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## BUSINESS

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### OVERVIEW

We are a contractor providing fitting-out services and repair and maintenance services in Macau. Our fitting-out services primarily cover refitting works for existing buildings and extend to casinos, retail areas, hotels, restaurants, commercial properties and residential properties. We primarily focus on providing fitting-out services for the commercial segment, in particular facilities located within integrated resorts in Macau. For FY2015, FY2016, FY2017 and FY2018, our total revenue amounted to approximately MOP114.0 million, MOP114.7 million, MOP189.1 million and MOP326.8 million, of which revenue generated from providing fitting-out services constituted approximately 95.0%, 96.1%, 99.5% and 99.8% of our total revenue, respectively. Our fitting-out services are provided on a project basis. During the Track Record Period, we had completed 124 fitting-out projects with an aggregate original contract sum amounting to approximately MOP486.7 million. As at the Latest Practicable Date, we had 24 awarded and ongoing fitting-out projects with an aggregate original contract sum amounting to approximately MOP398.9 million.

During the Track Record Period, we have established business relationship with major licensed casino gaming operators in Macau. According to the Frost & Sullivan Report, Customer A, Customer B and Customer H, being our top five customers during the Track Record Period, are group companies of three of the six licensed casino gaming operators in Macau, and the shares of their respective holding companies are listed on the Stock Exchange. The commercial fitting-out market in Macau is relatively concentrated with the top five players contributing to approximately 35.7% of the entire market in terms of revenue in 2017, according to the Frost & Sullivan Report. In terms of revenue, our Group was the third largest commercial fitting-out contractor and the fifth largest fitting-out contractor in Macau in 2017, with a market share of approximately 4.3% and 2.4%, respectively. Our Directors believe that our experienced management team with profound industry knowledge has contributed to establishing our reputation in the fitting-out industry in Macau and our continued success. It also contributed to maintaining long-term business relationships with our major customers and a stable pool of suppliers and subcontractors.

According to the Frost & Sullivan Report, revenue of the fitting-out industry registered a robust growth from approximately MOP2,172.6 million in 2012 to approximately MOP7,949.4 million in 2017, at a CAGR of approximately 29.6%. It is expected that the revenue of the fitting-out industry in Macau would reach approximately MOP12,372.6 million in 2022, growing at a CAGR of approximately 8.6% from 2018 to 2022. Revenue of the fitting-out industry in the commercial segment, the segment which we mainly focus on, increased from approximately MOP1,174.3 million in 2012 to MOP4,283.9 million in 2017, representing a CAGR of approximately 29.5%. The commercial segment is forecasted to maintain a steady growth. By the end of 2022, revenue of the fitting-out industry in the commercial segment is estimated to reach approximately MOP6,557.5 million, with a CAGR of approximately 7.1% from 2018 to 2022.

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### COMPETITIVE STRENGTHS

Our Directors believe the following competitive strengths contribute to our continued success and potential for growth:

#### **Well-established reputation with proven track record**

We believe a strong track record with long-standing reputation is preferred by customers in the fitting-out market in Macau. We have built a reputation in the fitting-out industry in Macau throughout our operating history, including over 13 years of experience in the fitting-out industry in Macau. According to the Frost & Sullivan Report, in terms of revenue, our Group was the third largest commercial fitting-out contractor and the fifth largest fitting-out contractor in Macau in 2017, with a market share of approximately 4.3% and 2.4%, respectively. We have a proven track record of delivering our services and completing our projects on time and to the satisfaction of our customers. Our Directors believe that our professional and quality services have been well recognised in the fitting-out industry in Macau. Our Directors further believe that our well-established reputation and proven track record will continue to attract customers that can provide us with continuing business opportunities.

#### **Established business relationships with group companies of major licensed casino gaming operators in Macau**

According to the Frost & Sullivan Report, fitting-out projects in the commercial segment are mainly initiated by the six licensed casino gaming operators who contribute to the majority of market share in terms of revenue, including, Customer A, Customer B and Customer H, being our top five customers during the Track Record Period, are group companies of three of the six licensed casino gaming operators in Macau, and the shares of their respective holding companies are listed on the Stock Exchange. We have built a solid business relationship with our major customers over the years. In particular, our business relationship with Customer A, Customer B and Customer H, has been established since 2011, 2008 and 2013, respectively. Our Directors believe that sizeable casino gaming operators are inclined to invite tenders and/or quotations from fitting-out contractors whom they are familiar with and who have a proven track record in providing quality services and works in a timely manner. During the Track Record Period, we had undertaken 98 fitting-out projects that were awarded by Customer A, our largest customer during the Track Record Period, through tender/quotation, with an aggregate original contract sum of approximately MOP615.4 million.

Our Directors believe good relationship with customers places us at a competitive position to secure service contracts in Macau, where the fitting-out market is mainly driven by the gaming and tourism industry. We believe our established relationships with our major customers have been and will continue to be our valuable assets that cannot be easily replaced by peers in the same industry. Such established relationships enable us to attract more tender invitations from our customers, which increases our chances of securing new projects.

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### **Stable pool of reliable suppliers and subcontractors**

We have over 13 years of operation in the fitting-out industry in Macau. Overtime, we have built a stable pool of reliable suppliers and subcontractors. We maintain an internal list of approved suppliers and subcontractors whom we are familiar with and have stable business relationships. Our Directors consider that maintaining a stable pool of reliable suppliers and subcontractors ensures quality of our fitting-out works. In particular, a stable pool of suppliers enables us to source quality supply of fitting-out materials for our projects while a stable pool of subcontractors whom we are familiar with facilitates efficient project management, thereby ensuring the performance of our subcontractors meets our customers’ requirements. Further, having a pool of subcontractors whom we are familiar with and have long-term business relationships allow us to acquaint ourselves with their specialties and abilities. This shortens our response time and enhances the accuracy of our responses to our customers’ queries. We believe a stable pool of reliable suppliers and subcontractors is crucial to securing new businesses and fosters long-term relationships with our customers.

### **Experienced and professional management team with extensive industry knowledge**

According to the Frost & Sullivan Report, successful delivery of fitting-out services relies on competency in project management and sizeable fitting-out projects are usually undertaken by contractors with proven track record in project management and coordination. Our Directors consider that our management team possesses the necessary expertise, knowledge and experience in executing our fitting-out projects. The majority of our executive Directors and members of our senior management has industry experience of over 15 years.

Most integral to our success is Mr. Li, our founder and executive Director, and Mr. Yu, our executive Director, who have over 40 years and 18 years of experience in the fitting-out industry, respectively, and have facilitated our Group in establishing long term relationships with our customers, suppliers and subcontractors. For details of the profile of our management team, please refer to the section headed “Directors, Senior Management and Employees” in this document.

Under the leadership of our management team, we have built up our capacity, expanded our scope of services and enhanced our market presence in Macau. The broad know-how and industry knowledge acquired and accumulated over the years by our management team have been and will continue to be crucial to our business and prospects.

## **BUSINESS STRATEGIES**

According to the Frost & Sullivan Report, given the policies of the Macau Government in promoting diversified tourism development, the pace of construction and refurbishment of buildings and facilities are expected to increase, which in turn is expected to lead to an increase in demand for fitting-out works. It is expected that the revenue of the fitting-out industry in Macau would reach approximately MOP12,372.6 million in 2022, growing at a CAGR of approximately 8.6% from 2018 to 2022. In particular, the commercial segment is forecasted to keep a steady growth. By the end of 2022, the revenue of the fitting-out industry in the commercial segment is likely to reach approximately MOP6,557.5 million,

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with a CAGR of approximately 7.1% from 2018 to 2022. For FY2015, FY2016, FY2017 and FY2018, our total revenue amounted to approximately MOP114.0 million, MOP114.7 million, MOP189.1 million and MOP326.8 million, of which revenue generated from providing fitting-out services constituted approximately 95.0%, 96.1%, 99.5% and 99.8% of our total revenue, respectively.

While the forecasted growth of the fitting-out industry in Macau from 2018 to 2022 at a CAGR of approximately 8.6% is not as significant as the historical growth from 2012 to 2015 at a CAGR of approximately 46.5%, the overall economy of Macau has displayed a steady to good growth trend despite the slowdown in the gaming industry, according to the Frost & Sullivan Report. The opening of the Hong Kong-Zhuhai-Macau Bridge is expected to play a critical link to the implementation of the strategy of the Greater Bay Area of Guangdong, Hong Kong, and Macau. It will facilitate Hong Kong and Macau to integrate into the overall development of the country, deepen the cooperation between the PRC, Hong Kong and Macau, and further promote the tourism industry by upgrading regional transport development. In addition, the diversified economic development will promote and facilitate trade, logistics and tourism in the region and bring about new development opportunities for the fitting-out and construction industries.

In particular, some of the forthcoming major construction projects for hotels and casinos to be completed during the forecasted period are expected to serve as drivers to the construction and fitting-out market in Macau from 2018 to 2022, according to the Frost & Sullivan Report. As we primarily focus on providing fitting-out services for the commercial segment, in particular facilities located within integrated resorts in Macau, some of the forthcoming major construction projects for hotels and casinos to be completed will represent opportunities that are in line with our business strategies as set out below. For example, our Directors expect that the completion of the extension of Galaxy Macau Phase 3 and Phase 4 (澳門銀河擴建第三及第四期) project in 2019 and 2020, being an extension project of an existing integrated resort in Macau with an investment amount of approximately MOP50.0 billion, will entail higher demand for fitting-out services in Macau. For particulars of other forthcoming major construction projects for hotels and casinos, please refer to the section headed “Industry Overview – Overview of fitting-out market in Macau – Market size” in this document. Our Directors are optimistic that these major construction projects, coupled with some of the market drivers of the fitting-out industry, will continue to bring new business opportunities in support of our expansion plan to strengthen our market position as discussed below. These market drivers include (i) sustained investment in integrated resorts in Macau as a result of increased competition in the gaming and tourism industries; (ii) development of Macau as an integrated resort city in light of the 13th Five Year Plan of the PRC to position Macau as the World Centre of Tourism and Leisure and foster Macau as a city for leisure tourism, thereby enhancing the overall development of the tourism industry and promoting new development of cultural tourism; and (iii) increasing demand from diversified tourism development as promoted by the Macau Government and set out in the Tourism Industry Development Master Plan Consultation Paper released by the Macau Government in 2016. For further details of these market drivers, please refer to the section headed “Industry Overview – Overview of fitting-out market in Macau – Market drivers and trends” in this document.

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In terms of revenue, our Group was the third largest commercial fitting-out contractor and the fifth largest fitting-out contractor in Macau in 2017, with a market share of approximately 4.3% and 2.4%, respectively. Taking advantage of the forecasted growth in the fitting-out industry in Macau, we aim to further strengthen our market position by (i) strengthening our financial position to undertake more sizeable fitting-out projects; (ii) diversifying our customers base; and (iii) strengthening our manpower. With a strengthened financial position, we shall be in a better position to tender for more sizeable fitting-out projects with large contract sums given that (a) we can satisfy project upfront costs requirements of sizeable fitting-out projects from customers; and (b) we will be able to adopt a more competitive pricing strategy in tendering for fitting-out projects from new customers to capture new business opportunities even when there are performance bond requirements thereby further expanding our market share amid the growing fitting-out industry in Macau. We will continue to focus on projects on a selective and prudent basis which are profitable and sizeable in nature when implementing our tender/quotation strategy. With such flexibility in allocating our financial resources, we believe we can effectively implement the tender and pricing strategies which our management has formulated from time to time. On the other hand, with an expanded workforce, we will have more capacity to take up more sizeable fitting-out contracts from both existing and new customers.

For further details on how we intend to implement the below strategies, please refer to the section headed “Future Plans and Use of [REDACTED] – Implementation plan” in this document.

### **Strengthening our financial position to undertake more sizeable fitting-out projects**

Our Directors consider that it is important to strengthen our financial position in order to take up more sizeable fitting-out projects with larger contract sums. According to the Frost & Sullivan Report, the fitting-out business is considered as a capital intensive business due to the fact that preparation works such as purchase of specialised fitting-out materials, fees payable to subcontractors, recruitment of direct labour and issuance of performance bond constitute key working capital items for contractors. In particular, substantial working capital investment is often required for making prepayment or deposits to suppliers and subcontractors and for providing performance bonds to customers.

Due to our business nature, we may experience net cash outflows before we are awarded a project and at the initial stage of a project after project commencement. These upfront costs come in two forms. They include (i) prepayments made to our subcontractors before we are awarded a project in order to secure their services should our tender be successful; and (ii) project startup costs at the initial stage of a project which include subcontracting fees for work done by subcontractors, payments made to suppliers for materials and direct labour costs. For details of our prepayments made to subcontractors, please refer to the paragraph headed “Our subcontractors – Prepayment to our subcontractors” in this section and the section headed “Financial Information – Analysis of various items from the consolidated statements of financial position – Other receivables, deposits and prepayments” in this document.

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The cash flow requirement before a project is awarded to us and at the initial stage of a project after the project has commenced constraints the number and size of projects which we can undertake at the same time due to our limited resources. Going forward, we intend to strengthen our cash position and available financial resources to satisfy the requirements for the upfront costs of our projects in the future and in order to undertake more sizeable fitting-out projects in Macau. In the process of identifying and capturing emerging opportunities, we will continue to focus on projects on a selective and prudent basis which are profitable and sizeable in nature. In addition, we will continue to focus on maintaining adequate cash flow for our ongoing capital requirements.

