assessment comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	Lifetime ECL – not credit-impaired
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired

In determining the ECL for trade debtors and contract assets, the management of the Group has taken into account the historical default experience and the future prospect of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, as well as any cash flows that are expected from the realisation of the collateral, in estimating the probability of default of each of the trade debtors and contract assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

The following table provides information about the exposure to credit risk and ECL for trade debtors and contract assets which are assessed collectively based on internal credit grading as at 31 August 2018.

Internal credit rating	Average loss rate	Gross carrying amount	Impairment losses
		HK$'000	*HK$'000*
Performing	0.9%	103,915	900
Doubtful	1.1%	3,660	40
In default	100.0%	3,262	3,262
		110,837	4,202

The ECL on trade debtors and contract assets are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 90 days past due because historical experience has indicated that these receivables are generally not recoverable.

A trade debtor and contract asset is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade debtors are over three years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

There has been no change in the estimation techniques or significant assumptions made during the five months ended 31 August 2018 in assessing the loss allowance for the trade debtors and contract assets.

The movement of the impairment losses in respect of trade debtors and contract assets during the five months ended 31 August 2018 is as follows:

	Lifetime ECL-not credit-impaired	**Lifetime ECL-credit-impaired**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2018 *(note)*	1,152	3,548	4,700
Exchange adjustments	–	(286)	(286)
Impairment losses recognised	67	–	67
Reversal of impairment losses recognised	(279)	–	(279)
At 31 August 2018	940	3,262	4,202

Note: The Group has initially applied HKFRS 9 at 1 April 2018 and comparative information is not restated.

There is no transfer between the above categories during the five months ended 31 August 2018.

25. AMOUNTS DUE FROM IMMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES/A SUBSIDIARY

The Group

Amounts due from immediate holding company and fellow subsidiaries are non-trade in nature and are unsecured, non-interest bearing and repayable on demand. The balance of amounts due from immediate holding company and fellow subsidiaries as at 1 April 2015 were HK$nil and HK$203,000, respectively. Included in the amount due from immediate holding company as at 31 March 2017 was an amount of approximately HK$119,709,000 arising from the payment to an independent third party on behalf of immediate holding company for the settlement of the consideration of investment properties acquired by immediate holding company during the year ended 31 March 2017. In the opinion of directors of the Company, the amount due from immediate holding company was expected to be recovered within twelve months after the end of the reporting period and therefore, it was classified as current assets.

The Company

Amount due from a subsidiary is non-trade in nature and is unsecured and non-interest bearing and has no fixed terms of repayment.

26. BANK BALANCES AND CASH

The Group

Bank balances and cash represent cash held by the Group and short-term bank deposits with an original maturity of three months or less at an average interest rate of 0.01%, 0.01%, 0.01% and 0.01% per annum as at 31 March 2016, 31 March 2017, 31 March 2018 and 31 August 2018, respectively.

At 31 March 2016, 31 March 2017, 31 March 2018 and 31 August 2018, bank balances and cash of HK$1,882,000, HK$2,404,000, HK$1,549,000 and HK$3,876,000, respectively, were denominated in Renminbi ("RMB") which is not a freely convertible currency in the international market. The exchange rate of RMB is regulated by the PRC government and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

Bank balances are denominated in currencies other than the functional currencies of the relevant group entities are set out below.

	As at 31 March			As at 31 August
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States Dollars ("USD")	619	459	462	462
Euro ("EUR")	7	7	8	8
RMB	3,929	74	1,094	779

27. TRADE AND OTHER PAYABLES

The Group

	As at 31 March			As at 31 August
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payable	7,106	4,210	5,560	7,075
Retention payable – amount payable within one year	7,436	11,051	14,392	14,137
Accrued costs for construction works	24,296	8,035	22,447	23,326
Accrued operating costs and charges	2,799	4,212	308	791
Accrued staff costs	8,234	13,720	15,288	19,381
Accrued listing expenses	–	–	[REDACTED]	[REDACTED]
Rental deposits received	–	–	444	444
	49,871	41,228	59,245	70,040

The credit period on purchase of goods and payment of subcontractors' works is ranged from 0 to 90 days.

The following is an aging analysis of the trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 March			As at 31 August
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	2,396	1,615	2,225	2,006
31–60 days	122	994	710	3,450
61–90 days	1,015	261	254	253
Over 90 days	3,573	1,340	2,371	1,366
	7,106	4,210	5,560	7,075

The Company

	As at 31 March	As at 31 August
	2018	2018
	HK$'000	*HK$'000*
Accrued listing expenses	[REDACTED]	[REDACTED]

28. PROVISIONS

The Group's provisions are analysed for reporting purposes as:

	As at 31 March			As at 31 August
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities	17,106	39,039	29,895	35,433
Non-current liabilities	25,064	76,088	76,246	75,096
	42,170	115,127	106,141	110,529

The movement of the Group's provisions are as follows:

	Warranty provision	Provision for rectification work	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2015	3,357	8,237	11,594
Additions	2,327	37,758	40,085
Utilisation	(416)	(8,801)	(9,217)
Interest expense	208	–	208
Reversal	–	(500)	(500)
At 31 March 2016	5,476	36,694	42,170
Additions	19,427	80,949	100,376
Utilisation	(1,334)	(25,930)	(27,264)
Interest expense	745	–	745
Reversal	–	(900)	(900)
At 31 March 2017	24,314	90,813	115,127
Additions	19,109	21,823	40,932
Utilisation	(2,916)	(47,159)	(50,075)
Interest expense	1,657	–	1,657
Reversal	–	(1,500)	(1,500)
At 31 March 2018	42,164	63,977	106,141
Additions	1,573	23,874	25,447
Utilisation	(2,054)	(19,896)	(21,950)
Interest expense	891	–	891
At 31 August 2018	42,574	67,955	110,529

The warranty provision represents management's best estimate of the Group's liability under the warranty period, mainly for a period of maximum of 15 years from the end of the defects liability period for provision of design, supply and installation of aluminium windows and curtain walls services based on management's prior experience.

The provision for rectification work relates to the estimated cost of work to be carried out for rectification of aluminium windows and curtain walls supplied to the Group's customers during the defects liability period, mainly for a period of maximum of 2 years, based on management's prior experience. These amounts have not been discounted for the purpose of measuring the provision for rectification work because the effect is not material.

29. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY/IMMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES

The Group and the Company

The amounts are non-trade in nature and are unsecured, non-interest bearing and repayable on demand.

As represented by the directors of the Company, the amount due to immediate holding company will be settled upon the Listing.

30. BANK AND OTHER LOANS

The Group

	As at 31 March			As at 31 August
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank loans *(note a)*	–	120,000	–	–
Other loan *(note b)*	–	7,028	–	–
	–	127,028	–	–
Less: Amount shown under current liabilities (including bank loans with a repayable on demand clause)	–	(127,028)	–	–
Amount shown under non-current liabilities	–	–	–	–
The carrying amount of bank loans that contain a repayment on demand clause (shown under current liabilities) but repayable within one year *(note c)*	–	120,000	–	–
The carrying amount of other loan that repayable within one year	–	7,028	–	–
	–	127,028	–	–
Secured *(note d)*	–	120,000	–	–
Unsecured	–	7,028	–	–
	–	127,028	–	–

Notes:

(a) The bank loans carried interest at market rates of Hong Kong Interbank Offered Rate ("HIBOR") + 1.2% per annum as at 31 March 2017.

(b) The other loan of RMB6,300,000 (equivalent to approximately HK$7,028,000) was unsecured, interest bearing at fixed interest rate of 4.9% per annum, and repayable within one year.

(c) The amounts due were based on scheduled repayment dates set out in the respective loan agreements.

(d) Hanison Construction (BVI) provided corporate guarantees with an outstanding amount of HK$120,000,000 as at 31 March 2017 for the banking facilities granted to the Group. The bank loans were repaid during the year ended 31 March 2018.

31. DEFERRED TAXATION

The Group

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 March			As at 31 August
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax assets	56	58	6	155
Deferred tax liabilities	–	–	(37)	(471)
	56	58	(31)	(316)

The followings are the major deferred tax assets (liabilities) of the Group and movements thereon during the Track Record Period:

	Accelerated tax depreciation	Tax losses	ECL provision of trade debtors and contract assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2015	–	–	–	–
Credit to profit or loss *(note 14)*	56	–	–	56
At 31 March 2016	56	–	–	56
Credit to profit or loss *(note 14)*	2	–	–	2
At 31 March 2017	58	–	–	58
(Charge) credit to profit or loss *(note 14)*	(446)	357	–	(89)
At 31 March 2018	(388)	357	–	(31)
Effect of initial recognition of HKFRS 9 on 1 April 2018 *(note 3)*	–	–	190	190
(Charge) credit to profit or loss *(note 14)*	(490)	50	(35)	(475)
At 31 August 2018	(878)	407	155	(316)

At 31 March 2016, 31 March 2017, 31 March 2018 and 31 August 2018, the Group has unused tax losses of approximately HK$113,000, HK$120,000, HK$2,285,000 and HK$2,587,000, respectively, available for offset against future profit. As at 31 March 2018 and 31 August 2018, a deferred tax asset has been recognised in respect of approximately HK$2,163,000 and HK$2,464,000, respectively, of such losses. As at 31 March 2016, 31 March 2017, 31 March 2018 and 31 August 2018, no deferred tax asset has been recognised in respect of such tax losses of remaining HK$113,000, HK$120,000 and, HK$122,000 and HK$123,000 due to unpredictability of future profit streams. All the unused tax losses may be carried forward indefinitely.

As at 31 March 2016, 31 March 2017, 31 March 2018 and 31 August 2018, the Group has deductible temporary differences of approximately HK$nil, HK$nil, HK$5,010,000 and HK$4,724,000 mainly arising from impairment losses recognised in respect of trade debtors and inventories. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

32. SHARE CAPITAL

The Group

The share capital shown in the Historical Financial Information as at 1 April 2015, 31 March 2016 and 31 March 2017 represented the issued share capitals of Million Hope Industries (HK) and Heroic Elite.

The share capital shown in the Historical Financial Information as at 31 March 2018 and 31 August 2018 represented the issued share capital of the Company.

The Company

Details of share capital of the Company are disclosed as follows:

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 20 February 2018 (date of incorporation), 31 March 2018 and 31 August 2018	3,800,000	380
Issued and fully paid:		
At 20 February 2018 (date of incorporation)	1	–
Issue of shares	99	–
At 31 March 2018 and 31 August 2018	100	–

On 20 February 2018, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 3,800,000 shares of HK$0.1 each with one share allotted and issued to the initial subscriber at par. On the same date, the initial subscriber transferred his one share to Hanison Construction (BVI) at par.

On 13 March 2018, through the Reorganisation (set out in note 2), 99 shares of the Company were allotted and issued to Hanison Construction (BVI) at par. The new shares issued rank pari passu in all respects with the existing shares in issue.

33. RESERVES OF THE COMPANY

	Accumulated losses
	HK$'000
At 20 February 2018 (date of incorporation)	–
Loss and total comprehensive expense for the period	(3,934)
At 31 March 2018	(3,934)
Loss and total comprehensive expense for the period	(11,500)
At 31 August 2018	(15,434)

34. ACQUISITION OF A SUBSIDIARY

On 13 July 2017, the Group entered into a sale and purchase agreement with an independent third party to acquire the entire issued share capital of Waller Holdings together with the assignment of shareholder's loan at a consideration of approximately HK$145,395,000. The acquisition was completed on 14 August 2017. The major assets of the acquisition are office units and car parking spaces of a commercial property, Kings Wing Plaza 1, situated in Shatin, New Territories. Waller Holdings was acquired so as to mainly relocate the Group and its fellow subsidiaries' existing offices to the commercial property. The directors of the Company are of the opinion that the acquisition does not constitute business combinations as defined in HKFRS 3, therefore, the acquisition had been accounted for as acquisition of assets.