### **Diversifying our customer base**

For FY2015, FY2016, FY2017 and FY2018, revenue attributable to Customer A, being our largest customer during the Track Record Period, amounted to approximately MOP96.2 million, MOP95.9 million, MOP155.4 million and MOP263.9 million, representing approximately 84.4%, 83.6%, 82.2% and 80.8% of our total revenue, respectively. Although our Directors consider that our business is sustainable despite concentration among our major customers during the Track Record Period for the reasons set out in the paragraph headed “Our customers – Sustainability of our business in view of customer concentration” in this section, we believe it is beneficial to diversify our customer base in order to capture a larger market share in the fitting-out industry in Macau.

According to the Frost & Sullivan Report, financial capability is one of the key factors that determines the scale of operation and projects which contractors are able to undertake, which further affects potential profitability of contractors. As such, capital strength is considered to be one of the most important competitive strengths of contractors in the fitting-out industry in Macau. In particular as performance bonds would typically be required for new contractors with limited past working relationship with the contract owners, our Directors had been hesitant in submitting tenders for projects to new customers which require performance bonds during the Track Record Period. This is reflected in revenue concentration among our major customers during the Track Record Period. Attributable to our long-term established relationship with both Customer A and Customer B, being our top five customers during the Track Record Period, we were not required to obtain performance bonds for the projects we had undertaken with them during the Track Record Period. Save for customers who are individuals, and engaged us to provide fitting-out services to individual residential properties (the contract sums for individual residential property projects were smaller compared to our other projects and unlikely to be recurring), during the Track Record Period, we were only able to secure 5 fitting-out projects from new major customers (namely Customer C, Customer D and Customer I, being our new top five customers during the Track Record Period and 2 fitting-out projects from another new customer). Among the 7 fitting-out projects, we were required to provide performance bonds for 3 projects, and the total amount of performance bonds to be provided amounted to approximately MOP13.8 million, representing 10.0% of the original contract sums of such projects. For details, please refer to the paragraph headed “Our customers – Performance bond” in this section. Our Directors consider that if we were to diversify our customer base to capture a larger market share in the fitting-out industry in Macau, it is vital to consider tendering for fitting-out projects from new customers that require us to provide performance



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bonds. We will continue to closely monitor our capital and cash positions and carefully manage key areas such as subcontracting fees and cash flow while seeking to diversify our customer base.

As our business expansion plan, our financial position and manpower relies on [REDACTED] from the [REDACTED], our tender strategy going forward would be to strike a balance between (i) maintaining our existing long-term business relationship with Customer A and Customer B, being our top five customers during the Track Record Period; and (ii) diversifying our customer base through actively competing for projects from new customers. With a strengthened financial position and increased manpower capacity after the [REDACTED], it will become more flexible for us to effectively implement such tender strategy as we are less constrained by our financial resources and will be able to offer a more competitive tender price to secure the project we desire to undertake when we receive invitations from customers to tender for projects. Specific factors which we take into account when selecting our projects going forward include, among others, (i) contract sum of the project; (ii) our past relationship with the potential customer; (iii) property type and profitability of the project; (iv) location of the project site; and (v) whether there are performance bond requirements. The contract sum of the project is an important criteria because we target to undertake more sizeable fitting-out projects with contract sum of MOP10.0 million or above as undertaking sizeable fitting-out projects will enhance our reputation in the fitting-out industry in Macau as well as our job references. We also take into account our past relationship with the potential customer as we need to maintain our long-term business relationship with existing customers while seeking to diversify our customer base through establishing initial business relationship with new customers. On one hand, undertaking projects from customers whom we have worked with will enhance our efficiency as we do not have to spend extra time getting familiar with their internal system and processes in managing a project. On the other hand, we are mindful of not concentrating on undertaking projects from a few customers as we need to spare our resources to continuously explore new business opportunities from new customers in the market. While Macau is a small region, we do take into account location of the project site when selecting projects as there is a higher chance that we will be able to secure our future projects within the same integrated resort if we have already secured and/or are working on an existing project in the resort given that based on our Directors' experience, customers tend to award a series of projects, subject to successful tenders/quotations, to the same contractor for fitting-out works. Finally, while our Directors had been hesitant in submitting tenders for projects to new customers which require performance bonds during the Track Record Period, going forward, we will closely monitor our capital and cash positions while at the same time actively consider tendering for fitting-out projects from new customers that require us to provide performance bonds as discussed above.

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### Strengthening our manpower

We strategically subcontract on-site labour intensive works to our subcontractors, while maintaining overall project management and implementation. As at the Latest Practicable Date, we had 80 full-time employees located in Macau, Hong Kong and the PRC of which 35 of our employees located in Macau were from our project department. Limited by the manpower of our current project management team, in particular project managers and site managers who supervise our subcontractors at the project sites, we believe it is crucial to expand our in-house team of staff in order to cater for the increasing number of sizeable fitting-out projects to be undertaken by us.

### OUR SERVICES

We are a contractor providing fitting-out services and repair and maintenance services in Macau. For FY2015, FY2016, FY2017 and FY2018, our total revenue amounted to approximately MOP114.0 million, MOP114.7 million, MOP189.1 million and MOP326.8 million, of which approximately 95.0%, 96.1%, 99.5% and 99.8% was derived from our fitting-out services, respectively.

The following table sets forth a breakdown of our revenue during the Track Record Period by business segment:

	FY2015		FY2016		FY2017		FY2018	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
Fitting-out services	108,314	95.0	110,247	96.1	188,118	99.5	326,272	99.8
Repair and maintenance services	5,659	5.0	4,429	3.9	993	0.5	502	0.2
<b>Total</b>	<b>113,973</b>	<b>100.0</b>	<b>114,676</b>	<b>100.0</b>	<b>189,111</b>	<b>100.0</b>	<b>326,774</b>	<b>100.0</b>

### Fitting-out services

Our fitting-out services primarily cover refitting works for existing buildings and extend to casinos, retail areas, hotels, restaurants, commercial properties and residential properties. We primarily focus on providing fitting-out services for the commercial segment, in particular facilities located within integrated resorts in Macau. Services provided under our fitting-out projects may include demolition of the original fixtures and finishes and supply and/or installation of building services systems, joineries, metal works, wall finishes, ceiling finishes and floor finishes in the designated areas.



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The following table sets forth a breakdown of our revenue attributable to fitting-out works during the Track Record Period by property type:

	FY2015		FY2016		FY2017		FY2018	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
Casinos	74,631	68.9	63,216	57.4	119,918	63.7	255,047	78.2
Retail areas	1,257	1.2	38,662	35.1	45,492	24.2	7,488	2.3
Hotels	5,301	4.9	4,218	3.8	7,807	4.2	24,309	7.5
Restaurants	2,012	1.8	602	0.5	6,523	3.5	377	0.1
Commercial properties	25,113	23.2	2,796	2.5	6,158	3.2	35,482	10.9
Residential properties	—	—	753	0.7	2,220	1.2	3,569	1.0
<b>Total</b>	<b>108,314</b>	<b>100.0</b>	<b>110,247</b>	<b>100.0</b>	<b>188,118</b>	<b>100.0</b>	<b>326,272</b>	<b>100.0</b>

### *Casinos*

Fitting-out projects for casinos are awarded to us by integrated resort operators, whom are also casino gaming operators, in Macau. These projects typically involve refitting works for certain designated gaming areas within an existing casino, such as mass and VIP gaming areas, casino entrances, smoking rooms, lavatories and multi-function rooms.

### *Retail areas*

Fitting-out projects for retail areas are awarded to us by integrated resort operators in Macau. These projects typically involve refitting works for certain designated retail areas located within an integrated resort, such as shops, lavatories and common areas.

### *Hotels*

Fitting-out projects for hotels are awarded to us by integrated resort operators and fitting-out contractors in Macau. These projects typically involve both first fit-out and refitting works for certain designated areas within a hotel, such as hotel rooms, corridors and health clubs.

### *Restaurants*

Fitting-out projects for restaurants are awarded to us by integrated resort operators in Macau. These projects typically involve refitting works for certain designated areas within restaurants located within integrated resorts, such as kitchen and bar areas.

### *Commercial properties*

Fitting-out projects for commercial properties are awarded to us by integrated resort operators and a fitting-out contractor and fitting-out works are done within commercial areas, such as the back offices of integrated resorts and a yacht club in Macau. These projects involve both first fit-out and refitting works for certain designated areas such as receptions, pantries and employees facilities.

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### *Residential properties*

Fitting-out projects for residential properties involve refitting works for existing individual residential properties in Macau.

### **Repair and maintenance services**

During the Track Record Period, we had completed two repair and maintenance service contracts awarded by Customer B, being an integrated resort operator and one of our top five customers during the Track Record Period. One of the repair and maintenance service contracts was awarded in September 2014 for a period of three years commencing from September 2014 to September 2017 and covers repair and maintenance services such as painting, plastering wall finishes, touch up and varnishing furniture and fixtures, and reapplying damaged sealant where necessary, for two hotels in Macau. Payments are made to us by our customer based on the number of rooms we have repaired in a particular month upon request by our customer. The other repair and maintenance service contract was awarded in May 2018 for a period of one month commencing from June 2018 to July 2018 and covers repair and maintenance services such as supplying and installing steel supporting frames, new finishes, concealed doors, lighting points, power and data outlets and demolishing brick walls for a casino in Macau. For details of the salient terms of these service contracts, please refer to the paragraph headed “Our customers – Salient terms of our repair and maintenance service contracts” in this section.

During the Track Record Period, we undertook projects as both main contractor and subcontractor. The majority of our revenue during the Track Record Period was derived from projects in which we were engaged as main contractor by major licensed casino gaming operators in Macau. To a lesser extent, we were also engaged as subcontractor by other fitting-out contractors in Macau. The following table sets forth a breakdown of our revenue by reference to our role in our projects during the Track Record Period:

	FY2015			FY2016			FY2017			FY2018		
	No. of projects	Revenue MOP'000	%	No. of projects	Revenue MOP'000	%	No. of projects	Revenue MOP'000	%	No. of projects	Revenue MOP'000	%
Main contractor	56	113,973	100.0	25	114,676	100.0	56	181,304	95.9	59	304,109	93.1
Subcontractor	—	—	—	—	—	—	2	7,807	4.1	3	22,665	6.9
<b>Total</b>	<b>56</b>	<b>113,973</b>	<b>100.0</b>	<b>25</b>	<b>114,676</b>	<b>100.0</b>	<b>58</b>	<b>189,111</b>	<b>100.0</b>	<b>62</b>	<b>326,774</b>	<b>100.0</b>

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### OUR PROJECTS

#### Fitting-out projects completed during the Track Record Period and up to the Latest Practicable Date

For FY2015, FY2016, FY2017 and FY2018, we had completed 34, 15, 39 and 36 fitting-out projects, respectively. Among these projects, 2, 3, 4 and 4 projects had an original contract sum of over MOP10.0 million each, with an aggregate original contract sum of approximately MOP76.7 million, MOP42.9 million, MOP146.0 million and MOP83.2 million for the same periods, respectively, while 32, 12, 35 and 32 projects had an original contract sum below MOP10.0 million each, with an aggregated original contract sum of approximately MOP22.0 million, MOP26.4 million, MOP29.9 million and MOP59.5 million for the same periods, respectively.

For the period subsequent to the Track Record Period and up to the Latest Practicable Date, we had completed 6 fitting-out projects, and all 6 projects had an original contract sum below MOP10.0 million each, with aggregated original contract sum of approximately MOP0.6 million.

The following table sets forth a breakdown of our projects completed during the Track Record Period and up to the Latest Practicable Date with an original contract sum of over MOP10.0 million each in descending order by accumulated revenue recognised:

	Main contractor/ subcontractor	Customer	Property type	Duration <i>(Note 1)</i>	Original contract	Revenue recognised <i>(Note 3)</i>				Accumulated revenue recognised
					sum <i>(Note 2)</i>	FY2015	FY2016	FY2017	FY2018	<i>(Note 4, 9)</i>
					MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Track Record Period										
1.	Main contractor	Customer A	Casino	August 2017 to November 2017	71,000	–	–	72,915	3,208	76,123 <i>(Note 5)</i>
2.	Main contractor	Customer A	Casino	March 2015 to December 2015	49,300	55,871	5,242	246	–	61,359 <i>(Note 6)</i>
3.	Main contractor	Customer A	Casino	November 2016 to January 2017	40,894	–	38,259	4,246	–	42,505
4.	Main contractor	Customer A	Casino	November 2014 to January 2015	27,405	8,508	20	–	–	31,360
5.	Main contractor	Customer A	Retail areas	June 2016 to October 2016	13,769	–	21,717	1,734	–	23,451 <i>(Note 7)</i>
6.	Main contractor	Customer A	Retail areas	May 2017 to December 2017	21,501	–	–	23,063	1,341	24,404 <i>(Note 8)</i>
7.	Main contractor	Customer A	Casino	March 2016 to August 2016	18,130	–	16,840	925	–	17,765
8.	Main contractor	Customer B	Casino	May 2014 to August 2016	11,020	8,990	2,513	116	–	15,022
9.	Main contractor	Customer A	Retail area	April 2017 to December 2017	12,630	–	–	12,005	834	12,839
10.	Main contractor	Customer A	Casino	December 2017 to January 2018	37,332	–	–	32,203	2,725	34,928

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	Main contractor/ subcontractor	Customer	Property type	Duration (Note 1)	Original contract sum (Note 2)	Revenue recognised (Note 3)				Accumulated revenue recognised (Note 4, 9)
					MOP'000	FY2015 MOP'000	FY2016 MOP'000	FY2017 MOP'000	FY2018 MOP'000	MOP'000
11.	Subcontractor	Customer C	Hotel	October 2017 to April 2018	15,000	–	–	6,253	8,747	15,000
12.	Main contractor	Customer B	Casino	May 2018 to June 2018	10,823	–	–	–	10,823	10,823
13.	Main contractor	Customer A	Commercial property	June 2018 to October 2018	20,056	–	–	–	15,161	15,161

*Notes:*

- The commencement date of a project is determined based on the commencement date stated in the letter of acceptance or the date of the first invoice while the completion date of a project is determined based on the completion date as stated in the completion certificate or the date of the invoice for 100% work done.
- The original contract sum of a project as set out in the respective contract without taking into account variation orders.
- The revenue recognised for the financial year includes variation orders, where relevant.
- The accumulated revenue recognised may deviate from the original contract sum due to variation orders.
- The variation order for this project amounted to approximately MOP5.1 million, representing approximately 7.2% of the original contract sum. This was attributable to change of design and additional work scope as requested by Customer A.
- The variation orders for this project amounted to approximately MOP12.1 million, representing approximately 24.5% of the original contract sum. This was attributable to change of design and additional work scope as requested by Customer A.
- The variation orders for this project amounted to approximately MOP9.7 million, representing approximately 70.3% of the original contract sum. This was attributable to change of design and additional work scope as requested by Customer A.
- The variation orders for this project amounted to approximately MOP2.9 million, representing approximately 13.5% of the original contract sum. This was attributable to change of design and additional work scope as requested by Customer A.
- The revenue recognised after the Track Record Period is not shown in the above table.

As at the Latest Practicable Date, we had 24 awarded and ongoing fitting-out projects, which include projects that have been commenced but not yet completed and projects that have been awarded but not yet commenced.

					Original contract sum	Revenue recognised during the Track Record Period				Estimated revenue to be recognised
Main contractor/ subcontractor	Customer	Property type	Duration		FY2015	FY2016	FY2017	FY2018		
					MOP'000	MOP'000	MOP'000	MOP'000	MOP'000 (unaudited)	
1.	Main contractor	Customer A	Casino	March 2018 to June 2019	160,392	-	-	-	181,863	328
2.	Main contractor	Customer D	Commercial property	June 2019 to December 2019	61,236	-	-	-	-	61,236
3.	Subcontractor	New customer	Residential	May 2019 to April 2020	53,240	-	-	-	-	53,240
4.	Main contractor	Customer A	Casino	March 2019 to October 2019	32,880	-	-	-	-	32,880
5.	Subcontractor	New customer	Residential	May 2019 to September 2020	23,017	-	-	-	-	23,017
6.	Main contractor	Customer A	Casino	October 2018 to April 2019	22,731	-	-	-	14,053	8,678
7.	Main contractor	Customer B	Casino	December 2018 to May 2019	7,548	-	-	-	2,341	5,207
8.	Subcontractor	Customer I	Hotel	August 2018 to March 2019	7,146	-	-	1,554	7,017	1,244
9.	Main contractor	Customer B	Hotel	December 2018 to April 2019	5,173	-	-	-	1,644	3,529
10.	Main contractor	Customer A	Commercial property	January 2019 to June 2019	4,911	-	-	-	2,646	2,265
11.	Main contractor	Customer B	Casino	June 2018 to March 2019	3,348	-	-	-	3,110	-
12.	Main contractor	Customer A	Casino	December 2018 to March 2019	3,085	-	-	-	1,491	1,594
13.	Main contractor	Customer A	Casino	October 2018 to March 2019	2,800	-	-	-	784	2,016
14.	Main contractor	Customer B	Casino	December 2018 to March 2019	2,380	-	-	-	-	2,380
15.	Main contractor	Customer B	Casino	November 2018 to May 2019	1,788	-	-	-	533	1,255
16.	Main contractor	Customer B	Hotel	January 2019 to March 2019	1,551	-	-	-	-	1,551
17.	Main contractor	Customer B	Casino	January 2019 to March 2019	1,531	-	-	-	-	1,531
18.	Main contractor	Customer B	Casino	December 2018 to April 2019	1,098	-	-	-	-	1,098
19.	Main contractor	Customer A & B <sup>(Note)</sup>	Casino <sup>(Note)</sup>	June 2018 to May 2019 <sup>(Note)</sup>	3,094 <sup>(Note)</sup>	-	-	-	1,418	1,416
									Total	204,465

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### Movement in our number of projects

The following table<sup>(Note 1)</sup> sets forth movement in our number of fitting-out projects during the Track Record Period, with a breakdown of the number of new projects awarded during the year/period and the number of projects completed during the year/period:

	FY2015		FY2016		FY2017		FY2018		Subsequent to the Track Record Period and up to the Latest Practicable Date	Aggregated original contract sum
		Aggregated original contract sum MOP'000		Aggregated original contract sum MOP'000		Aggregated original contract sum MOP'000		Aggregated original contract sum MOP'000		Aggregated original contract sum MOP'000
Number of ongoing projects at the beginning of the year/period	8	40,717	5	16,976	5	45,978	8	78,923	23	365,296
Number of new projects awarded during the year/period	31	74,938	15	98,305	42	208,856	51 <sup>(Note 2)</sup>	429,132	7 <sup>(Note 3)</sup>	34,279
Number of projects completed during the year/period	34	98,679	15	69,303	39	175,911	36	142,759	6	625
Number of ongoing projects as at the end of the year/period	5	16,976	5	45,978	8	78,923	23	365,296	24	398,950

*Notes:*

- (1) From time to time, after the award of a contract by our customer, our Group may be required to submit a separate quotation for subsequent variation orders related to such contract. For the avoidance of doubt and for the purpose of this table, the number of projects do not treat such variation order as a separate project.
- (2) Included 3 projects which we have earmarked to apply our [REDACTED] towards the relevant upfront costs and performance bonds requirements. For further details, please refer to the section headed “Future Plans and [REDACTED] – [REDACTED] – Earmarked projects” in this document.
- (3) For the 7 new projects awarded subsequent to the Track Record Period and up to the Latest Practicable Date, the tenders of 2 new projects were submitted during the Track Record Period, and the remaining 5 tenders were submitted subsequent to the Track Record Period.



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The following table sets forth the movement in the outstanding contract value of our fitting-out and repair and maintenance contracts during the Track Record Period and up to the Latest Practicable Date.

	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>Subsequent to the Track Record Period and up to the Latest Practicable Date</b>
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Outstanding contract value at the beginning of the year/ period	36,873	21,567	13,506	33,695	162,755
Outstanding contract value of new contracts and variation orders	98,667	106,615	209,300	455,834	42,085
Revenue recognised	<u>113,973</u>	<u>114,676</u>	<u>189,111</u>	<u>326,774</u>	<u>52,668</u>
Outstanding contract value at the end of year/ period	<u>21,567</u>	<u>13,506</u>	<u>33,695</u>	<u>162,755</u>	<u>152,172</u>

### Number of projects by range of original contract sum

The following table sets forth a breakdown of the number of fitting-out projects which our Group derived revenue from during the Track Record Period by range of original contract sum without taking into account variation orders:

	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>	<i>Number of projects</i>
<b>Original contract sum</b>				
MOP50.0 million or above	–	–	1	2
MOP10.0 million to below MOP50.0 million	5	6	9	7
MOP1.0 million to below MOP10.0 million	12	9	16	28
Below MOP1.0 million	38	9	31	24
<b>Total<sup>(Note)</sup></b>	55	24	57	61
<b>Average original contract sum</b>	MOP2.9 million	MOP8.8 million	MOP6.5 million	MOP8.0 million

*Note:* There were 12 projects which our Group derived revenue from during both FY2015 and FY2016. There were 13 projects which our Group derived revenue from during both FY2016 and FY2017. There were 19 projects which our Group derived revenue from during both FY2017 and FY2018.

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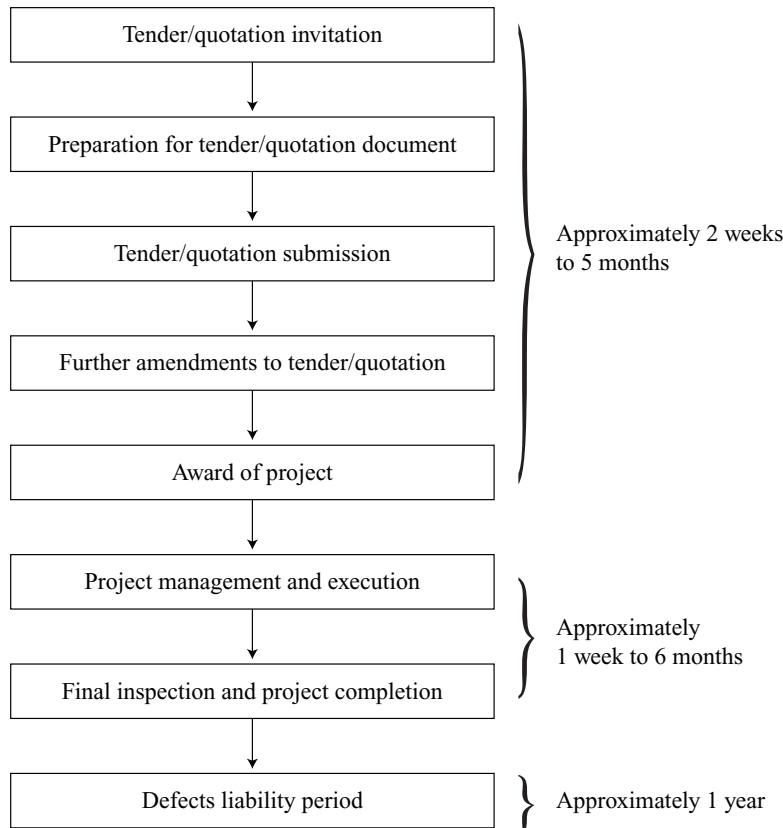
During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material project delays nor had we incurred any material losses under any of our projects.

### OPERATION PROCEDURES

The operation procedures described below are carried out by our employees in Macau, Hong Kong and the PRC. Our employees in Macau are responsible for project management and execution. Our employees in Hong Kong are responsible for project planning and administration. Our employees in the PRC are responsible for design support. For details of our employees, please refer to the paragraph headed “Our employees” in this section.

#### Fitting-out projects

During the Track Record Period, our fitting-out services were provided on a project basis. The duration of such projects from tender/quotation invitation up to project completion (excluding any defects liability period) varies from case to case and generally ranged from 3 weeks to 11 months. Below is a flow chart summarising the usual workflow of a fitting-out project that involves tender/quotation process:



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### *Tender/quotation invitation*

Our customers typically send us tender/quotation invitations for fitting-out projects. Along with the invitation, they would provide us with a document with information of the project, which generally includes schedule of rates, location, expected timetable, scope of works, interior design construction drawings, phasing plan, material requirements and other technical specifications. In general, our customers require us to submit a tender/quotation within a prescribed period upon receiving their invitations. Occasionally, we may be required to submit documents for pre-qualification. The pre-qualification process generally includes, among others, background check, organisation chart, business registration, job reference and recommendation letters issued by our existing customers.

### *Preparation for tender/quotation document*

Upon receiving an invitation for tender/quotation, our project management department, design department and quantity surveying department, led by our executive Director, Mr. Yu, will work together to assess and evaluate the potential project in terms of (i) the scope of works; (ii) complexity of the potential project; (iii) schedule of works; (iv) manpower needed; and (v) availability of resources.

In preparing for a tender/quotation, we may amend or add items or quantities which were omitted but necessary for completing the projects in our tender/quotation. We may submit additional schedules of quantities and rates which we consider necessary for the customer to consider.

With respect to the specifications provided by our customers, the tender/quotation for a fitting-out project generally includes (i) the offer price with breakdown of work items and materials required; (ii) estimation of the time required for completing each task; and (iii) management team structure.

In addition, we will obtain quotations and select subcontractors from our approved list to carry out different tasks of the potential projects. We may occasionally make prepayments to our subcontractors before we are awarded a project by our customer in order to secure their availability. For details, please refer to the paragraph headed “Our subcontractors – Prepayments to our subcontractors” in this section and the section headed “Financial Information – Analysis of various items from the consolidated statements of financial position – Other receivables, deposits and prepayments” in this document.

### *Tender/quotation submission*

The time allowed for preparing a tender/quotation varies from case to case, and depending on any specific requirements and standards, we generally submit the tender/quotation within the period prescribed in the document provided by our customers. Generally, we have to abide by our submitted tender/quotation for a specified period and would be bound by the offer we made if the customer accepts our tender within such period. This binding period varies from project-to-project, but generally ranges from 30 days to 90 days.

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The following table summarises the number of tenders/quotations submitted, number of successful tenders/quotations and success rate of our tenders/quotations during the Track Record Period:

	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>
Number of tenders/quotations submitted	177	99	159	132
Number of successful tenders/quotations <sup>(Note 1)</sup>	33	17	50	45
Success rate <sup>(Note 2)</sup>	18.6%	17.2%	31.4%	34.1%

*Notes:*

1. The number of successful tenders/quotations for a financial year is determined based on the number of tenders/quotations submitted during that financial year (regardless of whether they were awarded in the same financial year or subsequently).
2. The success rate for a financial year is calculated based on the number of successful tenders/quotations (regardless of whether they were awarded in the same financial year or subsequently) in respect of the tender/quotation submitted during that financial year.

For the period subsequent to the Track Record Period and up to the Latest Practicable Date, we were successful in 5 (excluding projects the tenders/quotations of which were not submitted during such period) out of our 21 tenders and quotations submitted, resulting in a success rate of approximately 23.8%. The original contract sum of the 5 projects awarded to us during such period amounted to approximately MOP33.2 million. The tender/quotation status of the remaining 16 projects were pending as at the Latest Practicable Date.