The assets acquired and liabilities recognised (excluding the assignment of shareholder's loan) on the date of acquisition, are as follows:

	As at 14 August 2017
	HK$'000
Investment properties	56,300
Property, plant and equipment	89,070
Deposits and prepayments	25
Net assets acquired	145,395
Consideration transferred, satisfied by amount due to immediate holding Company	145,395

35. NON-CASH TRANSACTIONS

During the year ended 31 March 2018, immediate holding company paid an amount of approximately HK$145,395,000 on behalf of the Group for the settlement of the acquisition of a subsidiary.

During the year ended 31 March 2018, the entire share capital of Million Hope Industries (HK) was transferred to the Group from Rich Color Limited for a consideration, settled in the form of a promissory note, of approximately HK$3,385,000. Rich Color Limited assigned the promissory note to the immediate holding company subsequently.

36. OPERATING LEASE COMMITMENTS

As leasee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 March			As at 31 August
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	125	1,387	94	79
In the second to fifth year inclusive	–	1,286	27	2
	125	2,673	121	81

Operating lease payments represented fixed rentals payable by the Group for its office and car parking space. Lease was negotiable for a term of not more than three years.

As lessor

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments in respect of the investment properties:

	As at 31 March			As at 31 August
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	–	–	1,555	1,555
In the second to fifth year inclusive	–	–	2,721	2,073
	–	–	4,276	3,628

Leases are negotiable for lease term for a term of not more than three years.

37. PERFORMANCE BONDS AND CONTINGENT LIABILITIES

(a) Performance bonds

As at 31 March 2016, 31 March 2017, 31 March 2018 and 31 August 2018, the Group had outstanding performance bonds in respect of construction contracts amounting to HK$62,617,000, HK$100,778,000, HK$87,218,000 and HK$109,093,000, respectively. Hanison Construction (BVI) provided corporate guarantees for these outstanding performance bonds granted to the Group. The directors of the Company represented that the guarantee is expected to be released upon the Listing.

(b) Contingent liabilities

Certain fellow subsidiaries of the Company ("the Fellow Subsidiaries") and Million Hope Industries (HK) provide a joint and several guarantee to an insurance company in respect of a surety bond facility granted to Million Hope Industries (HK) and the Fellow Subsidiaries and an amount of approximately HK$178,142,000, HK$205,505,000, HK$57,350,000 and HK$57,350,000 was utilised by the Fellow Subsidiaries as at 31 March 2016, 31 March 2017, 31 March 2018 and 31 August 2018, respectively.

No provision for financial guarantee contracts has been recognised in the Historical Financial Information as, in the opinion of the directors of the Company, the fair value of the financial guarantee on initial recognition and the amount of provision to be recognised subsequently was insignificant. In October 2018, Million Hope Industries (HK) was removed as a party to the facility while remaining as one of the guarantor of the facility. The directors of the Company represent that the guarantee will be released upon the Listing.

38. SHARE-BASED PAYMENT TRANSACTIONS

Share option scheme

Pursuant to Hanison's share option scheme (the "Scheme") which was adopted and became effective on 21 September 2011, all directors (including independent non-executive directors), full-time employees and consultants of Hanison, its subsidiaries and its associated companies are eligible to participate in the Scheme.

According to the Scheme, the board of directors of Hanison may at its discretion grant options to the eligible participants of Hanison, its subsidiaries and its associated companies to subscribe for shares in Hanison.

The following tables disclose movements in the share options granted to the directors of the Company (including executive directors and non-executive directors) and employees of the Group under the Scheme of Hanison during the year ended 31 March 2016, 31 March 2017 and 31 March 2018.

For the year ended 31 March 2016

Category of participants	Date of grant	Exercise period	Exercise price per share	Outstanding as at 1 April 2015	Adjusted during the year	Exercised during the year	Outstanding as at 31 March 2016
			HK$		*(Note i)*		
Directors	26 November 2014	26 November 2014 to 25 November 2019	0.96*	14,350,000	4,303,500	(10,800,000)	7,853,500
Employees	26 November 2014	26 November 2014 to 25 November 2019	0.96*	142,000	27,225	(76,000)	93,225
				14,492,000	4,330,725	(10,876,000)	7,946,725

For the year ended 31 March 2017

Category of participants	Date of grant	Exercise period	Exercise price per share	Outstanding as at 1 April 2016	Exercised during the year	Outstanding as at 31 March 2017
			HK$			
Directors	26 November 2014	26 November 2014 to 25 November 2019	0.96*	7,853,500	–	7,853,500
Employees	26 November 2014	26 November 2014 to 25 November 2019	0.96*	93,225	(59,325)	33,900
				7,946,725	(59,325)	7,887,400

For the year ended 31 March 2018

Category of participants	Date of grant	Exercise period	Exercise price per share	Outstanding as at 1 April 2017	Granted during the year	Exercised during the year	Outstanding as at 31 March 2018
			HK$				
Directors	26 November 2014	26 November 2014 to 25 November 2019	0.96*	7,853,500	–	(7,571,000)	282,500
	5 September 2017	5 September 2017 to 4 September 2022	1.54	–	28,052,000	–	28,052,000
Employees	26 November 2014	26 November 2014 to 25 November 2019	0.96*	33,900	–	(19,775)	14,125
	5 September 2017	5 September 2017 to 4 September 2022	1.54	–	394,000	–	394,000
				7,887,400	28,446,000	(7,590,775)	28,742,625

For the five months ended 31 August 2018

Category of participants	Date of grant	Exercise period	Exercise price per share	Outstanding as at 1 April 2018	Exercised during the period	Outstanding as at 31 August 2018
			HK$			
Directors	26 November 2014	26 November 2014 to 25 November 2019	0.96*	282,500	–	282,500
	5 September 2017	5 September 2017 to 4 September 2022	1.54	28,052,000	–	28,052,000
Employees	26 November 2014	26 November 2014 to 25 November 2019	0.96*	14,125	–	14,125
	5 September 2017	5 September 2017 to 4 September 2022	1.54	394,000	–	394,000
				28,742,625	–	28,742,625

* *It represents the last adjusted exercise price per share.*

Note:

i. The exercise price and the number of outstanding share options have been adjusted for the effect of the bonus issue and the rights issue by Hanison on 16 September 2015 and 23 February 2016 respectively.

Share options granted to certain directors of the Company by Hanison were for their services provided to the Group, Hanison and certain fellow subsidiaries of the Company. In addition, the Group also shared employee resources with other fellow subsidiaries. The amount of equity-settled share-based payments in relation to the share options granted to the directors of the Company, employees of the Group and employees of Hanison and fellow subsidiaries of the Company were allocated to the Group according to the extent of their time and resources spent on the services provided to the Group. The Group recognised a total expense of approximately HK$nil, HK$nil, HK$2,645,000, HK$nil (unaudited) and HK$nil during the year ended 31 March 2016, 31 March 2017, 31 March 2018 and the five months ended 31 August 2017 and 31 August 2018, respectively.

Share award scheme

On 28 July 2016 (the "Adoption Date"), Hanison adopted a share award scheme (the "Share Award Scheme") to recognise the contributions by certain persons ("Eligible Persons"), including employees and directors of Hanison and its subsidiaries, and to give incentives to them in order to retain them for the continuing operation and development of Hanison and its subsidiaries, and to attract suitable personnel for further development of Hanison and its subsidiaries. Subject to any early termination as may be determined by directors of Hanison, the Share Award Scheme is valid and effective for 3 years from the Adoption Date.

Pursuant to the Share Award Scheme, the board of directors of Hanison may, from time to time, at its absolute discretion, select any Eligible Persons to participate in the Share Award Scheme as selected participants and determine the shares to be granted, vesting criteria and conditions, and period for the shares to be vested, subject to the terms and conditions set out in the Share Award Scheme.

The following tables disclose movements in the share awards granted to the directors of the Company (including executive directors and non-executive directors) and employees of the Group under the Share Award Scheme during the year ended 31 March 2017 and 31 March 2018 and the five months ended 31 August 2018.

Category of participants	Date of grant	Vesting date	Number of share awards outstanding as at 1 April 2016	Granted during the year	Number of share awards outstanding as at 31 March 2017 and 31 March 2018	Vested during the period	Number of share awards outstanding as at 31 August 2018
Directors	10 March 2017	30 June 2018	–	25,982,000	25,982,000	(25,982,000)	–
Employees	10 March 2017	30 June 2018	–	293,000	293,000	(293,000)	–
			–	26,275,000	26,275,000	(26,275,000)	–

Share awards granted to certain directors of the Company by Hanison were for their services provided to the Group, Hanison and certain fellow subsidiaries of the Company. In addition, the Group also shared employee resources with other fellow subsidiaries. The amount of equity-settled share-based payments in relation to the share awards granted to the directors of the Company, employees of the Group and employees of Hanison and fellow subsidiaries of the Company were allocated to the Group according to the extent of their time and resources spent on the services provided to the Group. The Group recognised a total expense of approximately HK$943,000, HK$9,868,000, HK$4,111,000 (unaudited) and HK$2,460,000 during the year 31 March 2017 and 31 March 2018 and the five months ended 31 August 2017 and 31 August 2018, respectively.

39. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the Historical Financial Information, the Group also entered into following related party transactions:

	Year ended 31 March			Five months ended 31 August	
	2016	2017	2018	2017	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Design, supply and installation of aluminium windows and curtain walls services income from a company in which certain directors of the ultimate holding company have substantial interests	15,020	–	–	–	1,631
Design, supply and installation of aluminium windows and curtain walls services income from fellow subsidiaries	28,614	4,667	4,085	1,233	1,940
Equity-settled share-based payments charged by ultimate holding company	–	–	12,513	4,111	2,460
Interest expenses paid to a fellow subsidiary	125	–	–	–	–
Management fee expenses paid to ultimate holding company *(note i)*	2,678	2,569	1,573	654	654
Rental expenses in respect of office premise paid to fellow subsidiaries *(note ii)*	111	1,327	942	554	–
Rental expenses in respect of a car parking space paid to a fellow subsidiary *(note ii)*	55	56	60	25	25
Rental expenses in respect of office premise and a car parking space paid to a company in which certain directors of the ultimate holding company have substantial interests *(note ii)*	717	222	16	16	–
Rental expenses in respect of a car parking space paid to a company in which certain directors of the ultimate holding company have substantial interests *(note ii)*	–	17	34	14	14
Rental income received from fellow subsidiaries *(note ii)*	–	–	410	–	648

The Group had a commitment in relation to contracts entered into with fellow subsidiaries in respect of provision of design, supply and installation of aluminium windows and curtain walls services and the outstanding contract sum amounted to approximately HK$18,238,000, HK$4,836,000, HK$2,400,000 and HK$nil as at 31 March 2016, 31 March 2017, 31 March 2018 and 31 August 2018, respectively. In the opinion of the directors of the Company, the remaining contracted commitment will be fulfilled and completed prior to the Listing of the Company.

In the opinion of the directors of the Company, except for the rental expenses in respect of a car parking space paid to a fellow subsidiary and a company in which certain directors of the ultimate holding company have substantial interests and rental income received from fellow subsidiaries, all other related parties transactions will discontinue upon the Listing of the Company.

Notes:

i. During the year ended 31 March 2017, management fee expenses paid to ultimate holding company includes the equity-settled share-based payments expenses allocated in relation to the Group's employees amounting to approximately HK$943,000.

ii. Details of operating lease commitments for rental income and expenses are set out in note 36.

Compensation of key management personnel

Compensation of key management personnel represents the remuneration of the directors of the Company during the Track Record Period, which is disclosed in note 13.

40. 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 its shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes amounts due to ultimate holding company, immediate holding company and fellow subsidiaries as disclosed in note 29, bank and other loans as disclosed in note 30, net of cash and cash equivalents and equity, comprising share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends and issue of new shares and debts.

41. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP				THE COMPANY	
	As at 31 March			As at 31 August	As at 31 March	As at 31 August
	2016	2017	2018	2018	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets						
Loans and receivables (including cash and cash equivalents)	56,075	287,526	103,467	120,995	73,373	77,780
Financial liabilities						
At amortised cost	63,484	182,401	97,404	105,228	77,452	88,533

Financial risk management objectives and policies

The Group and the Company's financial instruments include trade debtors, other receivables, amounts due from/to group companies, bank balances and cash, trade and other payables and bank and other loans.

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 manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The functional currency of the group entities is mainly HK$ and RMB, the currencies in which most of the transactions are denominated. The carrying amounts of the foreign currency denominated monetary assets of the group entities at the end of the reporting period are disclosed in respective note.

The management of the Group considers that the currency risk of those monetary assets is not significant to the Group. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

In addition, the carrying amount of the foreign currency denominated inter-company balances recorded in the statements of financial position of the group entities at the end of the reporting period are as follows:

	As at 31 March			As at 31 August
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$ against RMB	–	–	(1,747)	–
RMB against HK$	(42,184)	(44,576)	(31,721)	(40,060)

The Group is mainly exposed to fluctuation in exchange rate of RMB against HK$. The financial impact on the exchange differences arising from foreign currency of HK$ against RMB is expected to be insignificant to the Group. The following table details the Group's sensitivity to a 10% increase and decrease in respective functional currency (i.e. HK$) against the relevant foreign currency (i.e. RMB). 10% is the sensitivity rate used which represents the management's assessment of the reasonably possible change in a foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year/period end for a 10% change in a foreign currency rate. A positive number below indicates an increase in post-tax profit where HK$ strengthens 10% against RMB. For a 10% weakening of HK$ against RMB, there would be an equal and opposite impact on the post-tax profit and the amount below would be negative.

	Year ended 31 March			Five months ended 31 August
	2016	2017	2018	2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB against HK$	3,522	3,722	2,649	3,345

(ii) Interest rate risk

The cash flow interest rate risk relate primarily to the Group's variable-rate bank loans which were linked to HIBOR and bank balances at the prevailing market deposit rate. The Group is also exposed to fair value interest rate risk in relation to the Group's fixed-rate other loan. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The directors of the Company consider the Group's exposure of bank balances to interest rate is not significant as interest bearing bank balances are within short maturity period. The Group's sensitivity to interest rate risk had been determined based on the exposure to interest rates for variable-rate bank loans at the end of each reporting period. The analysis was prepared assuming amount outstanding at the end of each reporting period was outstanding for the whole year/period. The Group's sensitivity to interest rate risk at the end of each reporting period while all other variables were held constant is as follows:

	Year ended 31 March			Five months ended 31 August
	2016	2017	2018	2018
Reasonably possible change in interest rate	*50 basis points*	*50 basis points*	*50 basis points*	*50 basis points*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(Decrease) increase in post-tax profit for the year				
– as a result of increase in interest rate	–	(501)	–	–
– as a result of decrease in interest rate	–	501	–	–

Credit risk

Overview of the Group's exposure to credit risk before application of HKFRS 9 as at 1 April 2018

At the end of each reporting period, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of contingent liabilities in relation to financial guarantees provided by the Group is disclosed in note 37(b).

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

As at 31 March 2016, 2017 and 2018 and 31 August 2018, the Group has concentration of credit risk with 83.3%, 99.9%, 87.8% and 93.8% of the total trade debtors was due from the Group's four, four, four and four largest customers, respectively.

The Group's credit risk are primarily attributable to and concentrated on trade debtors, amounts due from immediate holding company, fellow subsidiaries and a subsidiary. The Company's credit risk is primarily attributable to and concentrated on an amount due from a subsidiary. In order to minimise the credit risk, the directors of the Company have reviewed their recoverabilities regularly to ensure that follow-up action is taken timely. In this regard, the directors of the Company consider that the credit risk on these balances are significantly reduced.

The credit risk on liquid funds is limited because the majority of counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Overview of the Group's exposure to credit risk after application of HKFRS 9 on 1 April 2018

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from (i) the carrying amount of the respective recognised financial asses as stated in the consolidated statement of financial position; and (ii) the maximum amount the Group would have to pay if the financial guarantees is called upon, irrespective of the likelihood of the guarantee being exercised as disclosed in note 37(b).

The management of the Group has made periodic assessments as well as individual assessment on recoverability of trade debtors and contract assets based on historical settlement records and adjusted for forward-looking information. In determining the lifetime ECL for trade debtors and contract assets, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate. Details of the impairment assessment on trade debtors and contract assets are set out in note 24.

The management of the Group considers the bank balances that are deposited with financial institutions with high credit rating to be low credit risk financial assets. The management of the Group considers the probability of default in negligible and accordingly, no loss allowance was recognised.

For financial guarantee contracts, the maximum amount that the Group has guaranteed under the respective contracts was HK$57,350,000 as at 31 August 2018. At the end of the reporting period, the management of the Group has performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12-month ECL.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. For 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. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

The Group

	Weighted average effective interest rate	On demand or less than 1 year	Total undiscounted cash flow	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2016				
Non-derivative financial liabilities				
Trade and other payables	–	14,542	14,542	14,542
Amount due to immediate holding company	–	33,477	33,477	33,477
Amounts due to fellow subsidiaries	–	15,465	15,465	15,465
Financial guarantee contracts	–	178,142	178,142	–
		241,626	241,626	63,484
As at 31 March 2017				
Non-derivative financial liabilities				
Trade and other payables	–	15,261	15,261	15,261
Amount due to ultimate holding company	–	2,969	2,969	2,969
Amounts due to fellow subsidiaries	–	37,143	37,143	37,143
Bank loans - variable rates	1.59	120,000	120,000	120,000
Other loan - fixed rate	4.90	7,372	7,372	7,028
Financial guarantee contracts	–	205,505	205,505	–
		388,250	388,250	182,401
As at 31 March 2018				
Non-derivative financial liabilities				
Trade and other payables	–	19,952	19,952	19,952
Amount due to immediate holding company	–	77,452	77,452	77,452
Financial guarantee contracts	–	57,350	57,350	–
		154,754	154,754	97,404

	Weighted average effective interest rate	On demand or less than 1 year	Total undiscounted cash flow	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 August 2018				
Non-derivative financial liabilities				
Trade and other payables	–	21,212	21,212	21,212
Amount due to immediate holding company	–	84,016	84,016	84,016
Financial guarantee contracts	–	57,350	57,350	–
		162,578	162,578	105,228

The Company

	Weighted average effective interest rate	On demand or less than 1 year	Total undiscounted cash flow	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2018				
Non-derivative financial liability				
Amount due to immediate holding company	–	77,452	77,452	77,452
As at 31 August 2018				
Non-derivative financial liability				
Amount due to immediate holding company	–	83,362	83,362	83,362
Amounts due to fellow subsidiaries	–	5,171	5,171	5,171
		88,533	88,533	88,533

The amounts shown above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rate differ to those estimates of interest rates determined at the end of each reporting period.

Bank loans with a repayment on demand clause were included in the "on demand or less than 1 year" time band in the above maturity analysis. As at 31 March 2016, 31 March 2017, 31 March 2018 and 31 August 2018, the aggregate undiscounted principal amounts of these bank loans amounted to HK$nil, HK$120,000,000, HK$nil and HK$nil, respectively. Taking into account the Group's financial position, the directors of the Company did not believe that it was probable that the banks would exercise their discretionary rights to demand immediate repayment. The directors of the Company believed that such bank loans would be repaid in accordance with the scheduled repayment dates set out in the loan agreements as follows:

The Group

	Weighted average effective interest rate	On demand or less than 1 year	Total undiscounted cash flow	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*
Bank loans				
As at 31 March 2016	–	–	–	–
As at 31 March 2017	1.59	121,908	121,908	120,000
As at 31 March 2018	–	–	–	–
As at 31 August 2018	–	–	–	–

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

42. RECONCILIATION OF 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.

	Amount due to ultimate holding company	Amount due to immediate holding company	Amounts due to fellow subsidiaries	Bank and other loans	Total
	HK$'000 *(note 29)*	*HK$'000* *(note 29)*	*HK$'000* *(note 29)*	*HK$'000* *(note 30)*	*HK$'000*
At 1 April 2015	–	13,569	13,741	70,000	97,310
Financing cash flows	–	19,908	1,724	(70,000)	(48,368)
At 31 March 2016	–	33,477	15,465	–	48,942
Financing cash flows	2,969	(33,477)	21,678	127,028	118,198
At 31 March 2017	2,969	–	37,143	127,028	167,140
Financing cash flows	(2,969)	(71,328)	(37,143)	(127,203)	(238,643)
Exchange adjustments	–	–	–	175	175
Settlement of the acquisition of a subsidiary on behalf of the Group *(note 35)*	–	145,395	–	–	145,395
Assignment of promissory note *(notes 2 and 35)*	–	3,385	–	–	3,385
At 31 March 2018	–	77,452	–	–	77,452
Financing cash flows	–	6,564	–	–	6,564
At 31 August 2018	–	84,016	–	–	84,016
At 1 April 2017	2,969	–	37,143	127,028	167,140
Financing cash flows *(unaudited)*	(2,969)	–	(37,143)	(7,203)	(47,315)
Exchange adjustments *(unaudited)*	–	–	–	175	175
Settlement of the acquisition of a subsidiary on behalf of the Group *(note 34) (unaudited)*	–	145,395	–	–	145,395
At 31 August 2017 *(unaudited)*	–	145,395	–	120,000	265,395

43. PRE-ACQUISITION FINANCIAL INFORMATION OF WALLER HOLDINGS GROUP

As stated in note 34, the Group acquired the assets of Waller Holdings Group on 14 August 2017.

The financial information of Waller Holdings Group for the period from 17 November 2014 (date of incorporation) to 31 December 2015 and the year ended 31 December 2016 and the period from 1 January 2017 to 13 August 2017 (the date prior to acquisition of Waller Holdings Group) (the "Pre-Acquisition Financial Information") has been prepared by the directors of Waller Holdings in accordance with the accounting policies set out in note 4, which is in compliance with HKFRSs.