Taking into account the number of tenders/quotations submitted and number of successful tenders/quotations for FY2018, our success rate remained largely stable as compared to FY2017. During the Track Record Period, we did not respond to a total of 9 tender/quotation invitations due to insufficient capital resources and/or manpower capacity. The potential projects were for the provision of fitting-out services for casinos, retail areas, hotels and commercial properties. The aggregate contract value of these potential projects amounted to approximately MOP481.1 million. Out of the 9 projects we did not respond to, 3 projects were from a potential new customer with original contract sum of MOP35.0 million, MOP45.0 million and MOP90.0 million, respectively, and each required us to provide a performance bond amounting to 10.0% of the original contract sum.

The higher success rate for FY2017 and FY2018 were primarily attributable to a more competitive pricing strategy adopted by our Group for the respective years. We adopted a more competitive pricing strategy by generally offering a more competitive price under our tenders/quotations submitted during FY2017 and FY2018 as compared to FY2015 and FY2016 with the intention to undertake more sizeable fitting-out projects to generate higher revenue. In line with our business strategy to further strengthen our market position, we will continue to focus on projects on a selective and prudent basis which are profitable and sizeable in nature when implementing our tender/quotation strategy. For details of our tender/quotation strategy going forward, please refer to the paragraph headed “Business strategies – Diversifying our customer base” in this section.

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As at the Latest Practicable Date, the aggregate contract sum of the 102 tenders submitted by us which the results are pending amounted to approximately MOP1,545.5 million. Out of these 102 submitted tenders, 3 tenders of which the aggregate contract sum amounted to approximately MOP238.9 million are the earmarked potential projects set out in the section headed “Future Plans and [REDACTED] – Earmarked projects” in this document. The aggregate contract sum of the tenders which we intend to submit by the end of FY2019 amounted to not less than MOP274.5 million.

### *Further amendments to tender/quotation*

Our customers may occasionally review and evaluate our tender/quotation more than once. We may need to address post tender or quotation queries from our customers and make changes to the existing tender/quotation if required, and submit the amended tender/quotation to our customers for their further consideration. In some cases, we may also be required to attend interviews to clarify the details in relation to our tender/quotation.

### *Award of project*

If our customers decide to award a project to us, they will issue a letter of acceptance to us.

### *Project management and execution*

For every fitting-out project, we generally designate a project manager to supervise the entire project and a site manager to oversee the on-site progress. The project manager is responsible for all aspects of the project including, without limitation, general project management, communication with customers and subcontractors, quality control, supervision of work progress, problem solving and budget controlling. The project manager will work together with our project management team, design team and quantity surveying team on the purchase of materials.

From time-to-time, we may suggest alternatives to the designs given by our customers or solutions to technical issues encountered, if necessary. For instance, our design team, which has extensive experience working with hotel and casino designers and relevant design expertise, may suggest enhancement to original designs from customers to enhance their esthetics and uniqueness. Our project management team also provides suggestions and solutions from engineering and structural aspects, and formulate feasible implementation plans. We also follow the entire implementation process and make sure that the project runs smoothly. If requested by our customers, our quantity surveying team may also assist our customers in controlling budget by suggesting alternative materials that are less costly yet still able to fulfill all the specifications required.

As a whole, apart from engaging subcontractors to carry out the actual fitting-out works, we assist our customers in all aspects to produce the final product. This process involves problem-solving, designing, engineering, planning and coordination works. Our Directors believe that this is the crucial value-added service that distinguishes us from market peers and this is one of the reasons why we are able to maintain a long-term

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business relationship with our major customers, in particular Customer A and Customer B, whom are group companies of significant market players in the casino gaming industry in Macau.

Other major steps involved in the project execution stage of a typical fitting-out project are set out below:

### *Planning*

After receiving various drawings from our customers, we may conduct on-site inspection and measurement in order to acquire a more accurate picture and measurements for the project. With the measurement obtained, we then produce drawings and estimate the quantity of materials needed. We then submit our drawings and samples of materials proposed to be used to our customers for their approval.

### *Engagement of subcontractors*

We engage subcontractors to carry out the actual fitting-out works, such as demolition of the original fixtures and finishes and supply and/or installation of building services systems, joineries, metal works, wall finishes, ceiling finishes and floor finishes in the designated areas. We select our subcontractors with prudence taking into consideration their internal resources level, their workload, their past track record, nature of the works, complexity of the projects and cost effectiveness. We have maintained an internal approved list of subcontractors and only quality subcontractors are shortlisted. For further details of our subcontractors, please refer to paragraph headed “Our subcontractors” in this section.

### *Procurement of materials*

Generally the contracts specify the parties’ responsibility of procurement. In some cases, the materials may be provided by our customers for our installation or further processing while in other cases, our quantity surveying team may be responsible for purchasing the materials. We may also subcontract the procurement process to our subcontractors.

Our customers may limit our choice of suppliers and our final choice needs to be approved by our customers before we proceed to procurement. In some cases, our customers may limit our choice by designating the brand or country of origin of the materials. In addition, for some refitting works to be conducted on top of existing finishes, our choices of suppliers may be restrained as the new materials need to match with the existing finishes.

Our project management team, quantity surveying team and design team will conduct site visits at the project site to estimate the quantity and quality of materials to be used before commencement of the project. This is crucial as any miscalculation or delay in procurement or delivery may lead to project delay.



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Generally, the materials purchased will be delivered to the project site or designated places for further processing. We do not maintain any inventory as projects from our customers are unique and thus materials needed for each project vary. For further details on our suppliers, please refer to paragraph headed "Our suppliers" in this section.

### *Execution of fitting-out works*

Once we receive the letter of acceptance from our customers, we will proceed with the fitting-out works. We assign a project manager and site manager for every project, and they are responsible for overseeing the progress of the entire project. The project manager will communicate and meet with our directors and customers to discuss on the project status on a regular basis so that problems can be resolved at an early stage. Weekly progress reports are also produced to keep abreast with the progress. To ensure the quality and standard of the finished works, the project manager is required to inspect the project site with our customers, designers and engineers of the respective fitting-out projects on a regular basis.

During the Track Record Period and up to the Latest Practicable Date, we did not hire any in-house safety officer. Instead, our Group engages external firms or individuals to provide qualified personnel to fulfill such requirement. These safety officers are responsible for overseeing safety compliance at the work sites. Further, our employees are required to attend safety training from time to time.

During the course of a project, our customers may require additional services or request for modifications to the specifications. These variation orders may result in extra work being done and extra fee charged to our customers. The price for the variation orders may be based on the unit price offered in the original contract or new quotations given to our customers.

### *Final inspection and project completion*

Upon completion of the fitting-out works, our customers will conduct a final inspection. Where there is retention money, half of the retention money will be released upon project completion. The project completion date is agreed between the parties.

### *Defects liability period*

We generally provide a one-year defects liability period to our customers, and such period begins when our project is completed. When defects have been discovered during the defects liability period, we will remedy the defects at our cost.

At the end of the defects liability period, our customers will release the remaining retention money to us. During the Track Record Period, we did not receive any material complaints from our customers regarding our obligation to make good defects during the defects liability period.

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### **Repair and maintenance service contracts**

Our two repair maintenance service contracts completed during the Track Record Period were awarded by Customer B in 2014 and 2018 through tender, respectively. The project management and execution process for such contracts are similar to our fitting-out projects as set out above. The contract awarded in September 2014 is not subject to any retention money or defects liability period, while the contract awarded in May 2018 is subject to a 12-month defects liability period and a retention money of 5.0% of the total contract sum.

### **OUR CUSTOMERS**

#### **Major customers**

For FY2015, FY2016, FY2017 and FY2018, revenue attributable to our largest customer, Customer A, amounted to approximately MOP96.2 million, MOP95.9 million, MOP155.4 million and MOP263.9 million, representing approximately 84.4%, 83.6%, 82.2% and 80.8% of our total revenue, respectively. Revenue attributable to (i) our top three customers in aggregate amounted to approximately MOP114.0 million, representing 100.0% of our total revenue for FY2015; and (ii) our top five customers in aggregate amounted to approximately MOP114.7 million, MOP187.4 million and MOP323.2 million, representing 100.0%, approximately 99.1% and 98.9% of our total revenue for FY2016, FY2017 and FY2018, respectively.

Save as disclosed below, to the best knowledge of our Directors, our top five customers during the Track Record Period are independent third parties and none of our Directors or their respective close associates or our Shareholders who own more than 5.0% of the issued share capital of our Company had any interest in our top five customers during the Track Record Period.

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The following table sets forth the details of our top five customers, based on the ranking of revenue recognised during the respective years, comprising the Track Record Period:

Customer <sup>(Notes 1, 3)</sup>	Background	Services provided by our Group to the customer	Revenue (percentage of total revenue)								Number of projects	Typical credit term and payment method	Business relationship since
			FY2015		FY2016		FY2017		FY2018				
			MOP'000	(%)	MOP'000	(%)	MOP'000	(%)	MOP'000	(%)			
Customer A	A subsidiary of a developer, owner and operator of gaming and integrated resorts in Macau listed in Hong Kong and the revenue of the listed parent company for FY2017 amounted to HK\$15.4 billion	Fitting-out services	96,243	84.4	95,868	83.6	155,431	82.2	263,917	80.8	98	30 days; Cheque	2011
Customer B	Subsidiaries of a developer, owner and operator of gaming and integrated resorts in Macau listed in Hong Kong and the revenue of the listed parent company for FY2017 amounted to US\$ 7.7 billion	Fitting-out services and repair and maintenance services	15,493	13.6	18,056	15.7	18,546	9.8	31,931	9.8	46	30 days; Bank transfer	2008
Customer C	A contractor incorporated in Macau providing fitting-out services	Fitting-out services		–		–	6,253	3.3	15,648	4.8	2	0 days; Cheque	2017
Customer I	A subsidiary of a fitting-out contractor with business presence in Hong Kong and Macau, and listed in Hong Kong, with the revenue of the parent company for FY2017 amounted to HK\$5.0 billion	Fitting-out services	–	–	–	–	–	–	7,017	2.1	1	30 days; Cheque	2017
Customer D	A company incorporated in Macau engaging in property management and development providing fitting-out services	Fitting-out services		–		–	5,107	2.7	4,694	1.4	1	0 days; Cheque	2017
Customer E	An individual customer	Fitting-out services		–		–	2,033	1.1	–	–	1	0 days; Cheque	2017
Customer F	An individual customer	Fitting-out services		–	262	0.3		–	–	–	1	0 days; Cheque	2016
Customer G	An individual customer	Fitting-out services		–	250	0.2		–	–	–	1	0 days; Cheque	2016
Mr. Leong	An individual customer <sup>(Note 1)</sup>	Fitting-out services		–	240	0.2		–	–	–	1	0 days; Cheque	2016
Customer H	Subsidiaries of a real estate developer, owner and operator of integrated resort facilities in Asia listed in Hong Kong and the revenue of the listed parent company for the six months ended 30 June 2017 amounted to HK\$20.1 billion	Fitting-out services	2,237	2.0	–	–	–	–	–	–	3	0 days; Cheque	2013
		Top five customers combined <sup>(Note 2)</sup>	113,973	100.0	114,676	100.0	187,370	99.1	323,207	98.9			
		All other customers	–	–	–	–	1,741	0.9	3,567	1.1			
		Total revenue	113,973	100.0	114,676	100.0	189,111	100.0	326,774	100.0			

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*Notes:*

1. Mr. Leong engaged us for providing fitting-out services for his residential property in Macau in November 2016 through referral from his acquaintances. The project was completed in November 2016. The contract sum was MOP240,000 and our services were provided on normal commercial terms. Since then, we became acquainted with Mr. Leong. Mr. Leong is a private investor having more than 10 years of experience in residential and commercial property investment in Macau. Subsequently, Mr. Leong became our [REDACTED] investor in April 2018. For further details of Mr. Leong’s background and the [REDACTED] Investment, please refer to the section headed “History, Reorganisation and Corporate Structure – Reorganisation – [REDACTED] Investment” in this document. During the Track Record Period and up to the Latest Practicable Date, we had only provided one-off fitting-out services to Mr. Leong.
2. Only figures of our five largest customers for FY2016, FY2017 and FY2018, are shown in the above table. For FY2015, we only had 3 customers with revenue contribution.
3. Each of Customer A, B, C, D, E, F, G, H and I did not give its/his consent for disclosing its/his identity in this document. As advised by our HK Legal Counsel, (i) an obligation to treat certain information as being confidential is frequently expressly imposed by contract, whereas in the absence of express provision, the courts have been willing to imply a term of confidentiality in circumstances where this is clearly called for in the context of the relationship existing between the parties, including commercial relationships; (ii) it is a breach of confidence to use or disclose the information without the consent of the person to whom the duty is owed; and (iii) without the approval from the aforesaid customers for disclosing their identities, there is a real risk of a claim for breach of confidence against our Group from the aforesaid customers if their names are disclosed in this document.

Having considered that (i) the background and principal business, the year(s) of business relationship, the credit terms and payment method of our top five customers as well as the revenue derived from these customers have been disclosed in this document; (ii) the particulars of our trade receivables and contract assets have been disclosed in the section headed “Financial Information” of this document; and (iii) our HK Legal Counsel’s opinion that there is a real risk of a claim for breach of confidence against us from our customers if their names are disclosed in this document without their approval, our Directors consider that the non-disclosure of the identities of our top five customers during the Track Record Period would be in the interests of our Group as a whole.

### **Our relationship with Customer A**

For FY2015, FY2016, FY2017 and FY2018, revenue attributable to Customer A amounted to approximately MOP96.2 million, MOP95.9 million, MOP155.4 million and MOP263.9 million, representing approximately 84.4%, 83.6%, 82.2% and 80.8% of our total revenue, respectively.