The Pre-Acquisition Financial Information is presented in HK$, which is also the functional currency of Waller Holdings.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTE	Period from 17 November 2014 (date of incorporation) to 31 December 2015	Year ended 31 December 2016	Period from 1 January 2017 to 13 August 2017
		HK$'000	*HK$'000*	*HK$'000*
Revenue		–	–	–
Gain on change in fair value of investment properties		–	15,528	9,070
Administrative expenses		(19)	(366)	(487)
Interests on bank loan		–	(777)	(673)
(Loss) profit and total comprehensive (expense) income for the period/year	(iii)	(19)	14,385	7,910

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 December 2015	As at 31 December 2016	As at 13 August 2017
		HK$'000	*HK$'000*	*HK$'000*
Non-current assets				
Investment properties	(iv)	–	136,300	145,370
Deposits paid for acquisition of investment properties		30,643	–	–
		30,643	136,300	145,370
Current assets				
Prepayments		–	–	25
Bank balances	(v)	–	1,448	–
		–	1,448	25
Current liabilities				
Amount due to ultimate holding company	(vi)	–	1,000	–
Amount due to immediate holding company	(vi)	–	–	123,119
Amount due to a fellow subsidiary	(vi)	30,662	80,854	–
Bank loan	(vii)	–	41,528	–
		30,662	123,382	123,119
Net current liabilities		(30,662)	(121,934)	(123,094)
		(19)	14,366	22,276
Capital and reserve				
Share capital	(viii)	–	–	–
Accumulated (losses) profits		(19)	14,366	22,276
		(19)	14,366	22,276

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of Waller Holdings		
	Share capital	**Accumulated (losses) profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 17 November 2014 (date of incorporation)	–	–	–
Loss and total comprehensive expense for the period	–	(19)	(19)
At 31 December 2015 and 1 January 2016	–	(19)	(19)
Profit and total comprehensive income for the year	–	14,385	14,385
At 31 December 2016 and 1 January 2017	–	14,366	14,366
Profit and total comprehensive income for the period	–	7,910	7,910
At 13 August 2017	–	22,276	22,276

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period from 17 November 2014 (date of incorporation) to 31 December 2015	Year ended 31 December 2016	Period from 1 January 2017 to 13 August 2017
	HK$'000	*HK$'000*	*HK$'000*
Operating activities			
(Loss) profit for the period/year	(19)	14,385	7,910
Adjustments for:			
Interest expense	–	777	673
Gain on change in fair value of investment properties	–	(15,528)	(9,070)
Operating cash flows before movement in working capital	(19)	(366)	(487)
Increase in prepayments	–	–	(25)
Cash used in operating activities	(19)	(366)	(512)
Interest paid	–	(777)	(673)
Net cash used in operating activities	(19)	(1,143)	(1,185)
Investing activities			
Deposits paid for acquisition of investment properties	(30,643)	–	–
Purchase of investment properties	–	(90,129)	–
Net cash used in investing activities	(30,643)	(90,129)	–
Financing activities			
Advance from a fellow subsidiary	30,662	50,192	–
Advance from ultimate holding company	–	1,000	–
Repayment to immediate holding company	–	–	(263)
New bank loan raised	–	42,966	–
Repayment of bank loan	–	(1,438)	–
Net cash from (used in) financing activities	30,662	92,720	(263)
Net increase (decrease) in cash and cash equivalents	–	1,448	(1,448)
Cash and cash equivalents at beginning of the period/year	–	–	1,448
Cash and cash equivalents at end of the period/year, represented by bank balances	–	1,448	–

Notes:

(i) SEGMENT INFORMATION

Waller Holdings Group is engaged in a single operating segment focusing on the property investment. This operating segment has been identified on the basis of internal management reports that are regularly reviewed by the directors of Waller Holdings, being the chief operating decision makers, for the purpose of result allocation and performance assessment. Therefore, no further analysis of segment information is presented.

The non-current assets of Waller Holdings Group are all located in Hong Kong.

(ii) TAXATION

Hong Kong Profits Tax is provided at 16.5% on the assessable profits for the period/year. No provision for Hong Kong Profits Tax for the period from 17 November 2014 (date of incorporation) to 31 December 2015, the year ended 31 December 2016 and the period from 1 January 2017 to 13 August 2017 has been made as Waller Holdings Group had no assessable profits.

Taxation for the period/year can be reconciled to the (loss) profit for the period/year per the consolidated statements of profit or loss and other comprehensive income as follows:

	Period from 17 November 2014 (date of incorporation) to 31 December 2015	Year ended 31 December 2016	Period from 1 January 2017 to 13 August 2017
	HK$'000	*HK$'000*	*HK$'000*
(Loss) profit for the period/year	(19)	14,385	7,910
Tax (credit) charge at the applicable income tax rate of 16.5%	(3)	2,374	1,305
Tax effect of income not taxable for tax purpose	–	(2,562)	(1,497)
Tax effect of expenses not deductible for tax purpose	3	188	192
Taxation for the period/year	–	–	–

(iii) (LOSS) PROFIT FOR THE PERIOD/YEAR

	Period from 17 November 2014 (date of incorporation) to 31 December 2015	Year ended 31 December 2016	Period from 1 January 2017 to 13 August 2017
	HK$'000	*HK$'000*	*HK$'000*
(Loss) profit for the period/year have been arrived at after charging:			
Director's remuneration	–	–	–
Staff costs	–	–	–
Auditor's remuneration	–	–	–

Note: No staff costs were incurred by Waller Holdings Group for the period from 17 November 2014 (date of incorporation) to 31 December 2015, the year ended 31 December 2016 and the period from 1 January 2017 to 13 August 2017.

(iv) INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 17 November 2014 (date of incorporation) and 31 December 2015	–
Additions	120,772
Gain on change in fair value	15,528
At 31 December 2016	136,300
Gain on change in fair value	9,070
At 13 August 2017	145,370

The fair values of Waller Holdings Group's investment properties at 31 December 2016 and 13 August 2017 have been arrived at on the basis of a valuation carried out on that date by JLL.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

As at 31 December 2016 and 13 August 2017, the valuations of properties amounting to HK$136,300,000 and HK$145,370,000, respectively, were arrived at by reference to the income capitalisation method which is based on the capitalisation of the net income potential by adopting an appropriate capitalisation rate, which is derived from analysis of sale transactions and interpretation of prevailing investor requirements or expectations.

Summary of fair value hierarchy and Level 3 fair value measurements

All of Waller Holdings 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 properties. All investment properties of Waller Holdings Group are valued by reference to a Level 3 fair value measurement.

There are no transfers between different levels within the fair value hierarchy during the year ended 31 December 2016 and the period from 1 January 2017 to 13 August 2017.

Level 3 valuation methodologies

Below is a table which presents the significant unobservable inputs:

		Significant unobservable inputs *(note)*	
Capitalisation approach	**Fair value**	**Capitalisation rate**	**Monthly market rent (for square foot)**
	HK$'000		
Commercial properties			
As at 31 December 2016	136,300	2.5%	HK$17.7 to HK$19.4
As at 13 August 2017	145,370	2.5%	HK$18.9 to HK$20.7

Note: The relationship of unobservable inputs to fair value are (i) the higher the capitalisation rate, the lower the fair value; and (ii) the higher the market rent, the higher the fair value.

(v) BANK BALANCES

Bank balances represented short-term bank deposits with an original maturity of three months or less at an average interest rate of nil, 0.01% and nil per annum as at 31 December 2015, 31 December 2016 and 13 August 2017, respectively.

(vi) AMOUNTS DUE TO ULTIMATE HOLDING COMPANY/IMMEDIATE HOLDING COMPANY/A FELLOW SUBSIDIARY

The amounts are non-trade in nature and are unsecured, non-interest bearing and repayable on demand.

(vii) BANK LOAN

	As at 31 December		As at 13 August
	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*
Bank loan, secured *(Note a)*	–	41,528	–
Less: Amount shown under current liabilities (including bank loan with a repayable on demand clause)	–	(41,528)	–
Amount shown under non-current liabilities	–	–	–
The carrying amount of bank loan that contains a repayment on demand clause (shown under current liabilities) but repayable *(Note b)*:			
Within one year	–	1,749	–
Within a period of more than one year but not exceeding two years	–	1,749	–
Within a period of more than two years but not exceeding five years	–	5,626	–
Within a period of more than five years	–	32,404	–
	–	41,528	–

Notes:

(a) The bank loan carried interest at market rates of HIBOR + 1.6% per annum.

(b) The amount due was based on scheduled repayment dates set out in the respective loan agreement.

(c) A fellow subsidiary of Waller Holdings provided a corporate guarantee with an outstanding amount of HK$43,000,000 at as 31 December 2016 for the banking facilities granted to Waller Holdings Group.

(d) As at 31 December 2016, investment properties with carrying values amounting to HK$136,300,000 were pledged to secure the bank loan.

The table below details changes in Waller Holdings 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 Waller Holdings Group's consolidated statements of cash flows as cash flows from financing activities.

	Amount due to ultimate holding company	Amount due to immediate holding company	Amount due to a fellow subsidiary	Bank loan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	–	–	–	–	–
Financing cash flows	–	–	30,662	–	30,662
At 31 December 2015	–	–	30,662	–	30,662
Financing cash flows	1,000	–	50,192	41,528	92,720
At 31 December 2016	1,000	–	80,854	41,528	123,382
Financing cash flows	–	(263)	–	–	(263)
Settlement on behalf of Waller Holdings Group	(1,000)	123,382	(80,854)	(41,528)	–
At 13 August 2017	–	123,119	–	–	123,119

(viii) SHARE CAPITAL

	Number of shares	Amount
		US$
Ordinary shares of US$1 each		
Authorised:		
At 17 November 2014 (date of incorporation), 31 December 2015, 31 December 2016 and 13 August 2017	50,000	50,000
Issued and fully paid:		
At 17 November 2014 (date of incorporation), 31 December 2015, 31 December 2016 and 13 August 2017	1	1
		HK$'000
Presented in the Pre-Acquisition Financial Information as:		
At 17 November 2014 (date of incorporation), 31 December 2015, 31 December 2016 and 13 August 2017		–

On 17 November 2014, Waller Holdings was incorporated in the BVI with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each with one share allotted and issued to the immediate holding company of Waller Holdings at par.

(ix) NON-CASH TRANSACTIONS

The following non-cash transactions were made during the period from 1 January 2017 to 13 August 2017:

(a) The balances of amount due to ultimate holding company of HK$1,000,000 and amount due to a fellow subsidiary of HK$80,854,000 were transferred to immediate holding company of Waller Holdings; and

(b) The bank loan of Waller Holdings Group had been repaid by immediate holding company of Waller Holdings.

44. EVENT AFTER THE END OF THE REPORTING PERIOD

On 22 February 2019, written resolutions of the shareholder of the Company was passed to approve the matters set out in the paragraph headed "4. Written resolutions of the sole Shareholder passed on 22 February 2019" under the section headed "A. Further information about the Company" in Appendix V of the Document. It was resolved, among other things:

(i) the authorised share capital of the Company was increased from HK$380,000 divided into 3,800,000 shares to HK$**[REDACTED]** divided into **[REDACTED]** shares by the creation of **[REDACTED]** shares; and

(ii) subject to the fulfilment of the conditions to the proposed spin-off of the Company by way of a distribution in specie of the entire issued share capital of the Company owned by Hanison ("Distribution") and separate listing of the shares of the Company on the Main Board of the Stock Exchange by way of introduction, a specific mandate was given to the directors of the Company to exercise all the powers of the Company to allot and issue **[REDACTED]** shares of the Company (based on 1,077,737,651 shares of Hanison in issue as at the Latest Practicable Date defined in the Document and assuming it will remain unchanged on the Record Date defined in the Document) as will enable Hanison to effect the Distribution on the basis of two shares of the Company for every five shares of Hanison held on the Record Date.