### **Background of Customer A**

Customer A is a subsidiary of a leading developer, owner and operator of gaming and integrated resorts and one of the six licensed casino gaming operators in Macau (the “**Parent Company**”, together with its subsidiaries “**Customer Group A**”), the shares of which are listed on the Main Board of the Stock Exchange. According to the website of the Stock Exchange, the Parent Company has a market capitalisation of over HK\$49.0 billion as at 31 December 2018.

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According to the annual report of the Parent Company for FY2017, (a) the principal activities of its subsidiaries include development and operation of (i) casinos; (ii) luxury integrated resorts; (iii) hotels; and (iv) other luxurious amenities, such as restaurants, bars, retail outlets, world-class pool and spa facilities; and (b) Customer Group A has a total revenue of approximately HK\$14.9 billion and HK\$15.4 billion for FY2016 and FY2017, respectively.

According to the Frost & Sullivan Report, the gaming industry in Macau is dominated by a few players and Customer A is one of the major market players in the gaming industry in Macau with a market share of approximately 6.7% in terms of revenue in the year 2017.

### **Business relationship with Customer A**

We have established a long-standing business relationship with Customer A since it first awarded a contract for fitting-out services to us in 2011. During the Track Record Period, we had undertaken 98 fitting-out projects for Customer A which were awarded to us through tenders and quotations, with revenue recognised of approximately MOP96.2 million, MOP95.9 million, MOP155.4 million and MOP263.9 million, for FY2015, FY2016, FY2017 and FY2018, respectively. Our Directors believe that generally only contractors that are recognised and trusted by Customer A are invited for its tender/quotation processes. During FY2015, FY2016, FY2017 and FY2018, we were awarded 27, 14, 34 and 21 projects by Customer A, respectively. Out of our 24 ongoing projects as at the Latest Practicable Date, 9 projects were awarded by Customer A with an aggregate original contract sum of approximately MOP227.9 million. Due to (i) our long-standing business relationship; (ii) our ability to meet Customer A's requirements and internal procedures; and (iii) the high number of projects awarded by Customer A during the Track Record Period, we have therefore been inclined to deepen our business relationship with Customer A.

According to the Frost & Sullivan Report, integrated resort operators in Macau have fixed budgets reserved for refitting their facilities each year and they need to constantly upgrade and refit their facilities in the integrated resorts, such as casinos, hotels, and retail areas in order to compete with other market peers and satisfy customers' needs. Further, integrated resort operators in Macau tend to outsource their fitting-out projects to contractors that have proven track records of high-quality work and on-time project completion, especially the contractors whom they have previously collaborated with. Our Directors consider that Customer A, being a major market player with a market share of approximately 6.7% in the casino gaming industry in Macau in 2017, would have substantial demand for fitting-out services, and therefore it is mutually beneficial and complementary for Customer A and us to maintain a close and stable business relationship with each other given the above.

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### **Sustainability of our business in view of customer concentration**

For FY2015, FY2016, FY2017 and FY2018, revenue attributable to Customer A amounted to approximately MOP96.2 million, MOP95.9 million, MOP155.4 million and MOP263.9 million, representing approximately 84.4%, 83.6%, 82.2% and 80.8% of our total revenue, respectively. Revenue attributable to (i) our top three customers in aggregate amounted to approximately MOP114.0 million, representing 100.0% of our total revenue for FY2015; and (ii) our top five customers in aggregate amounted to approximately MOP114.7 million, MOP187.4 million and MOP323.2 million, representing 100.0%, approximately 99.1% and 98.9% of our total revenue for FY2016, FY2017 and FY2018, respectively.

Our Directors consider that our business is sustainable in view of the following despite concentration among our major customers during the Track Record Period.

#### ***Concentration among our major customers was mainly attributable to sizeable projects***

Our Directors consider that concentration among our major customers during the Track Record Period was mainly attributable to several sizeable fitting-out projects, in terms of revenue contribution, undertaken by us. Hence customers of these sizeable projects would easily become our major customers. In addition, customers from the casino gaming industry contributed a substantial portion of our revenue during the Track Record Period. As supported by the Frost & Sullivan Report, the fitting-out industry in Macau is dominated by a few sizable integrated resort operators, which limit the customer base of sizeable projects in the industry.

#### ***Sizeable fitting-out projects in the commercial segment are mainly initiated by the six licensed casino gaming operators***

According to the Frost & Sullivan Report, fitting-out projects in the commercial segment in Macau are mainly initiated by the six licensed casino gaming operators who contribute to the majority of market share in terms of revenue. Sizable fitting-out projects in integrated resorts generate a substantial portion of revenue for the industry, especially for the leading fitting-out contractors in Macau. The leading fitting-out contractors have established and maintained stable working relationships with these six licensed casino gaming operators in Macau. Given that the market is dominated by the six licensed casino gaming operators, it is not uncommon for the leading fitting-out contractors to focus on serving one or more of the six licensed casino gaming operators. During the Track Record Period, we had cooperated with group companies of three of the six licensed casino gaming operators in Macau, including Customer A, Customer B and Customer H.



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### *We have maintained a close and complementary business relationship with Customer A*

According to the Frost & Sullivan Report, successful delivery of fitting-out services relies on competency in project management. In Macau, sizable fitting-out projects are usually undertaken by contractors with proven track record in management and coordination. We have established a stable and strong business relationship with Customer A, who is our largest customer during the Track Record Period. Our business relationship with Customer A was established in 2011 and we have been continuously engaged by Customer A since the beginning of our relationship. Our Directors believe that we have fully acquainted ourselves with the requirements of Customer A and have gained trust from Customer A over the years with a proven track record. This is evidenced by the number of projects awarded by Customer A and the number of projects we had undertaken for Customer A during the Track Record Period. For FY2015, FY2016, FY2017 and FY2018, we were awarded 27, 14, 34 and 21 projects by Customer A, respectively while during the same period, we had undertaken 98 projects for Customer A and recognised revenue of approximately MOP96.2 million, MOP95.9 million, MOP155.4 million and MOP263.9 million, respectively. Based on the above, our Directors believe that it is mutually beneficial and complementary for Customer A and us to maintain a close and stable business relationship.

### *Revenue of the fitting-out industry in Macau is expected to grow*

According to the Frost & Sullivan Report, it is expected that the revenue of the fitting-out industry in Macau would reach approximately MOP12,372.6 million in 2022, growing at a CAGR of approximately 8.6% from 2018 to 2022. The commercial segment is forecasted to keep a steady growth. By the end of 2022, revenue of the fitting-out industry in the commercial segment is estimated to reach approximately MOP6,557.5 million, with a CAGR of approximately 7.1% from 2018 to 2022. Integrated resort operators in Macau have fixed budgets reserved for refitting their facilities each year and they need to constantly upgrade and refit their facilities in the integrated resorts, such as casinos, hotels and retail areas, in order to compete with other market peers and satisfy customers’ needs. With our experience in serving three of the six licensed casino gaming operators in the fitting-out industry, our Directors believe that we are well-equipped to capture the growing business and opportunities in the fitting-out industry in Macau and increase our market share.

### *Our skills and experience in the fitting-out industry are transferable*

We have been providing fitting-out services in Macau for over 13 years. Our established operating history and reputation with a wide range of project references would assist us in securing projects from other major players in the gaming industry in Macau in the event that Customer A’s demand for our services reduces in the future. We have established a good reputation, built a stable pool of subcontractors and suppliers and possessed a broad range of fitting-out experience, which put us at a competitive position in tendering for projects from new customers, in particular other integrated resorts operators in Macau, as evidenced by projects being awarded by Customer B and Customer H, being group companies of two of the six licensed casino gaming operators in Macau.

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### Salient terms of our contracts with Customer A

Consistent with our arrangements with other customers, we enter into fitting-out contracts with Customer A on a project basis. Our agreements with Customer A generally contain the following salient terms:

Scope of work	:	The scope of services and type of works to be carried out by us are specified in the contract. The contract may also include the product specifications and requirements as set out by Customer A.
Insurance	:	The project insurance shall be arranged and paid by Customer A, including contractor all risk, third party liability insurance and employees' compensation insurance.
Payment terms	:	Our bills are payable within 30 days upon receipt of our invoices. Such interim payments shall be based on the value of works completed by us and agreed by Customer A.
Retention money	:	Customer A usually withhold up to 10% of the total contract sum as retention money, which will only be fully released upon the expiry of the defects liability period.
Defects liability period	:	We generally provide a one-year defects liability period to Customer A. During the defects liability period, we are responsible for remedial works which may arise from defective works or materials used at our cost.
Liquidated damages	:	The contract usually specifies a daily liquidated damages payable by us if we delay in completion as agreed between Customer A and us.

We have been providing fitting-out services to Customer A every year consecutively since our first contract in 2011. Our Directors confirm that we did not have any material contractual disagreements with Customer A and we did not receive any material complaints from Customer A during the Track Record Period.

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### **Pricing strategy**

We determine the price of our projects on a cost-plus basis. Our pricing strategy is evaluated on a project basis with reference to certain factors, including, among others, (i) the nature, scope and complexity of the project; (ii) working capital requirement; (iii) our operational and financial resources; (iv) the estimated number and types of workers required; (v) the estimated cost of materials required; (vi) the project duration; (vii) the prevailing market conditions; (viii) previous tender record; (ix) awarded tender of similar project; and (x) relationship with our customers.

### **Performance bond**

According to the Frost & Sullivan Report, typically in the fitting-out industry, subject to the property owner's request, main contractors may need to issue performance bonds in favour of the property owners upon awarded fitting-out projects. These performance bonds would be released upon completion of the projects. The amount of performance bond required for each fitting-out project generally would not exceed 10% of the total contract sum. The performance bonds are generally obtained from banks or financial institutions and secured by cash deposits. During the Track Record Period, we tendered for 32 projects with an aggregate original contract sum amounting to approximately MOP2,899.2 million that required us to provide performance bonds, save for 9 of those tenders the results of which were pending, we were only awarded 3 fitting-out projects that required us to provide performance bonds. The total amount of performance bonds to be provided for these 3 projects amounted to approximately MOP13.8 million, representing 10% of the original contract sums of such projects. Such performance bonds shall be provided when the respective project commences. The 3 fitting-out projects consisted of 1 commercial property fitting-out project and 2 residential property fitting-out projects (i.e. Project 2, Project 3 and Project 5 under our list of awarded and ongoing projects as at Latest Practicable Date as set out under the paragraph headed "Our Projects – Awarded and ongoing fitting-out projects as at the Latest Practicable Date" in this section). The commercial property project was awarded by Customer D, being one of our top five customers during the Track Record Period, and the original contract sum amounted to approximately MOP61.2 million. The 2 residential property fitting-out projects were awarded by a new customer, a subsidiary of a fitting-out contractor in Macau listed in Hong Kong and the revenue of the listed parent company FY2017 amounted to approximately MOP482.4 million. The aggregated original contract sum of the 2 residential property fitting-out projects amounted to approximately MOP76.3 million. During the same period, we did not respond to 3 projects from a potential new customer with original contract sum of MOP35.0 million, MOP45.0 million and MOP90.0 million, respectively and each required us to provide a performance bond amounting to 10% of the original contract sum.

Our Directors believe that our failure to secure projects that required performance bonds during the Track Record Period was attributable to the fact that we were not able to offer a competitive contract price under those tenders/quotations as compared to other contractors who submitted tenders/quotations. As the performance bonds required will need to be secured with cash deposits, we generally factor in the additional cash required in the contract price when preparing our tender submissions. As a result, we may not be able to offer a more competitive price as compared to other contractors who have access to

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relatively more financial resources. During the Track Record Period, the total original contract sum of the projects which we submitted less competitive tender prices due to insufficient financial resources as a result of the requirement of performance bonds amounted to approximately MOP1,540.6 million. As performance bond would typically be required for new contracts with limited past working relationship with the contract owners according to the Frost & Sullivan Report, our Directors have been hesitant in submitting tenders for projects to new customers which require performance bonds during the Track Record Period. Out of the 32 tenders submitted during the Track Record Period that required performance bonds, 16 were tender submissions made to new customers while the other 16 were tender submissions to our existing customers. While tenders that require performance bonds were submitted to existing customers with the intention of securing the contract to maintain our relationship with them by actively responding to their tender invitations, those that were submitted to new customers were part of our business strategy to diversify our customer base as our Directors consider that it is vital to consider tendering for fitting-out projects from new customers that require us to provide performance bonds if we were to diversify our customer base to capture a larger market share in the fitting-out industry in Macau. For details, please refer to the paragraph headed “Business strategies – Diversifying our customer base” in this section.

### **Salient terms of our fitting-out contracts**

In line with industry norm, we provide fitting-out services to customers on a project basis instead of entering into long-term contracts. Set out below are the salient contractual terms of a typical fitting-out contract:

Scope of work	:	The scope of services and type of works to be carried out by us are specified in the contract. The contract may also include the product specifications and requirements as set out by our customers.
Insurance	:	The project insurance shall be arranged and paid by the customer including contractor all risks, third party liability insurance and employees’ compensation insurance.
Payment terms	:	For further details regarding the payment terms, please refer to the paragraph headed “Our customers – Credit policy” in this section.
Retention money	:	Our customer usually withhold up to 10% of the total contract sum as retention money, which will only be fully released upon the expiry of the defects liability period.

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Defects liability period	:	We generally provide a one-year defects liability period to our customers. During the defects liability period, we are responsible for remedial works which may arise from defective works or materials used at our cost.
Liquidated damages	:	The contract usually specifies a daily liquidated damages payable by us if we delay in completion as agreed between the customer and us.

### **Salient terms of our repair and maintenance service contracts**

During the Track Record Period, we had completed two repair and maintenance contracts with revenue recognised amounting to approximately MOP5.7 million, MOP4.4 million, MOP1.0 million and MOP0.5 million for FY2015, FY2016, FY2017 and FY2018, respectively. These contracts involved providing repair and maintenance services to hotel rooms in two hotels and a casino located in Macau. These contracts were awarded by Customer B for a period of three years and a period of one month, respectively.

Set out below are the salient contractual terms of the repair and maintenance service contract awarded in 2014:

Scope of work	:	We are required to repair and maintain hotel rooms of two hotels in Macau. Our scope of work includes, among others, painting, plastering wall finishes, touch up and varnishing furniture and fixtures, and reapplying damaged sealant where necessary.
Term	:	From 29 September 2014 to 28 September 2017
Payment terms	:	We are required to submit payment requests to Customer B on a monthly basis. The amount of payment is determined based on the number of rooms we have repaired in a particular month without taking into account the amount of fitting-out works done or fitting-out materials used. The unit rate for hotel rooms of different class is agreed under the contract. Our customer is required to settle our payments within 30 days upon receipt of our payment request.
Insurance	:	Insurance policy is provided and paid by Customer B.

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Set out below are the salient contractual terms of the repair and maintenance service contract awarded in 2018:

Scope of work	:	We are required to provide repair and maintenance services to a casino in Macau. Our scope of work includes, among others, supplying and installing steel supporting frames, new finishes, concealed doors, lighting points, power and data outlets, and demolishing brick walls.
Term	:	From 6 June 2018 to 19 July 2018
Contract sum	:	MOP423,603 (subject to variation orders)
Payment terms	:	We are required to submit payment requests to Customer B on a monthly basis. A deposit amounting to 30.0% of the contract sum is provided. Our customer is required to settle our payments within 30 days upon receipt of our payment request.
Retention Money	:	Customer B withholds 5.0% of the contract sum as initial retention money, half of which shall be released within 90 days after completion of the contract and the remaining half shall be released within 90 days after the end of the defects liability period.
Defects liability period	:	We provide a one-year defects liability period to Customer B. During the defects liability period, we are responsible for remedial works which may arise from defective works used at our cost.
Insurance	:	Insurance policy is provided and paid by Customer B.

### Credit policy

For our fitting-out projects, we generally submit payment requests to our customers on a monthly basis, which indicates the aggregate percentage of work we have completed as at that date. Our credit term with customers is generally 0 to 30 days upon receiving our invoices.

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During the Track Record Period, all of our fitting-out contracts are denominated in MOP, and our payments were generally settled by cheques or bank transfers. Our Directors confirm that there had been no dispute between our Group and our customers in respect of project progress or the amount of fees payable to us during the Track Record Period and up to the Latest Practicable Date. Our Directors also confirm that there were no other disputes between our Group and our customers during the Track Record Period and up to the Latest Practicable Date. For further details on our receivable turnover days, please refer to section headed “Financial Information – Analysis of various items from the consolidated statements of financial position – Trade receivables” in this document.

### OUR SUPPLIERS

#### Major suppliers

For FY2015, FY2016, FY2017 and FY2018, purchases attributable to our largest supplier amounted to approximately MOP4.0 million, MOP4.9 million, MOP1.9 million and MOP4.2 million, representing approximately 19.2%, 33.9%, 12.9% and 20.3% of our total purchases, respectively, while purchases attributable to our top five suppliers in aggregate amounted to approximately MOP10.3 million, MOP8.1 million, MOP6.2 million and MOP8.2 million, representing approximately 49.4%, 56.2%, 42.2% and 39.6% of our total purchases, respectively.

To the best knowledge of our Directors, our top five suppliers during the Track Record Period are independent third parties and none of our Directors or their respective close associates or our Shareholders who own more than 5.0% of the issued share capital of our Company had any interest in our top five suppliers during the Track Record Period.



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The following table sets forth the details of our top five suppliers, based on the ranking of costs incurred during the respective year, comprising the Track Record Period:

Supplier	Background	Types of material supplied	Purchases of material costs (percentage of total purchases) <i>(Note 1)</i>								Typical credit term and payment method	Business relationship since
			FY2015		FY2016		FY2017		FY2018			
			MOP'000	(%)	MOP'000	(%)	MOP'000	(%)	MOP'000	(%)		
Supplier B	Subsidiaries within a group listed in Singapore and engaging in the motor vehicles and related operations, property investment, and development, food retailing, home furnishings, engineering and construction, and transportation businesses. The company for FY2017 amounted to SGD52,731 million	Ironmongery	950	4.6	–	–	1,861	12.7	4,213	20.3	0 days; Cheque	2007
Supplier L	A company incorporated in Macau engaging in the supply of wallpaper, fabric and flooring materials	Wall covering and fabric	–	–	–	–	–	–	1,181	5.7	0 days; Cheque	2017
Supplier N	A company incorporated in Macau engaging in the supply of architectural ceramics, tiles, sanitary ware, noted hardware and other home building materials	Sanitary Ware	–	–	–	–	–	–	1,110	5.3	0 days; Cheque	2017
Supplier K	A company incorporated in the PRC engaging in the supply and distribution of flooring materials	Raised floor system	–	–	–	–	–	–	895	4.3	0 days; Bank transfer	2018
Supplier M	A company incorporated in Hong Kong, engaging in the design, manufacturing and installation of glass products	Laminated glass	–	–	–	–	–	–	836	4.0	0 days; Cheque	2017
Supplier A	A company incorporated in Macau engaging in the design and manufacturing of fabric, lamps and furniture	Wall coverings	–	–	–	–	1,888	12.9	–	–	0 days; Cheque	2007
Supplier C	A wallcovering, fabric, carpet and flooring material supplier headquartered in Singapore with business presence in Hong Kong	Wall coverings	–	–	–	–	1,249	8.5	–	–	0 days; Cheque	2012
Supplier D <i>(Note 2)</i>	Companies within a group that engages in the provision of decoration works and art works in relation to construction	Art works, furniture, door leaves, door frames, panels and door accessories	4,001	19.2	4,904	33.9	662	4.5	–	–	0 days; Cheque	2012
Supplier E	A fabric, leather, lighting, furniture, carpet, wallpaper and window accessories supplier incorporated in Hong Kong	Wall coverings	–	–	–	–	522	3.6	–	–	0 days; Cheque	2014
Supplier F <i>(Note 3)</i>	A company incorporated in Macau engaging in the sale and installation of marble	Marble, travertine stones, limestone, and other types of stone	1,397	6.7	1,286	8.9	–	–	–	–	0 days; Cheque	2014
Supplier G	A company incorporated in U.S. engaging in the design and manufacturing of wallcoverings	Wall coverings	–	–	725	5.0	–	–	–	–	0 days; Bank transfer	2008
Supplier H	A company with business locations in Hong Kong and Macau engaging in carpet trading and manufacturing	Carpets	2,512	12.1	625	4.3	–	–	–	–	0 days; Cheque	2012
Supplier I	A company incorporated in Hong Kong engaging in the manufacturing of decorative and architectural lightings	Chandeliers, wall sconces and crystal screens	–	–	599	4.1	–	–	–	–	0 days; Cheque	2012

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Supplier	Background	Types of material supplied	Purchases of material costs (percentage of total purchases) <i>(Note 1)</i>								Typical credit term and payment method	Business relationship since
			FY2015		FY2016		FY2017		FY2018			
			MOP'000	(%)	MOP'000	(%)	MOP'000	(%)	MOP'000	(%)		
Supplier J	A company with business locations in Hong Kong and Macau engaging in the distribution of sanitary-ware and fittings and building materials	Sanitary wares, such as lavatory sensor faucets and auto sensor soap dispensers	1,412	6.8	–	–	–	–	–	–	30 days; Cheque	2008
		Top five suppliers combined	10,272	49.4	8,139	56.2	6,182	42.2	8,235	39.6		
		All other suppliers	10,530	50.6	6,318	43.8	8,476	57.8	12,577	60.4		
		Total purchases	20,802	100.0	14,457	100.0	14,658	100.0	20,812	100.0		

*Notes:*

- Only figures of our five largest suppliers for FY2015, FY2016, FY2017 and FY2018, are shown in the above table.
- Supplier D is also one of our top five subcontractors during the Track Record Period.
- Supplier F is also one of our top five subcontractors during the Track Record Period.

### Basis for selection of suppliers

We maintain an internal list of approved suppliers and such list is updated from time to time. We review the existing list of approved suppliers and determine whether any of them should be removed or replaced based on the quality of their products. We select suppliers based on a number of criteria, including without limitation, their track record, prices, product quality and timely delivery. We generally determine the amount of materials we need prior to submitting a tender and thereafter source materials from suppliers after a contract is awarded.

During the Track Record Period, we did not experience any material shortage or delay in the supply of materials that our Group required. Our Directors consider that the possibility of a material shortage or delay is low given the large pool of suppliers supplying similar materials in the market. In addition, we did not experience any material fluctuations in the prices of materials during the Track Record Period.

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### Salient purchase terms

In line with industry norm, we generally make purchase orders on a project basis rather than entering into long-term supply contracts with our suppliers. During the Track Record Period, we purchased from suppliers by placing purchase orders upon receiving a quotation on the required materials from our suppliers. Salient terms of a typical purchase order with our suppliers are shown below:

Material specification	:	Descriptions of the materials required, including the type of material, quantity, unit price, size and specifications of the material, are provided in the purchase order.
Payment terms	:	For further details regarding the payment terms, please refer to the paragraph headed “Our suppliers – Credit policy” in this section.
Delivery	:	Our suppliers generally deliver the goods, at our cost, directly to the worksites or other designated locations.

### Pricing of supplies

In general, the price is determined with reference to the quotation of suppliers as agreed on an order-by-order basis, which is generally the market price at the time. However, as we do not place purchase orders with our suppliers until the project has been awarded to us, we may not be able to successfully pass the price difference to our customer if there is any significant price fluctuation after we submit our tender/quotation documents.

### Credit policy

During the Track Record Period, purchase orders made by our Group were generally denominated in MOP and HKD. Our credit term with suppliers generally ranges from 0 to 30 days. Some of our suppliers require us to settle their payment in full before delivery of the materials. We usually settle payments by cheque or bank transfer.

## OUR SUBCONTRACTORS

### Major subcontractors

For FY2015, FY2016, FY2017 and FY2018, subcontracting fees payable to our largest subcontractor amounted to approximately MOP14.8 million, MOP16.6 million, MOP40.0 million and MOP69.3 million, respectively, representing approximately 28.9%, 30.0%, 35.4% and 32.2% of our total subcontracting fees, respectively, while subcontracting fees payable to our top five subcontractors, in aggregate, amounted to approximately MOP44.7 million, MOP43.7 million, MOP89.3 million and MOP159.0 million, respectively, representing approximately 87.4%, 78.9%, 78.9% and 73.9% of our total subcontracting fees, respectively.

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To the best knowledge of our Directors, our top five subcontractors during the Track Record Period are independent third parties and none of our Directors or their respective close associates or our Shareholders who own more than 5.0% of the issued share capital of our Company had any interest in our top five subcontractors during the Track Record Period.

The following table sets forth the details of our top five subcontractors, based on the ranking of costs incurred during the respective year/period, comprising the Track Record Period:

Subcontractor	Background	Services provided to our Group	Subcontracting fee (percentage of total subcontracting fees) <i>(Note 1)</i>								Typical credit term and payment method	Business relationship since
			FY2015		FY2016		FY2017		FY2018			
			MOP'000	(%) MOP'000	(%) MOP'000	(%) MOP'000	(%) MOP'000	(%)				
Subcontractor G	A subsidiary of a multi-national company listed in Hong Kong and the revenue of the listed parent company for FY2017 amounted to approximately HK\$4.6 billion	Supply and installation of heat, ventilation and air-condition system, electrical power system, lighting system, extra low voltage system, plumbing and drainage system, and fire service system	4,388	8.6	–	–	–	–	69,283	32.2	within 14 days after our customer settles our payments; Cheque	2012
Subcontractor B	Companies incorporated in Macau within a group engaging in installation and trading of construction materials	Supply and installation of glass doors and wall finishes	14,788	28.9	10,083	18.2	21,414	18.9	32,027	14.9	payable after our customer settles our payments; Cheque	2006
Subcontractor A	A company incorporated in Macau engaging in construction, electrical and mechanical engineering, ventilation and air-conditioning, electrical, fire services installation, renovation and fitting-out works	Supply and installation of electrical system, heating, ventilation and air-conditioning system and fire service system	10,951	21.4	16,618	30.0	40,014	35.4	25,191	11.7	within 7 days after our customer settles our payments; Cheque	2011
Supplier F	A company incorporated in Macau engaging in the sale and installation of marble	Supply and installation of marble, travertine stones, limestone, and other types of stones	–	–	7,171	12.9	5,950	5.3	17,092	7.9	payable after our customer settles our payments; Cheque	2014
Supplier D	A company incorporated in Hong Kong engaging in provision of decoration works and art works in relation to construction	Supply and installation of door leaves, door frames, panels and door accessories	–	–	–	–	11,819	10.4	15,387	7.2	payable after our customer settles our payments; Cheque	2012
Subcontractor D	A company incorporated in Macau engaging in provision of interior decoration works	Installation of false ceiling, ceiling finishes, wall finishes, advertisement board and road maintenance and improvement	–	–	–	–	10,074	8.9	–	–	0 days; Cheque	2016
Subcontractor E	A company incorporated in Macau engaging in the renovation of wall structure	Supply and/or installation of wall finishes, carpets, wall coverings, ceiling finishes, doors, furniture and sanitary wares	10,917	21.4	7,893	14.2	–	–	–	–	payable after our customer settles our payments; Cheque	2005
Subcontractor F	A company incorporated in Macau engaging in the installation of electrical engineering	Supply and installation of lighting system	–	–	1,974	3.6	–	–	–	–	payable after our customer settles our payments; Cheque	2015

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Subcontractor	Background	Services provided to our Group	Subcontracting fee (percentage of total subcontracting fees) <i>(Note 1)</i>								Typical credit term and payment method	Business relationship since
			FY2015		FY2016		FY2017		FY2018			
			MOP'000	(%)	MOP'000	(%)	MOP'000	(%)	MOP'000	(%)		
Subcontractor H	A company incorporated in Macau engaging in the installation of air-conditioners	Supply and installation of mechanical ventilation and air condition system, electrical and extra low voltage system, plumbing and drainage system and fire service system	3,628	7.1	-	-	-	-	-	-	within 14 days after our customer settles our payments; Cheque	2014
		Top five subcontractors combined	44,672	87.4	43,739	78.9	89,271	78.9	158,980	73.9		
		All other subcontractors	6,442	12.6	11,671	21.1	23,852	21.1	56,108	26.1		
		Total subcontracting fees	51,114	100.0	55,410	100.0	113,123	100.0	215,088	100.0		

*Note:*

- Only figures of our five largest subcontractors for FY2015, FY2016, FY2017 and FY2018, are shown in the above table.