45. 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 August 2018 and up to the date of this report.

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for each of the three years ended 31 March 2018 and the five months ended 31 August 2018 prepared by [Deloitte Touche Tohmatsu], Certified Public Accountants, Hong Kong, our Company's Reporting Accountants, as set out in Appendix I to this listing document (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 listing document and the Accountants' Report set out in Appendix I to this listing document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

[REDACTED]

[REDACTED]

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 listing document, 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.

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a valuation report prepared for the purpose of incorporation in this listing document by Jones Lang LaSalle Limited, an independent valuer, in connection with its valuation as at 31 December 2018 of the property interests held by the Group.

仲量聯行有限公司
物業估價部
香港
鰂魚涌
英皇道979號
太古坊一座7樓
公司牌照號碼：C-003464

Jones Lang LaSalle Limited
Valuation Advisory Services
7/F One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong
Company Licence No. C-003464

28 February 2019

Million Hope Industries Holdings Limited
Office A, 20th Floor
Kings Wing Plaza 1
3 On Kwan Street
Shatin
New Territories
Hong Kong

Attn: Mr. Benny Kwok

Dear Sirs,

Re: (1) Offices A, B, C, D, E, F, G, H, J, K, L, M, N & P on 20th Floor and Car Parking Space Nos. P50 and P51 on Basement Floor, Kings Wing Plaza 1, 3 on Kwan Street, Shatin, New Territories, Hong Kong ("Property 1"); and

(2) An industrial complex located at Shangxia Development Zone, Shuikou, Huizhou, Guangdong Province, The PRC ("Property 2")

We refer to the instruction from Million Hope Industries Holdings Limited ("the Company") for us to carry out market valuations of Property 1 and Property 2 as at 31 December 2018 ("date of valuation") for public disclosure purpose in relation to a potential spin off.

We are also required to provide our opinion of notional apportionment of market value of the following units/ portions of Property 1 as at the date of valuation:

a. Car Parking Space Nos. P50 and P51;

b. Portion of office spaces occupied by the Company; and

c. Remaining Portion of offices spaces.

We have valued Items (b) and (c) above based on the delineations provided by the Company on 9 April 2018.

INTRODUCTION

Instructions

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 market values of the Property 1 and Property 2 as at the date of valuation.

Basis of Valuation

Unless otherwise stated, our valuation has been prepared in accordance with Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, the "HKIS Valuation Standards 2017" published by The Hong Kong Institute of Surveyors ("HKIS"), the "International Valuation Standards 2017" published by the International Valuation Standards Council ("IVSC") and the "RICS Valuation – Global Standards 2017" published by the Royal Institution of Chartered Surveyors ("RICS") subject to variation to meet local established law. Unless otherwise stated, our valuations are undertaken as External Valuers as defined in the relevant Valuation Standards.

Our valuation of the property interests is made on the basis of Market Value as defined by IVSC and adopted by HKIS and RICS, set out as:

"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Our valuation of the property interests of Property 1 has been based on our experience of valuing property interests in Hong Kong. For Property 2 in the PRC, our valuation of its property interest has been based on our experience of valuing interests as "overseas consultants" in the PRC.

Our valuation services have been executed in accordance with our Quality Assurance System, accredited by HKQAA via ISO 9001: 2015 and our report prepared with reference to the assumptions, definitions and limiting conditions as set out in our General Principles of Valuation for Hong Kong and for the PRC, copies of which are attached in Appendix No. 1 and Appendix No. 2.

Valuation Methodologies

For Property 1, we have adopted the income capitalization method and cross-checked by the direct comparison method for our valuation.

The income capitalization method is based on the capitalization of the net income potential by adopting appropriate capitalization rate, which is derived from analysis of sale transactions and our interpretation of prevailing investor requirements or expectations. The market rents adopted in our valuations have reference to lettings of comparable premises.

The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transferred their legal ownership. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative and quantitative differences that may affect the price likely to be achieved by the property under consideration.

In valuing Property 2, due to the nature of the buildings and structures of the property and the particular location in which it is situated, there are unlikely to be relevant market comparable sales readily available. The property interest has therefore been valued by cost approach with reference to its depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

In arriving at the value of land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Valuation Assumptions

Our valuations have been made on the assumption that the owners sell the property interests on the open market without the benefit of deferred-terms contract, leaseback, joint venture, management agreements or any similar arrangements which would serve to affect the values of such property interests. In addition, no forced sale situation in any manner is assumed in our valuations.

In forming our opinion of the values of the property interest in the PRC, we have assumed that the owner has free and uninterrupted rights to use and assign the property interest for the whole of the unexpired land use right term as granted. Unless otherwise stated, we have valued the property interest in the PRC on the assumption that it is freely disposable and transferable for the existing use to both local and overseas purchasers without payment of any premium to the relevant authorities.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale, such as the Land Appreciation Tax for property transactions in the PRC. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Source of Information

We have relied to a very considerable extent on the information provided by the Company and those obtained from the Land Registry and the Buildings Department in Hong Kong. We have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, particulars of occupancy, site and floor areas, the identification of the properties and all other relevant matters. Dimensions, measurements and areas included in the valuation certificates are based on information contained in copies of documents provided to us and are therefore only approximations.

Our valuations are totally dependent on the adequacy and accuracy of the information supplied and/or subsequent assumptions made. Should these prove to be incorrect or inadequate, the accuracy of our valuations may be affected.

Measurements

All measurements are carried out in accordance with the "Code of Measuring Practice" booklet published by the HKIS. To suit the local practices, we declare our departure from the "RICS property measurement" published by RICS in May 2015. Unless otherwise stated, we do not physically measure the actual property or verify the floor areas provided to us, unless we specifically agree in writing to do so, although we make reference to the registered floor plans if available.

Title Investigation

We have not been provided with copy of the title document relating to the property interests in Hong Kong. However, we have caused searches to be made for Property 1 at the Land Registry in Hong Kong. We have not scrutinised the original document to verify ownership and encumbrances, or to ascertain any amendment which may or may not appear on the copy handed to us.

For the property interest in the PRC, we have been provided with copies of documents and legal opinion in relation to the title of Property 2. However, due to the nature of the land registration system in the PRC, we cannot cause searches to be made on the title of the property nor have we examined all the original documents to verify ownership and encumbrances or to ascertain the existence of any lease amendments which may not appear on the copies handed to us. All documents and leases have been used for reference only. We have relied considerably on the advice given by the Company's PRC legal adviser – Guantao Law Firm, concerning the validity of the property interest in the PRC.

Property Inspection

We inspected Property 1 on 13 September 2018 and 24 January 2019 and Property 2 on 12 September 2018. The inspection of Property 1 was conducted by Ms. Selena Lam, MHKIS & MRICS, Manager of our firm. The inspection of Property 2 was conducted by Mr. Jerry He, MCIREA, Senior Manager of our firm.

In the capacity as an external valuer, we have not carried out any building survey, nor have we inspected those parts of the properties which are covered, unexposed or inaccessible, which parts are assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of the uninspected parts of the properties. This report should not be taken as making any implied representation or statement about such parts. We are not able to report that the properties are free from rot, infestation or any other structural defects. No tests have been carried out to any of the services.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the properties, or has since been incorporated, and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

Plant and Machinery

Our valuation normally includes all plant and machinery that form part of the building services installations. However, process plant, machinery and equipment which may have been installed wholly in connection with the occupiers' industrial or commercial processes, together with furniture and furnishings, tenants' fixtures and fittings are excluded in our valuation.

Foreign Exchange

Property 2 has been valued in Renminbi ("RMB") and such valuations have been translated into Hong Kong dollars at the rates of exchange prevailing on 28 December 2018 at RMB1 to HK$1.1413. There has been no significant fluctuation in exchange rate between the date of valuation and the date of this report.

Report

Our summary of valuations and the valuation certificates are attached hereto.

Yours faithfully
For and on behalf of
Jones Lang LaSalle Limited
Dorothy Chow
BSc(Hons), MSc, MHKIS, MRICS, RPS (GP)
Senior Director
License No. E-182969

Note: Ms. Dorothy Chow, MHKIS MRICS RPS(GP), is a qualified general practice surveyor and has over 20 years of experience in the valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUATIONS

	Property	Market Value as at 31 December 2018
		(HK$)
1.	Offices A, B, C, D, E, F, G, H, J, K, L, M, N & P on 20th Floor and Car Parking Space Nos. P50 and P51 on Basement Floor, Kings Wing Plaza 1, 3 On Kwan Street, Shatin, New Territories, Hong Kong	$162,500,000
2.	An industrial complex located at Shangxia Development Zone, Shuikou, Huizhou, Guangdong Province, The PRC	$32,000,000
	Total:	$194,500,000

VALUATION CERTIFICATES

	Property	Description, age and tenure	Particulars of occupancy	Market value as at 31 December 2018
1.	Offices A, B, C, D, E, F, G, H, J, K, L, M, N & P on 20th Floor and Car Parking Space Nos. P50 and P51 on Basement Floor, Kings Wing Plaza 1, 3 On Kwan Street, Shatin, New Territories, Hong Kong An aggregate of 1,506/50,000 equal and undivided shares of and in Shatin Town Lot No. 412	The property comprises all 14 office units on the 20th Floor together with 2 car parking spaces on the Basement Floor of a 20-storey commercial building, namely Kings Wing Plaza 1. The building, being part of the Kings Wing Plaza Development, was completed in 2015. It is situated at the junction of On Muk Street and On Kwan Street in Shek Mun of Shatin District, which lies just east of the Shing Mun River and northeast of City One. Developments in the immediately locality are mainly office and industrial developments. Office developments in the vicinity include Kings Wing Plaza 2, Delta House, Metropole Square and Corporation Park, while industrial developments include Ever Gain Centre, New Commerce Centre, Ever Gain Building, Technology Park, etc. Accessibility to the property is convenient. MTR Shek Mun Station is standing opposite to Kings Wing Plaza 1. Other public transportation including buses, public light buses and taxis are readily available along On Kwan Street and On Ming Street. The building is served by 6 passenger lifts and 1 service lift. The total marketing gross floor area ("GFA") of the office units of the property is approximately 14,981ft^2 (1,391.8m^2). The total GFA of the office units occupied by the Company is approximately 9,348ft^2 (868.5m^2). The lot is held under New Grant No. 21341 for a term of 50 years commencing on 9 January 2012. The Government rent per annum is equivalent to an amount of 3% of the rateable value of the property.	The Company occupied Offices A, B, J, K, L, M, N and P of the property under which were subject to a tenancy agreement for a term of 3 years from 18 December 2017 at a monthly rent of HK$214,992 per month while the remaining office units were let to two related, associated or subsidiary companies of the Hanison Group for a term of 3 years from 27 December 2017 at the total monthly rental income of HK$129,570. All of the above rentals are exclusive of rates, Government rents and management fees. On the other hand, Car Parking Space Nos. P50 and P51 of the property were owner-occupied as at the date of valuation.	HK$162,500,000 (HONG KONG DOLLARS ONE HUNDRED SIXTY TWO MILLION AND FIVE HUNDRED THOUSAND)

Notes:

(1) The registered owner of Property 1 is Rich Victory (Hong Kong) Limited.