### Reasons for subcontracting arrangement

We strategically subcontract on-site labour intensive works to our subcontractors, while maintaining overall project management and implementation. Subcontracting of works is not uncommon in the Macau fitting-out industry according to the Frost and Sullivan Report. As the entire process of a fitting-out project involves many types of works, it may not be cost effective for us to directly undertake all the works involved. In addition, subcontractors can provide additional labour with different skills without the need for us to keep them under our employment. As such, we subcontract majority of our works to our subcontractors.

### Basis for selection of subcontractors

We maintain an internal list of approved subcontractors, which is updated on a regular basis. We review the existing list of approved subcontractors and determine whether any of them should be removed or replaced based on their performance. As at the Latest Practicable Date, we had 89 approved subcontractors and do not place significant reliance on any single subcontractor. While assessing whether a subcontractor is qualified to be on our list, we evaluate them based on their technical capability, job reference, price competitiveness, labour resources and past safety record.

In our fitting-out projects, for each specific task or job, we generally invite subcontractors from our approved list based on their skill sets and experience to provide their fee quotations to us. We will then select the most suitable subcontractor for the task with regard to their availability, fee quotation, proposed delivery time and other commercial and technical terms.

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During the Track Record Period, we did not experience any difficulty in procuring services from our subcontractors and did not receive any material claims from our customers in relation to the standard and quality of services performed by subcontractors engaged by us.

### **Control on subcontractors**

We maintain a project management team to oversee each of our fitting-out projects. In general, we assign a project manager and site manager to each project to monitor and supervise the process of our subcontractors and ensure they meet the regulatory/safety standards. The site manager is also responsible for on-site coordination. Furthermore, the responsible project manager would inspect the work done by our subcontractors on a regular basis to ensure the works are in accordance with the project specifications.

During the Track Record Period, we did not experience any material claims from our customers in relation to the quality of the work performed by the subcontractors.

### **Prepayment to our subcontractors**

For certain potential sizable fitting-out projects with large contract sums, where we consider a particular subcontractor's services to be important to the potential project and the project schedule is tight, we may, at the request of the subcontractor, make a prepayment based on certain percentage of the contract sum to our subcontractor before the project is awarded to us in order to secure the subcontractor's services to ensure smooth running of the project and better management of our project schedule. The subcontractors we make prepayments to generally have a long business relationship with our Group. We consider this type of prepayment on a case-by-case basis, taking into consideration the subcontractor's credit worthiness, its financial position at the relevant time and its length of relationship with us. We generally do not require retention money from the subcontractors who have received our prepayments.

As at 31 December 2015, 2016, 2017 and 2018, the total amount of prepayments we made to our subcontractors amounted to approximately MOP11.5 million, MOP11.6 million, MOP30.6 million and MOP18.2 million, respectively.

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### Salient terms of our subcontracting contracts

In line with industry norm, we generally engage subcontractors on a project basis instead of entering into long-term subcontracting agreements with them. 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 contract.
Payment terms	:	For further details regarding the payment terms, please refer to the paragraph headed “Our subcontractors – Credit policy” in this section.
Defects liability period	:	Our subcontractors generally provide a one-year defects liability period on their work done.
Retention money/ Prepayments	:	We generally withhold up to 10.0% of the total sum of the subcontracting agreement as retention money, which will be fully released upon expiry of the defects liability period.

Where we consider necessary to make prepayments to our subcontractors, we do not withhold any retention money from our subcontractors.

Site manager	:	We generally require our subcontractor to have a site manager on site for ease of communication and management.
Liquidated damages	:	We may specify a daily liquidated damages payable by our subcontractors if they failed to meet the completion date.

### Credit policy

During the Track Record Period, a majority of our subcontractors were located in Macau, and most of the subcontracting agreements were denominated in MOP. Our credit term with subcontractors generally ranges from 0 days to within 14 days after our relevant customer settles our payments. We generally settle payments to our subcontractors by cheques.

### SEASONALITY

Our Directors consider that save and except for the traditional low season during the Chinese New Year, the demand for our fitting-out services is generally not subject to material seasonality.



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### SALES AND MARKETING

We do not maintain a sales and marketing team. During the Track Record Period, we secured new businesses mainly through direct invitation for tender/quotation by customers, which is considered by our Directors to be attributable to our proven track record and well-established presence in the fitting-out industry in Macau.

### RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, our Group had not engaged in any research and development activity nor incurred any research and development expenses.

### MAJOR QUALIFICATION AND CERTIFICATIONS

As at the Latest Practicable Date, we had obtained the following licences and qualifications which are material for us to operate our business in Macau:

No.	Year/Date of first grant	Holder/ Recipient	Qualification/ Certifications	Awarding authority/ organisation	Expiry date
1.	2017	WHHDD	Company registration (urban construction)* (公司註冊(都市建築))	DSSOPT	31 December 2019
2.	2013	WHHE (Macau)	Company registration (urban construction)* (公司註冊(都市建築))	DSSOPT	31 December 2019

As advised by our Macau Legal Advisers, the company registration (urban construction) with DSSOPT is subject to renewal on an annual basis. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had satisfied all requirements for the registration and the renewal. Our Macau Legal Advisers are of the view that there is no legal impediment for WHHDD and WHHE (Macau) to renew their respective company registration (urban construction) with DSSOPT based on the documents and materials reviewed.

### QUALITY CONTROL

Each of our fitting-out project has a project management team comprising, among others, a project manager and site manager, who are responsible for the overall quality assurance of the project. We generally only engage subcontractors on our approved list of subcontractors and depending on the nature and complexity of each project and the availability of our resources at the time. Our project management team in each project, generally conducts regular on-site inspections and arranges regular meetings with our

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subcontractors to address material issues such as quality issues, to ensure sufficient resources are allocated for each project, and that the works executed at each stage meet the requirements of our customers. For our quality control measures on our subcontractors, please refer to the paragraph headed “Our subcontractors – Control on subcontractors” in this section. During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaints or request for material compensation from our customers due to quality issue of our performance and our subcontractors’ performance.

### **RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS**

Key risks relating to our business are set out in the section headed “Risk Factors” in this document. The following sets out the key measures adopted by our Group under our risk management and internal control system for managing the more particular risks relating to our business operation in areas such as (i) customer concentration risk; (ii) quality control system; (iii) environmental compliance; (iv) occupational health and safety; (v) retaining talents; and (vi) corporate governance measures.

#### **Customer concentration risk**

Please refer to the paragraphs headed “Our Customers – Business relationship with Customer A” and “Our Customers – Sustainability of our business in view of customer concentration” in this section.

#### **Quality control systems**

Please refer to the paragraph headed “Quality control” in this section.

#### **Environmental compliance**

Please refer to the paragraph headed “Environmental compliance” in this section.

#### **Occupational health and safety**

Please refer to the paragraph headed “Occupational health and safety” in this section.

#### **Retaining talents**

Please refer to the paragraph headed “Our employees” in this section.

#### **Corporate governance measures**

We will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. We have established three board committees, namely the audit committee, the nomination committee, and the remuneration committee, with respective terms of reference in compliance with the Corporate Governance Code. For details, please refer to the section headed “Directors, Senior Management and Employees – Board committees” in this document.

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### INSURANCE

During the Track Record Period, our insurance costs mainly represented insurance policies relating to employees’ compensation for our own employees. For FY2015, FY2016, FY2017 and FY2018, our insurance costs amounted to approximately MOP65,000, MOP67,000, MOP91,000 and MOP122,000, respectively. Insurance policies for our fitting-out projects at the work sites are generally taken out by our customers. Our Directors consider that our Group’s insurance coverage is sufficient and consistent with industry norm having regard to our current operations and the prevailing industry practice.

Although our Directors consider that our existing insurance coverage is adequate for protecting our Group from most of the common liabilities associated with our business, our Group’s insurance coverage may not be sufficient to indemnify all the risks exposed to our Group. Please refer to the section headed “Risk Factors – Risk relating to our Group’s business – Our insurance coverage may not be sufficient to cover all losses or potential claims that we may be exposed to in the future” in this document for details of such associated risk.

### OCCUPATIONAL HEALTH AND SAFETY

#### Occupational health and safety measures

We have adopted an internal safety manual highlighting the general rules and regulations applicable to our normal site operations. We require strict implementation of our safety system with supervision by our Group’s or our subcontractors’ management staff.

Where we have over 100 workers (including our employees and subcontractors’ employees) in a worksite, we would engage at least one external qualified safety officer to station on site, so as to monitor and implement our safety management system. The safety officer would conduct regular safety inspections to ensure our operations are conducted in a manner so as to reduce the risks to persons and properties. Where we have over 20 workers (including our employees and subcontractors’ employees) working in a worksite, we would engage at least one external safety supervisor with relevant safety training and experience to station on site.

We provide safety training to all of our workers at the sites for safety regulations compliance. We also provide all necessary safety and protection equipment to our employees for their proper performance of work. We require our subcontractors to abide by all legislations, codes and guidelines as well as all safety requirements as stated in our safety manuals and project safety plans. If our subcontractors fail to implement our internal safety guidelines, we impose penalty on them as a warning. Relevant penalties will be deducted from the fees payable to the subcontractors. We hold regular meetings with subcontractors to discuss safety issues and to follow up safety measures during the course of projects. We also evaluate our safety measures regularly and in the event of the occurrence of significant accidents, in order to improve safety control and to avoid recurrence of accidents.

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### *Accidents involving our subcontractors’ employees*

During the Track Record Period and up to the Latest Practicable Date, there were nil and 2 work accidents that involved our employees and our subcontractors’ employees at our project sites in the ordinary course of our business, respectively. Of the 2 accidents that involved our subcontractors’ employees, both involved injuries when operating sawing machines and were reported during the calendar year of 2017 and the calendar year of 2018, respectively. There were no fatal accidents during the same period.

### LEGAL COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, our Group did not have any non-compliance incident that is material or systemic in nature.

### **An ongoing investigation by the HK Buildings Department**

WHHC is currently subject to an ongoing investigation (the “**Investigation**”) by the HK Buildings Department in relation to alleged breach of the Buildings Ordinance and the Building (Administration) Regulations.

#### *Background*

During the Track Record Period and up to the Latest Practicable Date, (i) our Group has been a fitting-out contractor providing fitting-out services and repair and maintenance services in Macau and has derived all of our revenue from Macau; and (ii) WHHC had been a RGBC registered with the HK Buildings Department under the Buildings Ordinance. For FY2015, FY2016, FY2017 and FY2018, our Group has derived approximately nil, HK\$30,000, HK\$10,000 and nil as “other income” in the consolidated statements of profit or loss from the Project (defined hereafter). Save for these amounts, our Group has not derived any income from Hong Kong during the Track Record Period. Mr. Yu was appointed as the authorised signatory and technical director to act for the purpose of the Buildings Ordinance for WHHC.

In December 2016, there was a fitting-out project (the “**Project**”) in relation to two units of Mai Wo Industrial Building, 90-98 Kwai Cheong Road, Kwai Chung, Hong Kong (the “**Site**”). The scope of work of WHHC as contractor for the Project primarily included supervising a nominated subcontractor (the “**Subcontractor**”) to carry out construction of partition walls and installation of drainage connections and fire rated doors at the Site. In addition, as a RGBC, WHHC had the duty to, among others, continuously supervise the works of the Subcontractor and ensure that the works were carried out in accordance with the requirements of the Buildings Ordinance, the relevant regulations and the plans approved in respect thereof, as well as the supervision plan prepared in compliance with the technical memorandum. The Project was completed in April 2017.

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In early April 2018, WHHC received a letter from the HK Buildings Department (the "**Letter**"), pursuant to which WHHC was suspected of potentially breaching the Buildings Ordinance in the Project. Mr. Yu subsequently attended an interview with the HK Buildings Department in late April 2018 at the request of the HK Buildings Department to assist in the investigation. According to the HK Buildings Department, (i) its officers had conducted a site visit at the Site in July 2016 (i.e. five months before WHHC undertook the Project) and noticed that there were unauthorised building works at the Site; (ii) it had not received any application for demolishing the unauthorised building works at the Site after the aforesaid site visit; and (iii) in order to fulfill the duties of a RGBC to supervise the works conducted at the Site, WHHC shall provide photographs showing the condition of the Site before commencement of any Project work to the HK Buildings Department. Accordingly, the HK Buildings Department alleged that WHHC had failed to observe its duties as a RGBC under, or comply with the requirements of, the Buildings Ordinance, subject to the outcome of the ongoing investigation, WHHC may have breached the following regulations of the Building (Administration) Regulations:

- (a) Regulation 41(1): To give continuous supervision during the carrying out of the buildings work at the Site to ensure that the building works were carried out at the Site in accordance with the provisions of the Buildings Ordinance and the relevant regulations;
- (b) Regulation 41(4): To keep records of activities and information relevant to the supervision of the building works of the Site; and
- (c) Regulation 41(6): To retain the records and information required to be kept under Regulation 41(4) for at least 12 months after the submission of the certificate on completion of the final stage of the building works of the Site.