(2) The existing use of Offices A, B, C, D, E, F, G, H, J, K, L, M, N & P on 20th Floor of Property 1 is office use. Upon our inspection, we noted that the office units have been re-partitioned, which were different from their layouts as shown on the building plans approved on 8 September 2015. The interiors of the property had been finished with painted walls, carpeted/ wooden/ marble floors and suspended ceilings. Building services including water, electricity, sewage, central air-conditioning, sprinkler, smoke detector and lighting are provided therein.

(3) According to our recent Land Registry search, the following major encumbrances are registered against Property 1:

- Occupation Permit No. NT 67/2015 (OP) dated 28 October 2015 vide Memorial No. 15110402060076.
- Certificate of Compliance (Remarks: From District Lands Office, Shatin, Lands Department) dated 18 January 2016 vide Memorial No. 16011902460061.
- Memorandum Change of Building Name dated 3 February 2016 vide Memorial No. 16022302130034.
- Deed of Mutual Covenant and Management Agreement with Plans dated 3 February 2016 vide Memorial No. 16022302130050.

(4) Property 1 is zoned "Other Specified Uses (Business)" under the draft Shatin Outline Zoning Plan No. S/ST/34 and exhibited on 8 June 2018.

(5) According to the New Grant No. 21341, the building erected on the lot shall not be used for any purposes other than for non-residential purposes.

(6) Notional Apportionment of Market Value of various units / portions of Property 1 as at the date of valuation are as follows:

Portion / Unit	**Notional Apportionment of Market Value (HK$) as at 31 December 2018**
Offices A, B, J, K, L, M, N & P on 20th Floor	$95,500,000
Offices C, D, E, F, G & H on 20th Floor	$62,600,000
Car Parking Space Nos. P50 & P51 on Basement Floor	$4,400,000

VALUATION CERTIFICATES

	Property	Description, age and tenure	Particulars of occupancy	Market value as at 31 December 2018
2.	An industrial complex located at Shangxia Development Zone, Shuikou, Huizhou, Guangdong Province, The PRC	The property comprises an industrial complex erected on a land parcel (identified as "Land Parcel 1") together with its adjoining land parcel (identified as "Land Parcel 2") located in the Shangxia Development Zone of Huizhou. It is situated 300m to the south-west of the junction of Huize Avenue and Mashui Road East in Shangxia Development Zone. Developments in the immediately locality are mainly industrial developments include Dong Jiang Hi-Tech, Longjin Development Zone, Huayang Industrial Zone, etc.	Property 2 was owner-occupied as at the date of valuation.	HK$32,000,000 (HONG KONG DOLLARS THIRTY TWO MILLION)

Accessibility to the property is reasonable. The entrance of S23 Highway is approximate 500m to the east of the property. Other public transportation including buses and taxis are readily available along Huize Avenue.

According to copies of the Realty Title Certificates, Land Parcels 1 and 2 are both permitted for industrial use with site areas of about 11,657m^2 and 5,000m^2 respectively.

The industrial complex includes a 3-storey workshop, a 4-storey office and a 5-storey dormitory completed in 2008 with a total gross floor area ("GFA") of about 12,645.8m^2 and an ancillary structure of about 2,080m^2.

The GFA breakdown is as follows:

Use	Approx. GFA (m^{2})
Workshop	8,567.1
Dormitory	3,059.5
Office	1,019.2
Total	12,645.8

Land Parcel 1 was granted for land use rights term due to expire on 24 June 2043 and Land Parcel 2 was granted for land use rights term due to expire on 25 November 2055.

Notes:

(1) According to copies of Realty Title Certificates 粵房地證字第C 6695013號, 粵房地證字第C 6695014號and粵房地證字第C 6695015號 dated 12 August 2008, and copy of State-owned Land Use Certificate 惠府國用（2008）第13021701021號 and 惠府國用（2008）第13021701022號, the title of the property is vested in 美興新型建築材料（惠州）有限公司.

(2) We have prepared our valuation based on the following assumptions:

(i) The property is valued with the benefit of good title.

(ii) The property is free of any encumbrances and could be freely assigned, mortgaged, let and transferred in the market.

(iii) We have valued the property in its existing state with the benefit of vacant possession as at the date of valuation.

(iv) In the valuation of this property, we have attributed no commercial value to ancillary structures the property which have not obtained Building Ownership Certificate or construction approvals.

(3) We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

(i) The property is not subject to any mortgage or third party encumbrance;

(ii) 美興新型建築材料（惠州）有限公司legally owns the land use rights of the property and has rights to occupy, use, lease, transfer, mortgage or other dispose of the land of the property; and

(iii) The ancillary structure of the property has not obtained the construction approvals. The costs of the structures are not material and it will not have adverse effect if these structures were demolished.

(4) For reference purpose, the notional value apportionment of building element and land element of the Property as at 31 December 2018 are in the region of approximately HK$23,300,000 and HK$8,700,000 respectively.

(5) Property 2 was valued in Renminbi and the valuation was translated into Hong Kong Dollars at the rate of exchange at RMB1 to HK$1.1413 as at 28 December 2018.

GENERAL PRINCIPLES ADOPTED IN THE PREPARATION AND CONDITIONS THAT APPLY TO AND FORM PART OF HONG KONG VALUATIONS AND REPORTS

This document sets out the terms of engagement for our valuation services. They apply unless we have specifically mentioned otherwise in the service agreement or in the body of the Reports. Where appropriate, we will be pleased to discuss variations to suit any particular circumstances. Any variations to these terms of engagement must be confirmed in writing.

Our Valuations and Reports are confidential to, and for the use only of, the party to whom they are addressed and for the stated specific purpose. No responsibility whatsoever is accepted to any third parties who may use or rely on the whole or any part of the contents of any such Valuation or Report. The whole or any part of the Valuation or Report, or reference thereto, must not be published or referred to in any document, statement, circular, or in any communication with third parties, without our prior written approval of the form and context in which it will appear.

Valuation Methodology:

All work is carried out in accordance with the "HKIS Valuation Standards 2017" published by The Hong Kong Institute of Surveyors ("HKIS"), the "International Valuation Standards 2017" published by the International Valuation Standards Council ("IVSC") and the "RICS Valuation – Global Standards 2017" published by the Royal Institution of Chartered Surveyors ("RICS") subject to variation to meet local established law. Unless otherwise stated, our valuations are undertaken as External Valuers as defined in the relevant Valuation Standards.

Compliance with the RICS standards may be subject to monitoring under the RICS' conduct and disciplinary regulations.

Valuation Basis:

Our valuations are made on the basis of Market Value as defined by IVSC and adopted by HKIS and RICS, set out as:

"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Our valuations are made on the assumption that the owner sells the property on the open market without the benefit of a deferred terms contract, leaseback, joint venture or similar arrangement which would serve to affect the value of the property.

Each valuation is current as at the date of valuation only. The value assessed may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of preceding half of this paragraph, we do not assume any responsibility or accept liability where this valuation is relied upon after the expiration of three months from the date of valuation.

Costs:

No allowances are made in our valuations for dealing with any encumbrances such as charges, mortgages, nor for amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale or disposal.

Source of Information:

We accept as being complete and correct the information provided to us, by the sources listed, as to details of tenure, tenancies, tenant's improvements, planning consents and other relevant matters, as summarized in our report.

Assumptions:

Unless we state otherwise in the valuation, our valuation assumes (without investigation on our part), where applicable,

(a) good and marketable title, and no encumbrance on the property's title which could materially affect its value,

(b) no encroachment by or on the property and no unauthorised additions or structural alterations (our valuation is made according to the original layout as shown in the Registered Floor Plans or developer's brochure and assumes no outstanding reinstatement costs to be charged on the property),

(c) no major environmental factor (including contamination) affects the property,

(d) no deficiencies in the structural integrity of the property and other improvements,

(e) the property is not affected or required for any public purposes or is to be acquired for a public purpose,

(f) there are no outstanding statutory orders on the property or the likely possibility of future orders being made by a regulatory authority,

(g) body corporate records and finances are in a satisfactory order and there are no major financial commitments, orders or levies in respect of any major rectifications, remedial or other works to be undertaken by the body corporate above normal maintenance,

(h) no material litigation pending relating to the property,

(i) that the property (and any works thereto) comply with all relevant statutory regulations, including enactments relating to fire regulations,

(j) no deleterious materials (including by way of example asbestos and calcium chloride),

(k) ground conditions and services are suitable (including, particularly with respect to agricultural land, no possibility of latent infestation in the soil or of disease which might affect crops or stock at any time in the future) and no extraordinary expenses or delays will be incurred due to archaeological, ecological or environmental matters.

Without affecting the generality of the above, where leases or documents of title or site and building surveys or building report or pest certificate or engineer's certificate or body corporate records are provided to us for the purpose of the valuation, reliance must not be placed on our interpretation thereof of any of these documents.

Tenants:

Enquiries as to the financial standing of actual or prospective tenants are not made unless we specifically agree to in writing. Where properties are valued with the benefit of lettings, it is therefore assumed, unless we are informed otherwise in writing, that the tenants are capable of meeting their financial obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.

Measurements:

All measurements are carried out in accordance with the "Code of Measuring Practice" booklet published by the HKIS. To suit the local legislation and/or client's request or agreement, we declare our departure from the "RICS property measurement" published by RICS in May 2015. Unless otherwise stated, we do not physically measure the actual properties or verify the floor areas provided to us, unless we specifically agree in writing to do so, although we make reference to the Registered Floor Plans if available.

Jurisdiction:

Unless the parties otherwise agree in writing, all disputes arising out of and relating to our valuation shall be finally settled under Hong Kong Law and the parties irrevocably submit to the jurisdiction of the Hong Kong Courts.

GENERAL PRINCIPLES ADOPTED IN THE PREPARATION AND CONDITIONS THAT APPLY TO AND FORM PART OF THE PEOPLE'S REPUBLIC OF CHINA VALUATIONS AND REPORTS

This document sets out the general principles upon which our Valuations and Reports are normally prepared, and the conditions that apply to and form part of our Valuations and Reports in our capacity as overseas consultants in The People's Republic of China. They apply unless we have specifically mentioned otherwise in the body of the report. Where appropriate, we will be pleased to discuss variations to suit any particular circumstances, where appropriate, or to arrange for the execution of structural or site surveys, or any other more detailed enquiries. Any variations to these general principles and/or conditions must be confirmed in writing.

Our Valuations and Reports are confidential to, and for the use only of, the party to whom they are addressed and for the stated specific purpose. No responsibility whatsoever is accepted to any third parties who may use or rely on the whole or any part of the contents of any such Valuation or Report. The whole or any part of the Valuation or Report, or reference thereto, must not be published or referred to in any document, statement, circular, or in any communication with third parties, without our prior written approval of the form and context in which it will appear.

Valuation Methodology:

All work is carried out in accordance with the "International Valuation Standards 2017" published by the International Valuation Standards Council (IVSC) subject to variation to meet local established law. Unless otherwise stated, our valuations are undertaken as External Valuers as defined in the IVSC Valuation Standards.

The valuation will also comply with the "RICS Valuation – Global Standards 2017" published by the Royal Institution of Chartered Surveyors.

Valuation Basis:

Our valuations are made on the basis of Market Value as defined by IVSC, set out as:

"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Our valuations are made on the assumption that the owner sells the property on the open market without the benefit of a deferred terms contract, leaseback, joint venture or similar arrangement which would serve to affect the value of the property.

Each valuation is current as at the date of valuation only. The value assessed may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of preceding half of this paragraph, we do not assume any responsibility or accept liability where this valuation is relied upon after the expiration of three months from the date of valuation.

Costs:

No allowances are made in our valuations for dealing with any encumbrances such as charges, mortgages, nor for amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale or disposal.

Source of Information:

We accept as being complete and correct the information provided to us, by the sources listed, as to details of tenure, tenancies, tenant's improvements, planning consents and other relevant matters, as summarized in our report.

Assumptions:

Unless we state otherwise in the valuation, our valuation assumes (without investigation on our part), where applicable,

(a) good and marketable title, and no encumbrance on the property's title which could materially affect its value,

(b) no encroachment by or on the property and no unauthorised additions or structural alterations (our valuation is made according to the original layout as shown in the Registered Floor Plans or developer's brochure and assumes no outstanding reinstatement costs to be charged on the property),

(c) no major environmental factor (including contamination) affects the property,

(d) no deficiencies in the structural integrity of the property and other improvements,

(e) the property is not affected or required for any public purposes or is to be acquired for a public purpose,

(f) there are no outstanding statutory orders on the property or the likely possibility of future orders being made by a regulatory authority,

(g) body corporate records and finances are in a satisfactory order and there are no major financial commitments, orders or levies in respect of any major rectifications, remedial or other works to be undertaken by the body corporate above normal maintenance,

(h) no material litigation pending relating to the property,

(i) that the property (and any works thereto) comply with all relevant statutory regulations, including enactments relating to fire regulations,

(j) no deleterious materials (including by way of example asbestos and calcium chloride),

(k) ground conditions and services are suitable (including, particularly with respect to agricultural land, no possibility of latent infestation in the soil or of disease which might affect crops or stock at any time in the future) and no extraordinary expenses or delays will be incurred due to archaeological, ecological or environmental matters.

Without affecting the generality of the above, where leases or documents of title or site and building surveys or building report or pest certificate or engineer's certificate or body corporate records are provided to us for the purpose of the valuation, reliance must not be placed on our interpretation thereof of any of these documents.

Tenants:

Enquiries as to the financial standing of actual or prospective tenants are not made unless we specifically agree to in writing. Where properties are valued with the benefit of lettings, it is therefore assumed, unless we are informed otherwise in writing, that the tenants are capable of meeting their financial obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.

Measurements:

All measurements are carried out in accordance with the "Code of Measuring Practice" booklet published by the HKIS. Unless otherwise stated, we do not physically measure the actual properties or verify the floor areas provided to us, unless we specifically agree in writing to do so, although we make reference to the Registered Floor Plans if available. To suit the local legislation and/or client's request or agreement, we declare our departure from the "RICS property measurement" published by RICS in May 2015.

Jurisdiction:

Unless the parties otherwise agree in writing, all disputes arising out and relating to our valuation shall be finally settled under Hong Kong Law and the parties irrevocably submit to the jurisdiction of the Hong Kong Courts.

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The memorandum of association of the Company (the "**Memorandum**") was conditionally adopted on 22 February 2019 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum is available for inspection at the address specified in Appendix VI in the section headed "Documents Available for Inspection".

2 Articles of Association

The Articles of Association were conditionally adopted on 22 February 2019 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The share capital of the Company at the date of adoption of the Articles of Association was HK$**[REDACTED]** divided into **[REDACTED]** shares of HK$0.1 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the discretion of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining number of Directors and which Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution – majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings shall also be convened on the written requisition of any one member which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of the three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

2.10 Auditors

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.11 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.12 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.13 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the SFC. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.14 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.15 Dividends and other methods of distribution

Subject to the Companies Law and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared, the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.16 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.17 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.18 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.19 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.20 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.21 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.22 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 20 February 2018 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

   (i) on or in respect of the shares, debentures or other obligations of the Company; or

   (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking is for a period of twenty years from 14 March 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 20 February 2018. The Company has established a principal place of business in Hong Kong at Office A, 20th Floor, Kings Wing Plaza 1, 3 On Kwan Street, Shek Mun, Shatin, New Territories, 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 21 May 2018, with Mr. Wong Sue Toa, Stewart and Mr. Tai Sai Ho appointed as the authorised representatives of the Company for the acceptance of service of process and notices in Hong Kong.

As the Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution comprising the Memorandum and the Articles. A summary of certain provisions of the Memorandum and Articles and relevant aspects of the Companies Law is set out in Appendix IV to this listing document.

2. Changes in share capital of the Company

As the date of incorporation of the Company, the authorised share capital was HK$380,000 divided into 3,800,000 Shares of HK$0.10 per share. Upon incorporation, one Share was allotted and issued to its initial subscriber, which was transferred to Hanison Construction (BVI) on the same date. The following alterations in the share capital of the Company have taken place since the date of incorporation up to the date of this listing document:

(a) On 13 March 2018, 99 Shares were further allotted and issued to Hanison Construction (BVI);

(b) On 22 February 2019, pursuant to the written resolutions of the sole Shareholder, the authorised share capital of the Company was increased from HK$380,000 to HK$**[REDACTED]** divided into **[REDACTED]** Shares of HK$0.10 each;

Save as disclosed in this listing document, there has been no alteration in the share capital of the Company within two years immediately preceding the date of this listing document up to the Latest Practicable Date.

3. Changes in the share capital of the Company's subsidiaries

The principal subsidiaries of the Company are set out in the Accountants' Report, the text of which is set out in Appendix I to this listing document.

Save as disclosed in the section headed "History, Reorganisation and Corporate Structure" of this listing document, there have been no changes in the registered capital of the Company's subsidiaries during the two years preceding the date of this listing document.

4. Written resolutions of the sole Shareholder passed on 22 February 2019

Pursuant to the written resolutions of the sole Shareholder, Hanison Construction (BVI). passed on 22 February 2019, amongst other things:

(a) the Spin-off and Listing was approved and any Director was authorised to sign and execute such documents and do all such acts and things incidental to the Spin-off and Listing or as he considered necessary, desirable or expedient in connection with the implementation of or giving effect to the Spin-off and Listing;

(b) the adoption of the Articles (the terms of which are summarised in Appendix IV to this listing document) was approved;

(c) the increase of the authorised share capital of the Company from HK$380,000 divided into 3,800,000 Shares to HK$**[REDACTED]** divided into **[REDACTED]** Shares by the creation of **[REDACTED]** Shares, was approved;

(d) subject to the fulfilment of the conditions to the Spin-off, a specific mandate was given to the Directors to exercise all the powers of the Company to allot and issue such number of new Shares as will enable Hanison to effect the Distribution on the basis of two Shares for every five Hanison Shares held on the Record Date;

(e) subject to the fulfilment of the conditions to the Spin-off, a general unconditional mandate was given to the Directors to exercise all the powers of the Company to allot, issue and deal with, additional Shares or securities convertible into Shares, and to make or grant offers, agreements, options or securities (including but not limited to warrants, bonds and debentures convertible into Shares) which will or might require Shares to be allotted or issued, (such approval to include authorisation of the Directors to, during the validity of this mandate, make or grant offers, agreements, options or securities (including but not limited to warrants, bonds and debentures convertible into Shares) which would or might require Shares to be allotted and issued either during the validity of this mandate or after it has expired) provided that the aggregate nominal amount of Shares allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise), otherwise than pursuant to a rights issue, or pursuant to the exercise of any rights of subscription or conversion under any outstanding warrants to subscribe for Shares or any securities which are convertible into Shares or any scrip dividend in lieu of the whole or part of a dividend on the Shares, shall not exceed 20% of the aggregate nominal value of the Shares in issue as at the Listing Date. Such mandate will expire at the earliest of:

(i) the conclusion of the next annual general meeting of the Company following the passing of the resolution;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or

(iii) the revocation or variation of the authority given to the Directors by the passing of an ordinary resolution of the Shareholders.

(f) subject to the Stock Exchange granting approval for the Listing, a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors to exercise all the powers of the Company to make repurchases of Shares on the Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, provided that such number of Shares shall not exceed 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Spin-off. Such mandate will expire whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company following the passing of the resolution;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable law to be held; or

(iii) the revocation or variation of the authority given to the Directors by the passing of an ordinary resolution of the Shareholders; and

(g) subject to the Stock Exchange granting approval for the Listing and the passing of the resolutions referred to in subparagraph (e) and (f) above, the extension of the general mandate to allot, issue and deal with Shares as mentioned in sub-paragraph (e) by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares repurchased by us pursuant to subparagraph (f) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the Shares in issue as at the date on which dealings in the Shares commence on the Stock Exchange.

5. Repurchase by the Company of its own Shares

This section sets out information required by the Stock Exchange to be included in this listing document concerning the repurchase by the Company of its own securities.

(a) Relevant legal and regulatory requirements in Hong Kong

The Listing Rules permit shareholders of a listed company to grant a general mandate to the directors to repurchase shares of such company that are listed on the Stock Exchange. Such mandate is required to be given by way of an ordinary resolution passed by shareholders in general meeting. With regard to the Company, certain relevant laws and regulations are as follows:

(i) Shareholders' approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by the sole Shareholder on 22 February 2019, a general unconditional mandate (being the Repurchase Mandate referred to above) was given to the Board of Directors authorising any repurchase by the Company of the Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, provided that such number of Shares shall not exceed 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Spin-off.

(ii) Source of funds

Repurchases by the Company must be funded out of funds legally available for the purpose in accordance with the Articles and the applicable laws and regulations 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 in effect from time to time. Subject to the foregoing, any repurchases by the Company may be made out of funds which would otherwise be available for dividend or distribution, or out of the Company's share premium account or out of an issue of new shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) Trading restrictions

The total number of shares which the Company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue immediately following the completion of the Spin-off. The Company may not issue or announce a proposed issue of new Shares for a period of 30 days immediately following a repurchase (other than an issue of Shares pursuant to an exercise of warrants, share options or similar instruments requiring the Company to issue Shares which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, the Company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit the Company from repurchasing its shares if that repurchase would result in the number of Shares which are in the hands of the public falling below the relevant prescribed minimum 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.

(iv) Status of repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed. Under Companies Law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of repurchase

Pursuant to the Listing Rules, the Company may not make any repurchase of Shares on the Stock Exchange 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: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for publication of an announcement of the Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the Company may not repurchase its Shares on the Stock Exchange other than in exceptional circumstances.

(vi) Reporting requirements

Certain information relating to repurchases of Shares 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 business day following any day on which the Company may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, the Company's annual report is required to disclose details regarding repurchases of Shares 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 purchase, where relevant, and the aggregate prices paid.

(vii) Core connected persons

The Listing Rules prohibit the Company from knowingly repurchasing Shares on the Stock Exchange from a "core connected person", which includes, a director, chief executive or substantial shareholder of the Company or any of its subsidiaries or their close associates (as defined in the Listing Rules), and a core connected person is prohibited from knowingly selling his/her/its Shares to the Company on the Stock Exchange.

(b) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of **[REDACTED]** Shares in issue immediately after listing of the Shares, could accordingly result in up to **[REDACTED]** Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force.

On the basis of the current financial position of the Group as disclosed in this listing document and taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, there might be a material adverse impact on the working capital and/or gearing position of the Group (as compared with the position disclosed in this listing document). However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

(c) Reasons for repurchases

The Directors believe that the ability to repurchase Shares on the market is in the interests of the Company and the Shareholders. The Directors sought the grant of a general mandate from the sole Shareholder to repurchase Shares to give the Company the flexibility to do so if and when appropriate. Repurchases may, depending on the circumstances, result in an increase in the net assets and/or earnings per Share. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining, and will only be made where the Directors believe that such repurchases will benefit the Company and the Shareholders.