As set out in the Letter, the HK Buildings Department would consider to bring to the notice of the disciplinary board the above matters and take disciplinary proceeding against WHHC.

As at the Latest Practicable Date, no further action had been initiated by the HK Buildings Department against WHHC and Mr. Yu in respect of the Investigation.

### *View of our HK Legal Counsel*

As advised by our HK Legal Counsel,

- (a) If the Building Authority decides to bring such conduct to the notice of a disciplinary board, it may refer the names of the directors, officers, any person appointed to act for the body corporate for the purposes of the Buildings Ordinance and its partners to the disciplinary board for its consideration and action.

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- (b) Penalties: If, after due inquiry, the disciplinary board is satisfied that the registered contractor or the director or officer or the person appointed by the registered contractor to act on his behalf for the purposes of the Buildings Ordinance has been convicted or done an act or failed to discharge the duties or abide by the requirements mentioned in section 13 of the Buildings Ordinance, the disciplinary board may impose the following penalties:
- (i) order that 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) order that the registered contractor or the director, officer or person be fined in the case of building works (other than minor works), a sum not exceeding HK\$250,000;
  - (iii) order that the registered contractor or the director, officer or person be reprimanded;
  - (iv) in the case of a registered contractor who is a registered general building contractor or a registered specialist contractor, order that he be prohibited from certifying or carrying out any minor works commenced under the simplified requirements, either permanently or for such period as the disciplinary board thinks fit; or
  - (v) in the case of a registered contractor who is a registered general building contractor or registered minor works contractor, order that the contractor be prohibited from certifying any prescribed inspection, or certifying or supervising any prescribed repair, in respect of a window in a building, either permanently or for any period that the disciplinary board thinks fit.

In making an order in respect of a director, officer or other person appointed by a registered contractor to act on its behalf, the said disciplinary board may remove the director, officer or other person from any other company with respect to which he is registered under the Buildings Ordinance.

- (c) The Investigation is still at the preliminary stage. The presently available evidence is not sufficient for our HK Legal Counsel to form any substantive views at this stage. In light of the penalty options that the disciplinary board may impose, our HK Legal Counsel opines that it is still at a premature stage to give a realistic estimate of whether WHHC will be found to have breached Regulation 41 of the Building Regulations and whether it will be caught under Section 13 of the Buildings Ordinance when further information surrounding the subject incident is not available. That said, it is to be emphasised that the abovesaid penalties are all in civil nature. In other words, WHHC and its officer(s) will not be subject to any criminal liability in respect of this matter.

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- (d) Based on the limited information available, our HK Legal Counsel is of the view that the subject matter of the Investigation does not appear to involve wilful or gross negligence or fraudulent breach on the part of our Group. It appears to be a one-off incident. Subject to any evidence to the contrary, our HK Legal Counsel would opine such breach as immaterial non-compliances by our Group.

### *View of our Company and our Directors*

Our Company denies all of the above allegations made by the HK Buildings Department, on the basis that: (i) WHHC had observed its duties as a RGBC under the Buildings Ordinance; (ii) WHHC had provided photographs of the Site showing the condition of which during the carrying out of the Project; and (iii) WHHC did not take any photographs showing the condition of the Site before commencement of any work relating to the Project, as there was no reason to do so given the Site was cleared and it did not notice any unauthorised building works at the Site at the relevant time.

Our Directors, having considered the factors below, are of the view that the impact of the Investigation on our Group is minimal:

- (a) No disciplinary proceedings had been initiated by HK Buildings Department against WHHC and Mr. Yu as at the Latest Practicable Date;
- (b) Our Group is a contractor providing fitting-out services and repair and maintenance services in Macau. During the Track Record Period, all of the revenue of our Group was derived from its business activities in Macau. The Investigation, the potential disciplinary proceedings and penalty against WHHC will not affect our operation in Macau, and thus are not likely to have a material adverse effect on our overall business operation;
- (c) Notwithstanding that WHHC is a RGBC registered with the HK Buildings Department, we have no intention to expand our business presence in Hong Kong or undertake any material fitting-out works in Hong Kong. As at the Latest Practicable Date, we have no ongoing contracts nor have we undertaken to carry out any fitting-out works in Hong Kong. In view of the aforesaid, even if WHHC is suspended from the register as a result of disciplinary proceedings taken by HK Buildings Department, the impact on our Group's business development will be minimal;
- (d) Our Controlling Shareholders entered into the Deed of Indemnity in favour of our Company, pursuant to which our Controlling Shareholders jointly and severally indemnify our Group for, among others, any liabilities, costs and fines suffered by our Group arising from this incident. As such, there will not be any material adverse impact on the financial condition of our Group; and
- (e) Our HK Legal Counsel advised that, even if WHHC and Mr. Yu are found liable to the alleged breach, WHHC and Mr. Yu will not be subject to any criminal liability.



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### ENVIRONMENTAL COMPLIANCE

#### Environmental compliance measures

Our Directors believe that we are environmentally responsible in meeting customers' demand and at the same time society's expectation in maintaining a healthy living and working environment. We are highly concerned about the impact of our business on the environment. To mitigate such effect, we have formulated an in-house environmental policy that contains environmental protection guidelines on chemical management, sewage management, waste management and noise management for our employees and subcontractors. Some of the guidelines are set out below:

Area	Environmental protection guidelines
Chemical management	<ul style="list-style-type: none"><li>● Store all the chemicals in particular locations.</li><li>● Ensure that chemicals are not disposed of in sewers to avoid water supply contamination.</li><li>● Use low volatile organic compound coatings to reduce emission of exhaust gas.</li></ul>
Sewage management	<ul style="list-style-type: none"><li>● Avoid discharging unprocessed sewage into storm water drainage.</li><li>● Ensure the sedimentation tanks are filtered and processed before discharging into sewers.</li></ul>
Waste management	<ul style="list-style-type: none"><li>● Ensure all construction wastes are classified before disposal.</li><li>● All building waste is transported to designated landfills by qualified transportation companies.</li></ul>
Noise management	<ul style="list-style-type: none"><li>● Turn off machines or turn down the operating speed of machines during breaks.</li><li>● Relocate machines to less noise-sensitive places.</li><li>● Use sound-proof covers or noise barriers or quiet device.</li></ul>

During the Track Record Period, we did not incur any material costs in relation to compliance with applicable environmental laws and regulations.

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### LITIGATION

As at the Latest Practicable Date, our Group was not involved in any litigation, arbitration or claim of material importance. In addition, our Directors are not aware of any litigation, arbitration or claim pending or threatened by or against us which may have a material adverse effect on our business, financial condition or results of operations.

### OUR EMPLOYEES

#### Number of employees by function

As at 31 December 2015, 2016, 2017, 2018 and as at the Latest Practicable Date, we had 36, 37, 57, 80 and 80 full-time employees who were directly employed by us in Macau, Hong Kong and the PRC. The following table sets out the number of our full-time employees who were directly employed by us in Macau, Hong Kong and the PRC by their functional role:

	As at 31 December				As at Latest Practicable Date
	2015	2016	2017	2018	
Functional role	Number of employees	Number of employees	Number of employees	Number of employees	Number of employees
Directors	2	2	3	3	3
Senior management	1	1	1	2	2
Project management	20	21	35	49	49
Quantity surveying	7	6	9	16	16
Accounting, human resources and administration	6	7	9	10	10
Total:	<u>36</u>	<u>37</u>	<u>57</u>	<u>80</u>	<u>80</u>

#### Relationship with our staff

Our Directors consider that our Group has maintained good relationship with our employees. We did not experience any significant disputes with our employees or disruption to our operations due to labour disputes nor had our Group experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel during the Track Record Period.

#### Recruitment policy

We generally recruit employees through placing advertisements through open market. We make effort to attract and retain appropriate and suitable personnel to serve our Group. We assess the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group.

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### Training and remuneration policy

We provide various training to our employees and sponsor our employees to attend various training courses, such as those on occupational health and safety in relation to our work. Such training courses include our internal training as well as courses by external parties.

The remuneration packages we offer to employees include salary and discretionary bonuses. In general, we determine employees’ salaries based on each employee’s qualifications, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of determining salary raises, bonuses and promotions.

### PROPERTIES

#### Leased properties

As at the Latest Practicable Date, we had leased 10 properties in Macau, 3 properties in Hong Kong and 1 property in the PRC that are material to our business operation, details of which are set out below:

No.	Address	Usage	Approximate size	Term	Rental type
1.	Alameda Dr. Carlos d’Assumpção, Nos 258, Praça Kin Heng Long-Heng Hoi Kwok, Kin Fu Kuok, F16, G16, H16, Macau	Office	787.2 sq.ft. per unit	From 1 November 2016 to 31 December 2020	<p>From 1 November 2016 to 31 December 2018: HK\$40,500 per month for all three units</p> <p>From 1 January 2019 to 31 December 2019: HK\$43,740 per month for all three units</p> <p>From 1 January 2020 to 31 December 2020: HK\$47,239 per month for all three units</p>


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No.	Address	Usage	Approximate size	Term	Rental type
2.	Alameda Dr. Carlos d'Assumpção, Nos 258, Praça Kin Heng Long-Heng Hoi Kwok, Kin Fu Kuok, K11, Macau	Office	1,342 sq.ft.	From 1 June 2018 to 31 May 2021	From 1 June 2018 to 31 May 2020: HK\$18,800 per month  From 1 June 2020 to 31 May 2021: HK\$20,680 per month
3.	Rua de Roma, Nos 51-69, Praça Kin Heng Long-Heng Hoi Kuok, Kin Fu Kok, Rés-do-chão, "Ar/c", No 55, Macau	Carpark	124.4 sq. ft.	From 12 February 2019 to 11 February 2020	HK\$2,200 per month
4.	Alameda Dr. Carlos d'Assumpção, Nos 238-286, Praça Kin Heng Long-Heng Hoi Kwok, Kin Fu Kuok, No. 87, Macau	Carpark	124.4 sq. ft.	From 6 December 2018 to 5 December 2019	HK\$2,200 per month
5.	Alameda Dr. Carlos d'Assumpção, Nos 238-286, Praça Kin Heng Long-Heng Hoi Kwok, Kin Fu Kuok, No. 134, Macau	Carpark	124.4 sq. ft.	From 13 December 2018 to 12 December 2020	HK\$2,200 per month
6.	Alameda Dr. Carlos d'Assumpção, Nos 238-286, Praça Kin Heng Long-Heng Hoi Kwok, Kin Fu Kuok, No. 176, Macau	Carpark	124.4 sq. ft.	From 13 December 2018 to 12 December 2020	HK\$2,200 per month
7.	Travessa De Venceslau De Moraes, Nos 29, Centro Industrial de Macau, 14, Andar D, Macau	Warehouse	3,837.3 sq.ft.	From 5 September 2017 to 4 September 2021	From 5 September 2017 to 4 September 2019: HK\$21,500 per month  From 5 September 2019 to 4 September 2021: HK\$24,725 per month
8.	Rua Da Perola Oriental Nos 97, 19, Andar B Macau	Staff dormitory	1,401.4 sq.ft	From 23 March 2018 to 22 March 2020	HK\$15,000 per month
9.	Rua Nora Da Areia Preta Nos 561, The Bayview, 30, Andar B, Macau	Staff dormitory	1,298.0 sq.ft	From 1 August 2018 to 31 July 2019	HK\$15,000 per month

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No.	Address	Usage	Approximate size	Term	Rental type
10.	R.1 de Maio Nos. 352, La Cite, Block 4, 18, Andar IVE, Macau	Staff dormitory	1,643 sq.ft	From 20 June 2018 to 19 June 2020	HK\$14,500 per month
11.	Workshop No. 2 on 5th Floor, Honour Industrial Centre, Chai Wan, No. 6 Sun Yip Street, Hong Kong	Showroom, storage and ancillary office	1,316 sq.ft.	From 15 March 2018 to 14 March 2020	HK\$19,000 per month
12.	Workshop No. 17 on 6th Floor, Honour Industrial Centre, No. 6 Sun Yip Street, Chai Wan, Hong Kong	Showroom, storage and ancillary office	1,290 sq.ft.	From 1 June 2018 to 31 May 2020	HK\$18,500 per month
13.	Workshop No. 13 on 24th Floor, Honour Industrial Centre, No. 6 Sun Yip Street, Chai Wan, Hong Kong	Showroom, storage and ancillary office	1,430 sq.ft.	From 1 July 2018 to 30 June 2020	HK\$22,000 per month
14.	Room No. 1011-1, 10/F, Ming Men Da Sha, 2188 Yingbin South Road, Xiangzhou District, Zhuhai City, Guangdong Province, the PRC	Office	941.0 sq.ft.	From 10 June 2018 to 9 June 2019	RMB5,246 per month

## INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we have registered our trademark  in Macau, Hong Kong and the PRC. We have also registered one domain name, which is currently used by our Group.

As at the Latest Practicable Date, we have not received any material claims against us for infringement of any intellectual property rights nor were we aware of any pending or threatened claims in relation to any such infringement, nor had any material claims been made by us against third parties in relation to the infringement of our intellectual property rights.

Please refer to the paragraph headed “B. Further information about the business of our Group – 2. Intellectual property rights” in Appendix IV to this document for further details of the registration of our trademarks and domain name.