(d) Funding of repurchases

In repurchasing Shares, the Company may only apply funds legally available for such purposes in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

(e) General

None of the Directors, nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to the Company or its subsidiaries if the Repurchase Mandate is exercised.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of a repurchase of the Shares, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code as a result of any such increase. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person (as defined in the Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

The Company has not made any repurchase of the Shares since its incorporation.

B. FURTHER INFORMATION ABOUT THE COMPANY'S BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this listing document and are or may be material:

(a) sale and purchase agreement dated 28 March 2018 between Powerful Keen Limited and Million Hope (BVI) relating to the sale and purchase of one share in the share capital of Heroic Elite (the "**Property SPA**");

(b) deed of assignment of shareholder loan dated 28 March 2018 between Powerful Keen Limited and Million Hope (BVI) in connection with the Property SPA;

(c) sale and purchase agreement dated 28 March 2018 between Rich Color Limited and Paramount Forward (the "**MH SPA**") relating to the sale and purchase of 11,000,000 shares in the share capital of Million Hope Industries (HK);

(d) promissory note dated 28 March 2018 issued by Paramount Forward in favour of Rich Color Limited in connection with the MH SPA; and

(e) sale and purchase agreement dated 13 July 2017 between Convoy (BVI) Limited, CSL Securities Limited and Heroic Elite relating to the sale and purchase of the entire issued share capital of Rich Victory.

2. Intellectual property rights of the Group

(a) Trademarks

As at the Latest Practicable Date, the Group had registered the following trademarks:

	Trademark registration number	Trademark	Registered owner	Place of registration	Class	Expiry date
1.	304435777		Million Hope Industries (HK)	Hong Kong	6,19, 37, 42	14 February 2028
2.	25829812	Millionhope	Million Hope (Huizhou)	PRC	6	13 August 2028
3.	25819203	Millionhope	Million Hope (Huizhou)	PRC	35	6 August 2028
4.	25819519	Millionhope	Million Hope (Huizhou)	PRC	42	6 August 2028
5.	25828551		Million Hope (Huizhou)	PRC	6	13 August 2028
6.	25814766		Million Hope (Huizhou)	PRC	35	6 August 2028
7.	25826082		Million Hope (Huizhou)	PRC	42	13 August 2028
8.	26561034	美利亨	Million Hope (Huizhou)	PRC	6	6 September 2028
9.	26576226	美利亨	Million Hope (Huizhou)	PRC	35	6 September 2028
10.	26561071	美利亨	Million Hope (Huizhou)	PRC	42	6 September 2028

As at the Latest Practicable Date, the Group had applied for registration of the following trademarks:

	Trademark application number	Trademark	Applicant	Place of application	Class	Application date
1.	304663134	A B	the Company	Hong Kong	6,19,37,42	10 September 2018
2.	31443213		Million Hope (Huizhou)	PRC	6	6 June 2018
3.	31445239		Million Hope (Huizhou)	PRC	35	6 June 2018
4.	31430735		Million Hope (Huizhou)	PRC	42	6 June 2018

(b) Domain name

As at the Latest Practicable Date, the Group had registered the following domain name:

Domain name	Registered owner	Date of registration	Expiry date
millionhope.com.hk	Million Hope Industries (HK)	13 March 2000	17 July 2019
millionhope.com	Million Hope Industries (HK)	12 March 2011	12 March 2019
millionhope.cn	Million Hope (Huizhou)	20 May 2013	20 May 2019

Save as disclosed in this listing document, there are no trademarks, patents or other intellectual property rights which are material in relation to the business of the Group.

C. FURTHER INFORMATION ABOUT THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Directors' Interests

Immediately following completion of the Spin-off, based on the information available to the Company on the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); or (b) which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Long positions in the Shares

Name	Capacity/Nature of interest	Number of Shares held immediately after completion of the Spin-off	Total number of Shares held immediately after completion of the Spin-off	Approximate percentage of issued share capital *(Note 6)*
[REDACTED]				

[REDACTED]

[REDACTED]

2. Directors' Service Contracts

As at the Latest Practicable Date, none of the Directors has entered or is proposed to enter into a service contract with any member of the Group, save for contracts expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

3. Directors' Remuneration

The Company's policies concerning remuneration of the Directors' are as follows:

(i) the amount of remuneration payable to the executive Directors will be determined on a case by case basis depending on the Director's experience, responsibility, workload and the time devoted to the Group;

(ii) non-cash benefits may be provided to the Directors under their remuneration package.

During the Track Record Period, no remuneration was paid by the Group to, or receivable by, the Directors as an inducement to join or upon joining the Group. No compensation was paid by the Group to, or receivable by, the Directors for each of the three years ended 31 March 2016, 2017 and 2018 and the five months ended 31 August 2018 for the loss of any office in connection with the management of the affairs of any member of the Group. None of the Directors had waived any remuneration during the same periods.

No other payments have been made or are payable, in respect of the Track Record Period, by the Group to or on behalf of any of the Directors. The aggregate remunerations, including fees, salaries, other allowances, benefits in kind but excluding discretionary bonuses, paid or payable to the Directors for the year ending 31 March 2019 are estimated to be approximately HK$3,501,000.

4. Substantial Shareholders

Save as disclosed in the section headed "Substantial Shareholders" in this listing document, the Directors are not aware of any other person (not being a Director or the chief executive of the Company) who will have an interest or a short position in Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

5. Disclaimers

Save as disclosed in this listing document:

(a) none of the Directors or chief executive of the Company has any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken 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 will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;

(b) so far as is known to any of the Directors or chief executive of the Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;

(c) none of the Directors nor any of the persons listed in the sub-section headed "Qualifications and consents of experts" below is interested, directly or indirectly, in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this listing document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(d) none of the Directors or the persons listed in the sub-section headed "Qualifications and consents of experts" below is materially interested in any contract or arrangement with the Group subsisting at the date of this listing document which is unusual in its nature or conditions or which is significant in relation to the business of the Group;

(e) none of the Directors is interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group;

(f) none of the persons listed in the sub-section headed "Qualifications and consents of experts" below has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(g) none of the Directors has entered or has proposed to enter into any service agreements with the Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

(h) so far as is known to the Directors, none of the Directors or their associates or any Shareholder (which to the knowledge of the Directors owns 5% or more of the issued share capital of the Company) has any interest in any of the five largest customers of the Group.

D. OTHER INFORMATION

1. Litigation

Save as disclosed in the section "Business—Litigation and potential claims" in this listing document, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of the Group.

2. Sponsor

The Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules. The Sponsor's fees in connection with the Spin-off are approximately HK$6.5 million.

The Sponsor has made an application on the Company's behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this listing document. All necessary arrangements have been made for the Shares to be admitted into CCASS.

3. Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately HK$0.1 million, inclusive of incorporation costs and disbursements, and are payable by the Company.

4. No material adverse change

Saved as disclosed in this listing document, the Directors confirm that there has been no material adverse change in the Group's financial or trading position since 31 August 2018 (being the date on which the latest audited consolidated financial information of the Group was prepared) and up to the date of this listing document.

5. Promoter

The Company does not have any promoter (as defined in the Listing Rules). Save as disclosed in this listing document, within the two years immediately preceding the date of this listing document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Spin-off and the related transactions described in this listing document.

6. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Estate duty has been abolished in Hong Kong with effect from 11 February 2006 pursuant to the Revenue (Abolition of Estate Duty) Ordinance 2005. No Hong Kong estate duty is payable by the Shareholders in relation to the Shares owned by them upon death and no estate duty clearance papers are needed for an application for a grant of representation in respect of the Shareholders whose deaths occur on or after 11 February 2006.

(b) The Cayman Islands

Payments of dividends and capital in respect of the Shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of the Shares, nor will gains derived from the disposal of the Shares be subject to Cayman Islands income or corporation tax. The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of holding or disposing of or dealing in the Shares. It is emphasised that none of the Company, the Directors or the other parties involved in the Spin-off can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their holding or disposal of or dealing in Shares or exercise of any rights attaching to them. The Directors have been advised that no material liability for estate duty would be likely to fall upon any member of the Group in Hong Kong, the PRC or the Cayman Islands.

7. Qualification and consent of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this listing document:

Name	Qualifications
VMS Securities Limited	Licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activates
Deloitte Touche Tohmatsu	Certified public accountants
Guantao Law Firm	Legal adviser to the Company as to PRC law
Maples and Calder (Hong Kong) LLP	Legal adviser to the Company as to Cayman Islands law
Ipsos	Industry expert
Jones Lang LaSalle Limited	An independent professional property valuer

Each of the experts named above has given and has not withdrawn its written consent to the issue of this listing document with the inclusion of its reports and/or letter and/or valuation certificate and/or opinions and/or the references to its name included herein in the form and context in which it is respectively included.

None of the experts named above has any shareholding interest in any members of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group.

8. Compliance adviser

The Company has appointed VMS Securities Limited as the compliance adviser upon Listing in compliance with Rule 3A.19 of the Listing Rules. Further details of the appointment are set out in the section headed "Directors and Senior Management – Compliance Adviser" in this listing document.

9. Miscellaneous

Save as disclosed in this listing document:

(a) within the two years immediately preceding the date of this listing document:

(i) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no founders or management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued;

(iii) the Company has no outstanding convertible debt securities or debentures;

(iv) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries; and

(v) no commission has been paid or payable subscribing, agreeing to subscribe or procuring subscription or agreeing to procure subscription for any shares in the Company or any of its subsidiaries;

(b) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this listing document;

(d) the principal register of members of the Company will be maintained in the Cayman Islands by **[REDACTED]** and a branch register of members of the Company will be maintained in Hong Kong by the Hong Kong Share Registrar. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;

(e) there is no arrangement under which future dividends have been waived;

(f) no company within the Group is presently listed on any stock exchange or traded on any trading system; and

(g) in case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Reed Smith Richards Butler at 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this listing document:

(i) the Memorandum of Association and the Articles of Association of the Company;

(ii) the Accountants' Report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this listing document;

(iii) the report from Deloitte Touche Tohmatsu relating to the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this listing document;

(iv) the audited consolidated financial statements of the Group for each of the years ended 31 March 2016, 2017 and 2018 and the five months ended 31 August 2018;

(v) the property valuation report (including the valuation certificates) prepared by Jones Lang LaSalle Limited relating to the property interests of the Group, the text of which is set out in Appendix III to this listing document;

(vi) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, the Company's legal advisers as to Cayman Islands law, summarising the constitution of the Company and certain aspects of the Cayman Islands company law as referred to in Appendix IV to this listing document;

(vii) the legal opinions issued by Guantao Law Firm, the Company's legal advisers as to PRC law, in respect of certain aspects of the Group in the PRC;

(viii) the industry report prepared by Ipsos Limited referred to in the section headed "Industry Overview" of this listing document;

(ix) the material contracts referred to in the section headed "General Information – B. Further Information about the Company's Business – 1. Summary of material contracts" in Appendix V to this listing document;

(x) the service contracts referred to in the section headed "General Information – C. Further Information about the Directors and substantial Shareholders – 2. Directors' Service Contracts" in Appendix V to this listing document;

(xi) the written consents referred to in the section headed "General Information – D. Other Information – 7. Qualification and consent of experts" in Appendix V to this listing document; and

(xii) the Companies Law.